

Occasional Papers

Series Editor: Kumar Suresh

Dynamics of Finances of Private Higher Educational Institutions in India

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National Institute of Educational Planning and Administration

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2021

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2021

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Occasional Paper 57
First Published – 2021 (3H)
(Reprographic Edition)

The Paper is the outcome of the research study financially supported by the National Institute of Educational Planning and Administration (NIEPA) under Grants-In-Aid Scheme (GIAS).

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Dynamics of Finances of Private Higher Educational Institutions in India[#]

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Abstract

India is credited with one of the largest tertiary education systems in the world and yet the country lags behind the rest of the world when it comes to the take-up of tertiary education. An interesting feature of this system is that 77.8% of the institutions providing higher education are privately owned. This study analyses the diversity of private universities in India by studying data from 40 institutions spanning 11 states in India. The analysis reveals that the institutions are considerably heterogeneous in terms of sources of finance, the pattern of income and expenditure, the relationship between cost and fees, and extent of support to students from weaker social and economic sections of India. Further, to get a deeper insight into the functioning of private higher education institutions, this study presents case studies of 4 specific institutions. The major finding of this study is that private higher education institutions still need to go a long way to provide access, affordability, equity, and quality that is at par with public-funded institutions of higher education. Further, the study provides policy recommendations to correct the key problems in privately funded educational institutions.

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[#] Paper is an outcome of the study conducted with the financial support under the Grants-In-Aid Scheme of NIEPA. We are also thankful the GIAS committee as well as members of research review committee for meticulously reviewing and approving the proposal of the study. Thanks are due to Professor N. V. Varghese for his support. Last but not the least we would also like to thank the Series Editor for his efforts in bringing out this paper under NIEPA Occasional Papers Series.

1. Introduction

One of India's competitive advantages is its demographic dividend. However, to reap the benefits of the demographic dividend the youth in the country must be provided with high quality and equitable education. India is credited with one of the largest tertiary education systems in the world yet only 10.6 %¹ of individuals in the age group of 15 years and above have completed a higher education degree. Not only is this extremely low compared to the standards followed worldwide, but it also exists with a gender gap of 5.1%². This indicates that India, despite its scale of the tertiary education system, is still in the early stages of massification of higher education and there is a need to create a system where all capable individuals get access to higher education. Further, the system needs to ensure equity so that the capable and talented individuals from the lowest strata of the society get access to livelihood enhancing higher education. In this regard, the public expenditure on education is the most basic indicator of the government's commitment to education. The expenditure on education as a share of GDP is used to measure the priority accorded to education by governments across the world. In India, the expenditure on education as a share of GDP has increased from 0.64 in 1950-51 to 4.38 per cent in 2016-17(BE) (MHRD, 2018). During the past decade, public expenditure on higher education increased by around four times, at current prices, and by more than two times in real terms. At the same time, the contribution of States and UTs to higher education (University and Higher Education + Technical Education) has averaged around 0.7 percent of GDP and the contribution of the Centre has averaged around 0.5 percent of GDP between 2007-2017³. Despite this, the government expenditure on education in India continues to be lower than the world average. In 2016, the UNESCO Institute for Statistics rated India's public expenditure on education lower than the global average of government expenditure on education.

The dominant role of the government in financing the higher education sector is waning and, at present, expansion of the sector does not rely heavily on public funds. This role reversal in financing higher education has taken place due to

¹ Authors' own calculations using Census of India data for 2011

² Authors' own calculations using Census of India data for 2011

³ Collected from Table 6, Analysis of Budget Expenditure on Education, MHRD

the government's measures such as privatisation of public institutions and the promotion of private universities in the sector (Varghese, 2013). From the 1980s onwards, some of the state governments initiated measures for cost-recovery and, in some instances, started self-financed courses in public institutions. With the liberalisation policies of the 1990s and the introduction of market-friendly reforms, privatisation of public institutions became an acceptable practice in India. However, the amount of fees to be levied in these universities and their equity implications are still topics of debate in India (Bhushan, 2010; Chattopadhyaya, 2007; Rani, 2002; Tilak, 2004). Many universities increased fees in the past two decades and in several cases, the share of the cost recovered surpassed 20 percent. Over the years, India has witnessed an unprecedented growth of private higher education institutions. According to the MHRD's All India Survey of Higher Education (2019), 66.4 percent of the enrolment in higher education in India is in private higher educational institutions. This trend indicates the willingness of the households to invest in higher education and, thus, a transfer of the incidence of the cost of higher education from public funds to the households. The mounting cost of education in recent years has eaten into a major part of the household budgets in India.

