

Chapter 11

Private Higher Education in India: Expansion, Costs, and Financing



Malathy Duraisamy

Abstract Indian higher education has witnessed a massive expansion over the past two decades. The phenomenal expansion of Indian higher education can be attributed to surge in demand for higher education as a result of increase in income levels of the population and augmented supply of private providers. The share of private-unaided institutions has steadily increased while the share of private aided and government colleges declined in this century. The enrolment in private-unaided institutions has increased during the same period and the enrolment in private aided and government colleges declined. This chapter analyses implications of the rapid growth of private sector for quality, disciplinary balance, disparity between regions and inequality among social groups. The chapter shows that growing participation of private sector has direct bearing on sharing of costs of higher education through cost recovery measures in public institutions and in unaided self-financing institutions. These measures which moved from state to the market reforms have increased financial burden of the households.

Keywords Expansion of higher education · Private-unaided institutions · Growth of private sector · Cost recovery measures · Private cost of higher education · Growth of private sector

Introduction

Higher education worldwide has been witnessing a rapid expansion with enrolment growing at a rapid pace. This massive expansion is also seen in the two most populous countries of the world namely India and China. The Indian higher education system is the second largest in the world with an enrolment of 28.6 million and China, with student enrolment of 34.1 million, occupies the top slot. US is in the third position with an enrolment of 20.0 million, whereas in UK, the enrolment is just 2.4 million. Notably, India and China recorded a three and fourfold increase in enrolment in

M. Duraisamy (✉)

Department of Humanities and Social Sciences, Indian Institute of Technology, Chennai,
Tamil Nadu 600036, India
e-mail: mdurai@iitm.ac.in

higher education during the period 1999–2012, thus accounting for the largest rate of increase in enrolment in Asia (Sanyal, 2015).

Higher education in India is gradually moving from an elite to mass access. The spiralling enrolment is the outcome of economic and demographic factors, namely (i) increase in demand for higher education due to economic growth and a surge in income levels of the population leading to higher aspirations among the growing middle class; (ii) growing demand for workforce with knowledge and skills created especially through higher education due to integration with the global economy and labour mobility; (iii) the demographic bulge caused by growth of youth population in the age group of 18–24, and (iv) rising returns to higher and technical education in the labour market (Duraisamy, 2002). Importantly, the increase in demand for higher education has been met not by the public institutions but by the private universities and colleges, especially the newly established private self-financing institutions. This trend has been facilitated by the liberal policy of the government in granting approvals for establishing private self-financing institutions. This is because the government was unable to increase budgetary allocation to the extent required to cope with the rising demand for college education. Needless to say, the increase in private participation in higher education is not unique to India, rather it has been observed as a worldwide phenomenon (Sanyal, 2015).

While widening access to higher education is indeed a redeeming feature, it has transformed the structure of Indian higher education system from a dominant public and private-aided colleges and universities to a large and growing category of private-unaided institutions. Higher education being a costly pursuit, particularly professional and technical education which are catered by the private sector, it has led to a conflict of access with funding and equity, and this raises several issues: What is the impact of the entry of more private institutions on the cost and affordability of higher education? How do the private and publically funded institutions raise the required funds, that is, how do these institutions recover the cost of providing education? How does it affect the financing pattern of the state and the households? This chapter focuses on these issues.

This chapter is organised as follows. Section ‘[Growth of Private Higher Education in India](#)’ provides a brief account of the growth of Indian higher education focusing on the changes in the recent decades, that is, the increasing share of private sector in Indian higher education is brought out. Section ‘[Private Cost of Higher Education](#)’ explores the change in the private cost of higher education, and the relationship between costs and privatisation is also examined. Section ‘[Cost Recovery and Financing of Higher Education](#)’ discusses the cost recovery mechanism adopted by the public funded and private-unaided institutions in the light of the shrinking public funding for higher education. Section ‘[Conclusion](#)’ presents some concluding observations.

Growth of Private Higher Education in India

Participation of private sector in higher education in India prevailed even during the British Era when private providers took the lead in starting colleges and schools. These institutions were then established primarily to promote English education and train Indians for government jobs and to work as interpreters. There were 21 colleges, mostly run by private philanthropic and religious organisations, even before the first three universities were set up in 1857 in Calcutta, Bombay, and Madras. Subsequently, more colleges, mainly liberal arts and science, were founded by the British government to promote higher education in India. At the time of independence, there were 19 universities and 496 colleges with an enrolment of 237,546 students. After independence, both the Central and State governments introduced grants-in-aid system to fund the private colleges, and this enabled the governments to exercise greater control over the private institutions. These public-funded private on situations became private-aided colleges.

There was a steady growth of colleges and universities during the 1950s and 1960s but the growth momentum slowed down in the 1970s. There were 102 universities and 3277 colleges in 1970–71, respectively. The government and private-aided institutions were the main providers of higher education until 1980 and the private-unaided sector entered the scene in a big way after that. The number of universities and colleges increased to 132 and 4788 in 1980–81 and to 185 and 5748 in 1990–91 (Duraismy, 2008). The country also witnessed a spectacular increase in professional and technical education institutions beginning mid-1990. With this, the number of universities and colleges increased to 254 and 10,152, respectively, in 2000–01 and thereafter to 864 universities and 40,026 colleges in 2016–17. The huge expansion led to excess capacity in certain disciplines such as engineering and technology, management among others, thus creating disciplinary and regional imbalances. One of the major causes for such distortions among disciplines is the absence of organised counselling and guidance and intelligent mentoring of the learners (Anandakrishnan, 2010).

The student enrolment was a meagre 0.25 million at the time of Independence. However, it has seen a rapid increase since 1950–51. The number of students enrolled in regular courses in universities and colleges (excluding polytechnics, other diploma awarding institutions, and non-formal system of higher education) increased from 2.9 million in 1980–81 to 4.9 million in 1990–91, to 8.3 million in 2000–0, to 18.7 million in 2010–11 (Duraismy, 2015). As of 2016–17, 35.7 million students are enrolled of whom 31.6 million are enrolled in regular programmes and another 4.1 million students are under the distance education programmes which constitutes about 11.5% of the total enrolment in the academic year 2016–17. Girls constitute 46.8% of total enrolment thus lagging behind that of boy students (AISHE, 2017). This is in sharp contrast to many developed countries where the female enrolment in higher education surpasses that of males.

The Gross Enrolment Rate (GER) which was a meagre 1.5% in 1960–61 increased to 4.2% in 1970–71 and to 4.7% in 1980–81. A spurt in growth of student enrolment is observed since 1990s, which has raised the GER to 11.6% in 2005–06 and to 25.2% in 2016–17.

Data higher education institutions by type of management and enrolment in private institutions are not available for the years prior to 2000–01, and hence, it is hard to trace the growth of private sector higher education in India. However, the private institutions established prior to 1980 were mostly private-aided universities and colleges. Since then, due to the inability of the government to cope with the increasing demand for higher education, the public and private-aided colleges and universities started offering self-supporting courses and then this made way for the entry of private self-financing colleges and deemed-to-be universities to cater to the growing demand. The expansion of higher education has taken place mainly in the professional and technical disciplines such as medicine (allopathy, dentistry, pharmacy, nursing, etc.), engineering and technology, management, teacher education, etc., besides commerce, management, information technology, and computer-related degree programmes in the liberal arts and science colleges and universities. Although Indian law does not permit the setting up of ‘for-profit’ universities and educational institutions, the neo-liberal private institutions manage to generate an operational surplus which has been used partly to further expand their educational activities and partly for their own personal use.

The change in the structure of the universities from 2006–07 to 2016–17 is given in Table 11.1. As we notice, the number of universities and colleges more than doubled during this period. The growth in number of central universities and state private universities is remarkable. The growth of deemed-to-be universities has stagnated due to poor performance of these institutions and more stringent norms stipulated by UGC to prevent low-quality institutions emerging as deemed-to-be universities. It is noteworthy that with only 11 private state universities in 2006–07, more than 233 came into being by March 31, 2016. As of 2016–17, there are 864 higher education institutions which includes 45 central, 122 deemed-to-be public and private universities, 358 state public, 244 state private, 100 institutions of national importance, and 5 institutions under Special State Legislature Act and 40,026 colleges. The private-unaided institutions constitute about 43% of the total universities in India.

The trends in growth of colleges by type of management is shown in Fig. 11.1. It can be noticed that the growth of government and private-aided institutions exhibited a slow phase of growth while the private-unaided institutions experienced a high growth during the period 2000–01 and 2014–15. The number of government colleges increased from 4340 to 9095 while the private-aided colleges rose from 5503 to 5708 during the period. At the same time, the number of private-unaided colleges increased steeply from as low as 3229 in 2000–01 to 23,252 in 2014–15 which constitutes about two-thirds of the colleges in this country.

The trend in the student enrolment in colleges by type of management is given in Fig. 11.2. The growth in student enrolment also follows a pattern similar to that observed in the case of growth of institutions. Although enrolment has been on an uptrend in all the three types of institutions, the expansion in private-unaided

Table 11.1 Growth in number of higher education institutions by type, 2005–06 and 2015–16

| S. No. | Type | 2006–07 | 2016–17 |
|--------|---|---------|---------|
| 1 | Central universities | 24 | 45* |
| 2 | State universities | 232 | 358* |
| 3 | State private universities | 11 | 244 |
| 4 | Public and public-aided deemed-to-be universities | 114 | 43 |
| | Private deemed-to-be universities | | 79 |
| 5 | Institutes of national importance | 13 | 100 |
| 6 | Institutions setup by State Legislature | 5 | 5 |
| | Total | 399 | 864 |
| 7 | Colleges | 18,500 | 40,026 |

*Includes Open University

Source Agarwal (2009), Duraisamy and Duraisamy (2016) and AISHE (2017)

Note Number of institutions as on March 31, 2006 for 2005–06 and March 31, 2017 for 2016–17