In the context of education scenario in India, before the 1990s, the private initiatives in higher education were taken up in two ways—firstly through private colleges and institutes formally affiliated to a university and secondly, through privately owned and managed colleges, institutes, and academies that conducted courses outside the purview of Indian universities. More than 80 percent of the higher education enrolment in India used to be in private affiliated colleges with their fee structure being stipulated by the government. Further, there were private institutions where the university was public but it had privately-managed affiliated colleges offering free and paid seats. Fees for the free seats were decided by the university while that for the paid seats were decided by the affiliated college. In the 1990s, many private higher education providers felt that the rules and regulations of the public authorities were too strict and restrictive. To escape these restrictive regulations and to attain the authority to award degrees, they sought deemed to be university status for private institutions. In this process, many private institutions became deemed to be universities (Agarwal 2007). The next stage in the evolution was the establishment of private universities. The private universities were

established within the regulations stipulated by UGC (UGC 2003a). These regulations required each private university to be established by a separate State Act and conform to the provisions of the UGC Act, 1956 (University Grants Commission, 2003).

Across the world, private higher education institutions have been classified in several ways. One of the earliest and most commonly used classifications of private higher education institutions (PHEIs) is as: (a) elite, (b) religious, and (c) demand-absorbing (Levy 1986). A more recent classification by Daniel C. Levy is as: (a) elite and semi-elite, (b) religious/ cultural, and (c) non-elite and demand-absorbing (Bjarnason et al. 2009).

In India, the structure of private higher education institutions is more complex. Broadly, we can classify these institutions into two types. The first category of private higher education institutions is made to run these institutions without any government funds. The second category of private higher education institutions is created to run institutions without any formally allocated direct government funds, but with some form of government fund or resources. The diversity of private higher education institutions needs to be studied thoroughly as recent years have witnessed rapid changes in their structures.

The paper, an outcome of research study attempts to examine the diversity of private higher educational institutions in India, analyse their pattern of finance and the relationship between cost and fees, and to make recommendations for introducing suitable changes in fee structure for ensuring access and equity in the private higher education sector.

The study is mainly based on primary data. Secondary data has been used to supplement and support the primary data. The universe of the study is private higher education institutions in India. The study involves different categories of private higher education institutions. There are considerable variations among these institutions in terms of sources of finance, the pattern of income and expenditure, the relationship between cost and fees, and the extent of support to students from weaker social and economic sections.

As per the objectives and research design, all the Indian states are covered in the study. A sample survey was conducted to study the diversity of private higher educational institutions. To study the diversity of private higher educational institutions, a survey of 40 private higher educational institutions across various Indian states was conducted. Our research team contacted around 250 institutions through emails and calls for gathering relevant information. A total of 40 institutions responded positively and participated in the survey. In effect, these 40 institutions can be considered to capture a fair amount of heterogeneity in private funded higher education institutions as they span 11 states covering northern, southern, eastern and western parts of India. Moreover, these institutions include private universities as well as private deemed to be universities.

To carry out an intensive investigation, case studies of four private higher education institutions— two private universities and two private deemed to be universities—were conducted and have been used as a research method in this study. The two private higher education institutions were selected from the northern part of India and the remaining two institutions were chosen from the southern part of India. These institutions were selected using purposive sampling method. Data was collected from officials, students, parents, and scholars in these institutions through interviews using open-ended questions, discussions, and interactions using structured questionnaires.