*Includes Open University

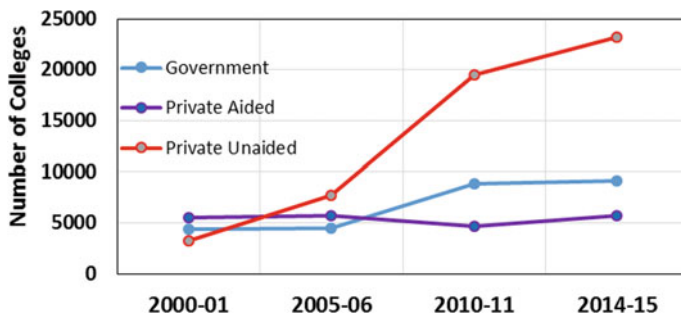


Fig. 11.1 Trends in the growth of colleges by type of management. Source Agarwal (2009) for 2001–01 and 2005–06; AISHE for 2010–11 and 2014–15

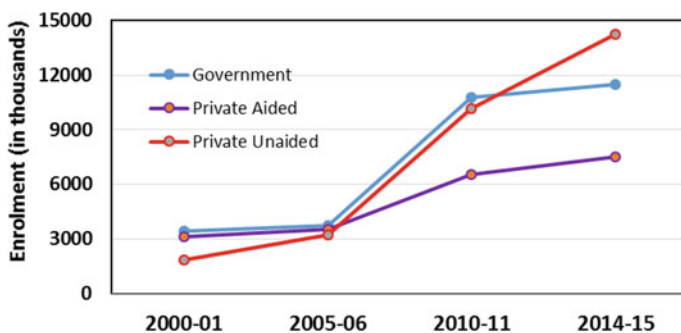


Fig. 11.2 Trends in student enrolment by type of management. Source Agarwal (2009) for 2001–01 and 2005–06; AISHE for 2010–11 and 2014–15

institutions far exceeds that in the government and private-aided institutions. That is, enrolment in private-unaided institutions increased from 1.8 million in 2000–01 to 14.2 million in 2014–15 while the enrolment in government colleges increased from 3.5 to 11.5 million, and in private-aided colleges, it recorded a rise from 3.1 to 7.5 million during the same period. The private-unaided sector accounted for 43% of the total enrolment in the year 2014–15 which does not include the enrolment in self-financing degree programmes of the government and private-aided colleges (See Duraisamy & Duraisamy, 2016 for a discussion on the share of private aided and unaided institutions and enrolment in them).

A related question is: What are the reasons for the growth of the private sector? The National Sample Survey (NSS) 71st round (2014) on participation in education provides some interesting information on this. The data show that 63% of the students in graduate and above courses enrolled in private institutions because of the following reasons related to access to and quality of government institutions: non-availability (21%), unable to get admission (32%), and poor quality (10%). About one-third (32%) of the students reported that the private institutions provide better environment. Thus, the inadequate supply of public institution seems to be the main factor which pushed students into private institutions.

The issues relating to privatisation and increased private sector entry into higher education have been widely discussed (Tilak, 2014; Varghese, 2012). No doubt that the entry of private provider has helped to increase the access to higher education, that is, it has enabled a larger section of society to undertake higher education. The private sector has also helped to increase the share of professional and technical personnel, which has enabled the country to strengthen its pre-eminence in the IT and IT-related services and also increased the mobility of scientific and technical manpower.

The growth of the private sector has escalated the problems relating to governance and regulation. The increase in access has been at the expense of quality and most of the private-unaided institutions lag behind the minimum requirement of infrastructure and faculty qualification. This has resulted in unemployable graduates. The growth of the private sector has widened the disparity among regions, disciplines, and socio-economic groups of the population. The governance of the higher education system has become more complex, and in turn, this has led to the failure of the regulatory authorities.

More importantly, the self-financing private institutions charge a high fee on the users and this imposes a huge burden on students, especially those from socially and economically disadvantaged sections of the community. Some of these issues are discussed below.

Private Cost of Higher Education

The expansion of higher education in India traced above points to significant developments in the higher education landscape, namely spiralling enrolment accompanied

by the phenomenon of privatisation. Privatisation has taken place in two ways (i) the rapid increase in the number of private institutions and enrolment in them and (ii) privatisation within the public institutions, that is, certain programmes offered on self-financing mode. This move can be seen as a positive way of responding to the growing demand but the flip side is that this comes at a cost, namely high fee imposed on the users. Thus, the impetus to privatisation needs to be carefully examined both in terms of its impact on private household cost as well as on the quality of education delivered.

Individuals and households do incur expenditure on education even when it is subsidised as in public and private-aided institutions. However, what privatisation has done is to shift a substantial burden of expenditure from the state to the households. This section is devoted to examining the trends in household spending on higher education, the components of expenditure and its variation by type of programme and institutions, and across states. A note of caution is that what we refer to as private household costs are only direct out-of-pocket expenditures incurred, and this does not take into account the opportunity cost (foregone earnings) which may be quite substantial in the case of higher education. Nevertheless, we use expenditure and cost synonymously.

First, we consider changes in the private unit cost of higher education from 1995 to 2014 for which data are taken from three 'participation in education' surveys of the NSSO, namely 52nd (1995–96), 64th (2007–08) in 2007, and 71st (2014) rounds.

Table 11.2 and Fig. 11.3 presents the trends in unit private cost of higher education measured by household out-of-pocket expenditure per-student per annum. The average private cost of higher education (includes all post-higher secondary education) has increased from Rs. 2923 in 1995–96 to Rs. 7369 in 2007–08 implying a twenty five-fold increase in cost. When we classify cost by type of education, we notice that the average cost of general education has increased 7.5 times over the two decades from Rs. 904 in 1996 to Rs. 6788 in 2014, which is indeed quite high. Data on technical/professional and vocational education are readily available only for the last two rounds of survey and these indicate that the cost of these two educational streams has almost doubled within a period of six years, that is, from 2007–08 to 2014.

Table 11.2 Trends in average private cost of higher education by general and technical education (in Rupees)

| Year | Above higher secondary | General education | Technical/professional (excluding vocational) | Vocational education |
|---------|------------------------|-------------------|---|----------------------|
| 1995–96 | 2923 | 904 | – | – |
| 2007–08 | 7360 | 2461 | 32,112 | 14,881 |
| 2014 | – | 6788 | 62,841 | 27,676 |

Note Indicates comparable data not available

Source National Sample Survey (NSS) data, various years

It would be interesting to look at various components of educational expenditure incurred by households. As can be seen from Figs. 11.4 and 11.5, tuition and other fees constitute about three-fourths of the total spending, and we observe that this dominant component has increased from 73% to 77% over the period 2008 to 2014. This can be taken as a clear indicator of the shift in costs from the government to the household and the cost sharing/recovery by institutions.

While the privatisation trend has expanded the reach of higher education to a larger section of the eligible population as evident from the enrolment trends, it is equally pertinent to investigate access from an equity perspective. We do this by analysing

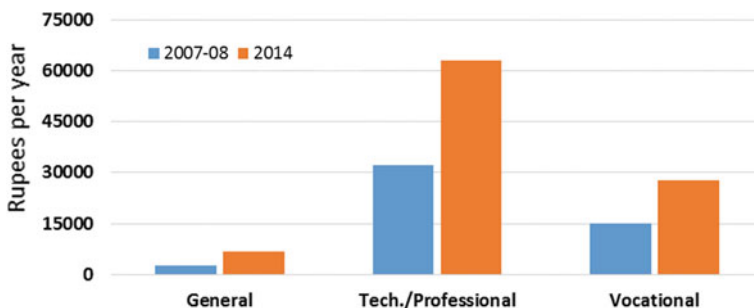


Fig. 11.3 Household per-student expenditure on higher education, 2007–08 and 2014. *Source* NSSO, 71st round (2014)

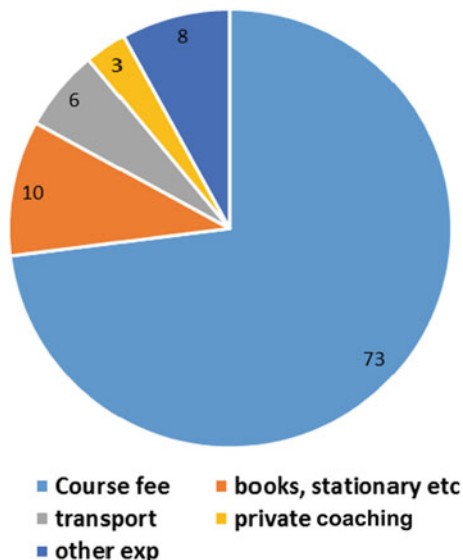
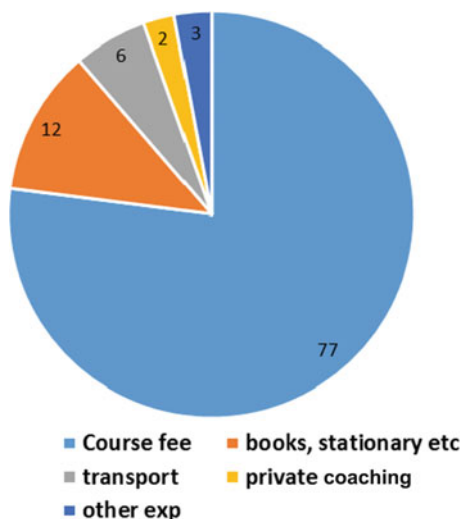


Fig. 11.4 Components of private expenditure on higher education, 2014. *Source* NSSO, 71st round (2014) and 64th round (2007)

Fig. 11.5 Components of private expenditure on higher education, 2007–08. *Source* NSSO, 71st round (2014) and 64th round (2007)



the distribution of cost across household income percentiles. The variation in the cost of higher education by income levels measured by monthly per-capita consumption expenditure (MPCE) percentiles for rural and urban sectors are exhibited in Fig. 11.6. The following observations that: (i) the per-capita expenditure increases rather slowly up to the 90th percentile and sharply in the last percentile and a similar pattern is observed for both the rural and urban sectors; (ii) on average, rural households spend lower than urban households at every income percentile but the gap is very small almost up to the median and widens thereafter, and is particularly large beyond the 90th percentile. The figure shows absolute differences and in order to bring out the magnitude of the difference between the highest and lowest income groups within and between the two sectors, we use a relative measure by taking the ratio of household expenditure—P90/P10—for the two sectors. We find that the households in the top 10 percentile spend 2.8 and 4.1 times over those in the bottom 10 percentile in rural and urban sectors, respectively. This provides clear evidence of inequity in the distribution of burden of household expenditure on higher education. This needs to be further investigated as to whether the difference is due to a difference in the enrolment share of private and government institutions in these areas or differences in the type of course taken, etc.

Private Cost of Higher Education by Type of Management

The amount of spending by households can vary by the type of institution attended by their wards whether managed and funded by the government (wholly public), or aided by government but privately managed (partially private or private-aided), or privately managed and financed (wholly private or private-unaided). Table 11.3 reports the

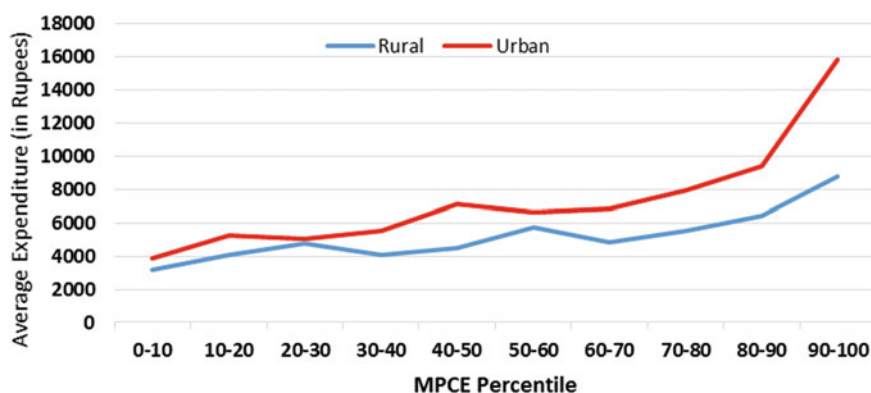


Fig. 11.6 Average expenditure by MPCE percentile, 2007–08. *Source* NSSO, 64th round (2007)

difference in the cost of education by type of management in rural and urban sectors. For deeper insights, we present finer classifications of household per-student cost by the level of education, type, and discipline.

It is well known that private institutions charge more than public institutions and the data shows no surprises. As expected, there is a sharp rise in household cost as we move from government to partially and to wholly private institutions,

Table 11.3 Average cost of higher education by sector, level, type of education, and management, 2014

| Educational level, type, and discipline | Rural | | | Urban | | |
|--|------------|---------------|-----------------|------------|---------------|-----------------|
| | Government | Private-aided | Private-unaided | Government | Private-aided | Private-unaided |
| <i>General education</i> | | | | | | |
| Graduate | 8753 | 11,730 | 17,093 | 11,560 | 16,993 | 26,380 |
| Post graduate and above | 11,403 | 14,224 | 25,372 | 13,580 | 20,978 | 29,661 |
| Diploma | 10,603 | 14,935 | 20,976 | 12,184 | 19,059 | 46,445 |
| <i>Technical and professional</i> | | | | | | |
| Medicine | 57,292 | 76,383 | 91,391 | 72,636 | 99,468 | 148,510 |
| Engineering | 40,828 | 61,516 | 69,439 | 43,418 | 74,291 | 83,443 |
| Management | 39,511 | 60,548 | 69,473 | 46,050 | 62,778 | 121,150 |
| IT/Computer courses | 27,094 | 36,401 | 43,453 | 29,718 | 54,976 | 59,626 |
| ITI and recognised vocational institutes | 13,675 | 30,872 | 30,598 | 14,508 | 33,567 | 39,166 |

Source NSSO 71st round, 2014

and this cost difference is borne out by the data for both rural and urban areas (particularly steep in urban areas). Household cost also varies markedly by disciplines with professional education being costlier than general education and medicine turns out to be the costliest pursuit. The average household cost thus ranges from about Rs. 8,750 to 57,300 by type of disciplines in government, Rs. 11,700–76,400 in private aided and 17,000–91,000 in private-unaided institutions for rural households. The corresponding variations for urban households are: Rs. 11,500–72,600, 17,000–99,500, and 26,400–1,48,500 across general and professional streams in the three types of institutions. This is indeed not a meagre amount and this is for educating only one person (student) for one year in the household.

The data are not very helpful to answer related questions as to why private-aided institutions should exhibit 30–40% higher costs than public institutions, though close to 90% of costs are met from public funds. It is perhaps due to fee-charging programmes and modes of delivery (evening or Shift II Colleges) adopted by aided institutions to raise revenue for infrastructure and to provide better facilities which are not funded by the government.

Private Cost of Higher Education by Region and Type of Management

The private cost of higher education varies markedly across the states which is shown in Fig. 11.7 for medicine. The private cost of medical education is over double that of government institutions in many of states. The ratio of cost in private to government institutions is the highest in Himachal Pradesh (5.3), followed by Tripura (3.9) and Puducherry (3.6) and is over twice as much in another 6 states. However, the cost in private institution is lower than government colleges/universities in Punjab which needs further investigation.

Figure 11.8 depicts the private cost of engineering education in government and private institutions. The cost difference is largest in Chandigarh (5.7 times) followed by Haryana (3.9 times), Puducherry (3.6 times), and Meghalaya (3.2 times). In a majority of the states, engineering students attending private institutions spent more than double that of public institutions and at the all-India level, the ratio is 1.8. Manipur is the only state in which household cost for public engineering education is higher than the private engineering education.

How do households meet the high cost of higher education, especially when their children enrol in private institutions? Although we do not have reliable data to address this question, casual observation and common knowledge suggest that many households cope by borrowing, selling off land and other assets, etc. Student loan has recently emerged as a source of financing higher education but such loans from commercial banks cover only a small fraction of about 8.5 % of all students (Duraismy & Duraismy, 2016). Many countries such as New Zealand, England, US, Australia, Korea, and Thailand among others have introduced income contingent

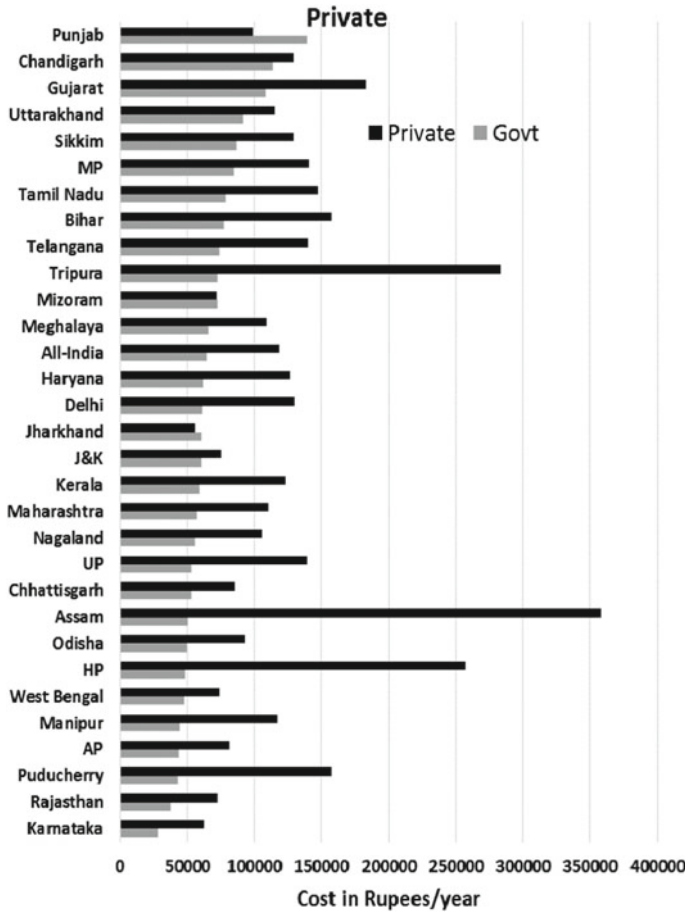


Fig. 11.7 Private cost of medicine: government versus private. Source NSSO 71st round, (2014)

student loans to mitigate the burden of increasing cost of higher education (Chapman et al, 2014). Educational loan as an alternative financing mechanism is still in its infancy, and we have a long way to traverse to expand its scope and coverage.

Cost Recovery and Financing of Higher Education

The issue of financing of higher education, state versus student/household, and alternative models of financing have been widely discussed (Chattopadhyay, 2016). In many European countries, the state is the sole or main provider of higher education, but this has been changing in the recent years. Many private universities had emerged even in countries such as France. In India, the State governments were the

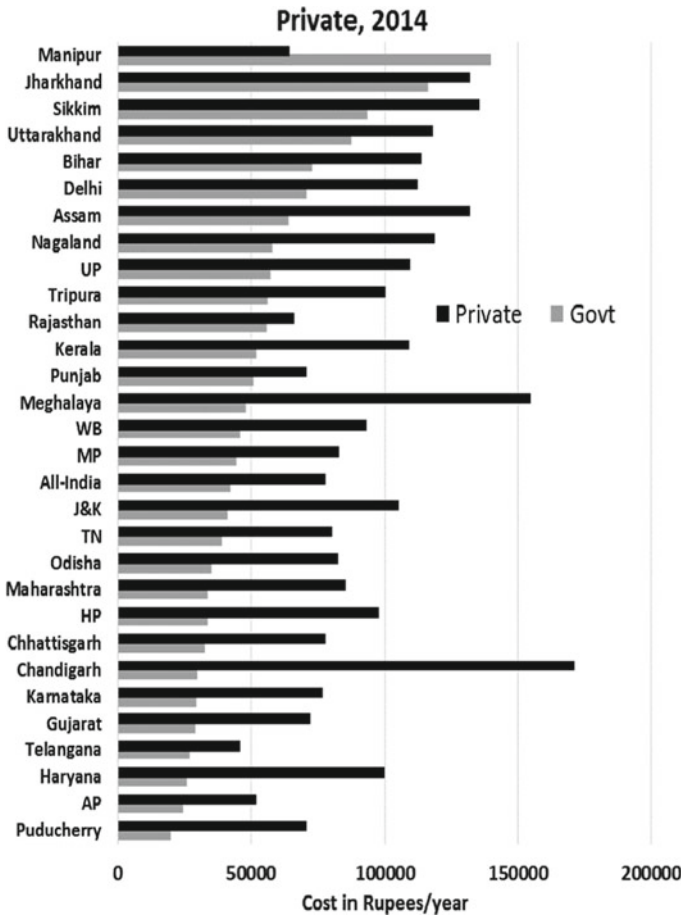


Fig. 11.8 Private cost of engineering: government versus private, 2014. *Source* NSSO 71st round, (2014)

main providers of higher education until the 1980s. The State governments unable to meet the surge in demand for higher education owing to financial constraints, reluctantly permitted self-supporting courses in public and private-aided institutions and subsequently approved the establishment of self-financing colleges. The UGC, with the approval of the government, permitted setting up of private (Deemed-to-be) Universities without any financial support and such universities proliferated during the 2000s. Due to the failure of these private deemed-to-be-universities to meet certain minimum level of quality and governance, the UGC tightened the norms for approving new institutions under this category which led to a decline in the number of universities established under this category in recent years. Recently, many State

governments have started approving State Private Universities through state legislatures. With the emergence of private universities and colleges, the burden of financing higher education in India has been shifted from the state to students and families.

A detailed analysis of the budgetary support to higher education will enlighten us on the financing pattern of Indian higher education. The public expenditure on education comes from both the Central and State governments. The major share of the funds is from the department of education of both the governments. However, the other ministries also spend on education by way of scholarships, establishing and operating hostels, and specialised universities/colleges relevant to their activities. The expenditures are incurred under both revenue account and capital accounts. In this study, we confine attention to annual revenue expenditure under plan and non-plan heads of higher education.

Figure 11.9 shows the trends in the revenue expenditure on higher education in current and constant prices and their ratio to GDP since 1980–81. Higher education expenditure has increased from Rs. 484 crores in 1980–81 to Rs. 47,460 crores in 2013–14 (budget estimate) which implies a growth rate of 15% per annum. However, the growth rate comes down to 7.6% if we account for inflation. A more or less similar pattern is observed for growth of expenditure from 1995–96 to 2013–14. The share of higher education expenditure to GDP (in constant terms), depicted in Fig. 11.9 also shows an increase from 0.31% in 1980–81 to 0.48% in 2013–14. The growth of public expenditure was slow till 2000, and it started to increase thereafter, the growth rate accelerated from 2006–07. In the eleventh plan, the thrust was on establishing new centrally funded institutions (Bhushan, 2013). The major share of higher education expenditure is from the State governments, and this has come down from about 80% to 65% of the total expenditure on higher education.

The evidence given above does not support the view that public expenditure on higher education which has been declining. In fact, the growth in public expenditure

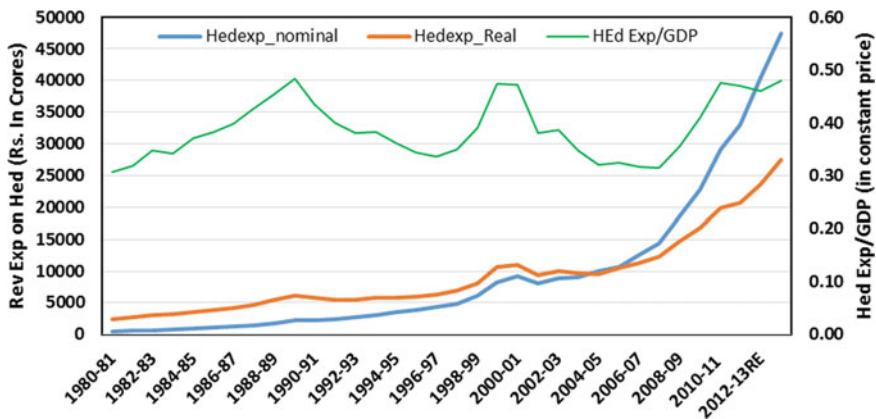


Fig. 11.9 Trends in higher education expenditure: nominal, real, and its share in GDP, 1980–81 to 2013–14. *Source* Analysis of budgeted expenditure on education 9 various years, Ministry of Human resource Development, New Delhi

has not been commensurate with the growth in enrolment. The government has been mainly funding the existing public and private-aided institutions. Most of the grants are just enough to meet the teachers' salary, and very meagre amount is allotted for maintenance of infrastructure and for consumables. In the interest of providing free education, the State governments do not give a free hand to institutions to charge tuition and other fees from students to generate additional resources to maintain the institutions. Under this circumstance, it would be interesting to examine the coping strategies adopted by the public-funded institutions to overcome the financial constraint.

Cost Recovery by Public and Private-Aided Institutions

The above discussion makes it amply evident that the public expenditure of both the Central and State governments on higher education has not kept pace with the rising student enrolments. Unable to meet the institutional expenditures, the state universities have been tapping alternative sources of revenue such as (i) offering self-financing programmes and (ii) conducting open and distance learning (ODL) programmes. The affiliating universities generate a surplus from affiliation fees paid by the colleges and research institutions, and examination fees collected from the students of the affiliated colleges. In a similar vein, the affiliated colleges, including government colleges, too run self-financing courses and a part of the maintenance expenditure is met out of the surplus from the self-financing programmes. Unfortunately, a vast majority of institutions are unable to tap other sources such as endowments and donations from alumni and the general public (Duraishamy & Duraishamy, 2016).

The private-unaided institutions recover the cost by way of student fees. The cost recovered is in excess of the actual expenditure incurred, including nominal returns on the initial investment made by way of land, building, furniture, books, equipment, etc. It is widely observed that the self-financing institutions manage to generate a surplus by paying low salaries to teachers which is just about 10–25% of UGC recommended pay scales. A large number of these institutions do not have the minimum required infrastructure as stipulated by the UGC and the affiliating universities.

Conclusion

The study has examined the expansion of private higher education in India and its implications for out-of-pocket expenditure of the households, public financing, and coping strategy adopted by the public and private-aided institutions to enhance their resources. There has been a steady increase in the number of higher education institutions as well as enrolment there-in since the mid-1990s. The private sector has

now become the dominant provider of technical and profession education. A majority of colleges, 78%, are privately managed of which 64% are private-unaided colleges. The share of private-unaided institutions has increased from 25% in 2000–01 to 64% in 2016–17 while the share of private-aided and government colleges declined from 42% to 14% and 33% to 22%, respectively. A similar trend is observed in the case of enrolment as well. The enrolment in private-unaided has increased from 22% in 2000–01 to 46% in 2016–17, and during the same period, the enrolment in private aided and government colleges declined from 37% and 41% to 21% and 33%, respectively.

The cost of education measured by household's out-of-pocket expenditure has increased both for general education by 7.5 times over the past two decade, whereas for technical education, it has doubled within six years which is quite high. The study also brings out the wide variation in the cost of higher education across disciplines, type of management, and across the Indian States. The cost of a private institution is over five-times in some states and in many states, it is twice of that in a public-funded institution. The evidence supports the hypothesis that the privatisation has led to an increase in the cost of higher education and thus the financial burden on the households.

The budgetary expenditure on higher education has been growing at the rate of 7.6% per annum (in constant terms). However, the increase in budget allocation is mainly used to defray the rising salaries of teachers in the existing institutions due to inflation and the pay rise granted by pay commissions once in 10 years. Due to the inability of the public-funded institutions to increase resources through fees, these institutions are unable to improve the infrastructure requirements and find resources for consumables. The coping strategies adopted by the public-funded universities are: (i) introduction of distance learning programmes, (ii) surplus generated through self-financing courses, and (iii) examination and affiliating fees. The public and private-aided colleges meet part of the maintenance expenditure through the surplus generated by running self-supporting programmes.

References

- Agarwal, P. (2009). *Indian higher education, envisioning the future*. SAGE.
- AISHE. (various years). *All India survey on higher education*. MHRD, Government of India.
- Anandakrishnan, M. (2010, August 14). *Higher education: Reforms and resistance* (Foundation Day Lecture delivered). National Council for Teacher Education (NCTE).
- Bhushan, S. (2013). Higher education in 12th plan: Paradigm shift in favour of 'for profit.' *Economic and Political Weekly*, 48(4), 17–19.
- Chapman, B., Timothy, H., & Joseph, E. S. (2014). *Income contingent loans: Theory, practice and prospects*. Palgrave Macmillan.
- Chattopadhyay, S. (2016). New models of financing higher education: Cost recovery, private financing and student loans. In N. V. Varghese, & Garima, M. (Eds.), *India higher education report 2015* (pp. 333–351). Routledge.
- Duraisamy, P. (2002). Changes in the returns to education in India 1983–94: By gender, age-cohort and location. *Economic of Education Review*, 21(6), 609–622.

- Duraisamy, P. (2008). Enrolment forecast of higher education for inclusive growth in the 11th five year plan. In *Higher Education in India: Issues Related to Expansion, Inclusiveness, Quality and Finance*. UGC.
- Duraisamy, P. (2015). Quantitative expansion of higher education in India. In N. V. Varghese, & Garima, M. (Eds.), *India higher education report 2015* (pp. 65–96). Routledge.
- Duraisamy, P., & Duraisamy, M. (2016). Contemporary issues in Indian higher education: Privatization, public and household expenditures and student loan. *Higher Education for Future*, 3(2), 144–163.
- Ministry of Human Resource Development (MHRD). (various years). *Analysis of budgeted expenditure on education 9 various years*. Ministry of Human resource Development.
- National Sample Survey Organisation (NSSO). (1995–1996). *Participation in education, 1995–1996, 52nd round*. Ministry of Statistics and Programme Implementation, Government of India.
- National Sample Survey Organisation (NSSO). (2007–08). *India-Participation and expenditure in education, 2007–08, 64th Round*. Ministry of Statistics and Programme Implementation, Government of India.
- National Sample Survey Organisation (NSSO). (2014). *India: Social consumption—education survey 2014, 71st round*. Ministry of Statistics and Programme Implementation, Government of India.
- Sanyal, B. C. (2015, February 23–25). *Global trends in public-private partnership in funding higher education*. Paper presented in the International Seminar on Innovative Methods of Financing of Higher Education, National University of Educational Planning and Administration, New Delhi.
- Tilak, J. B. G. (2014). Private higher education in India. *Economic and Political Weekly*, 49(40), 32–39.
- Varghese, N. V. (2012). Private higher education: The global surge and indian concerns. In *India Infrastructure Report 2012: Private Sector in Education* (pp. 145–156). Rutledge.