The paper is divided into 5 sections, including introduction on the first section. The second section looks at the diversity in the pattern of finance of higher education institutions. The third section presents the 4 case studies on the finances of private higher education institutions. The fourth analyses the challenges of access and equity in private higher education institutions. The fifth and final section concludes the study and provides policy recommendations.

2. Diversity in the Pattern of Finance of Higher Education Institutions

2.1 Evolution of Private Higher Education Institutions

Indian higher education system has witnessed considerable expansion and diversification in the post-independence India. The confluence of funding, cost compulsions, and rapid changes in the demand for technology-driven learning

innovation has redefined the design and structure of the higher education system. India has established several universities including technical universities, research institutions, professional and non-professional institutions to provide easy access to higher education for Indian citizens. Most of the universities and other higher education institutions were established using the funds granted by the government. However, today there are severe constraints on mobilising public funds to finance the expansion and diversification of the higher education system. This has led to the recent trend of bringing private institutions to meet the various challenges in the expansion of the higher education system.

India's economic reforms in 1991 and the opening of its markets to the global economy have resulted in attracting private funds in higher education. It is important to note that it was in the late 1990s that the concept of private financing was initiated. The first stage of private higher education institutions started with the granting of autonomous status to selected colleges. Establishing autonomous colleges has resulted in the diversification of education and enhancement of fund availability. Earlier, government fund was the only option available for expansion of higher education, but as a single source, it was inadequate to meet the growing demands in the education sector. Private self-financing colleges, universities and deemed to be universities filled this gap to some extent by offering a variety of courses. Under private financing, tuition fees, and other related expenditures are borne by the students. Many Asian countries introduced tuition fees and loans as a means of financing higher education (CABE, 2005). According to the concept of "New Public Management", market-oriented management of the public sector would provide greater cost efficiency without negative impact. Punnaya Committee (UGC, 1993) suggested cost recovery and income generation to a level of 15-25 percent of annual recurrent expenditure of the university. Similarly, the Swaminathan Committee (AICTE, 1994) suggested cost recovery from the students and levying an education cess on industries. A diversified higher education system offers facilities for education and training in a wide variety of subjects. Some autonomous colleges also started twinning programmes involving collaboration between two different educational institutions in different countries.

The 1980s and 1990s witnessed the establishment and fast expansion of self-financing private higher education institutions. The self-financing colleges, which are commonly known as capitation fee colleges (Tilak, 1993) are mostly for-profit private institutions. Andhra Pradesh, Karnataka, Tamil Nadu and Maharashtra led the private higher education (self-financing) revolution in India especially in technical and professional courses and have been catering to the demands of students all over India. Due to the strict rules and regulations in place for establishing private colleges and to get the authority to award degrees, deemed to be university status was sought for private institutions and thereafter many private institutions became deemed to be universities (Aggarwal, 2009).

At the time of Independence, there were only 20 universities in India. According to the figures released by the UGC in 2019, there are a total of 907 universities in India out of which 399 are state universities, 126 deemed to be universities, 334 private universities, and 48 central universities. There has been a significant increase not only in the number of institutions but also in enrolments and the number of teachers in educational institutions including universities and affiliated colleges.

2.1.1 Private Universities

The Private Universities Establishment and Regulations Bill was introduced in the Rajya Sabha in August 1995. The proposal for the establishment of self-financing private universities were supported by the Ambani-Birla Committee set up by Prime Minister's Council on Trade and Industry in 2000-01. The committee recommended encouraging the private sector to recover costs from students, but along with a provision of loans and grants to economically and socially weaker sections. Since 2002, several state governments have passed Private University Acts. Chhattisgarh took the lead in establishing the first-ever private university in India in 2001, followed by 97 more private universities in the same year (Varghese, 2013). Several other states such as Assam, Haryana, Himachal Pradesh, Gujarat, Odisha, Punjab, Uttar Pradesh, and Uttarakhand have also taken similar initiatives. Though the private universities were allowed to establish themselves within the regulations stipulated by the UGC Act, 1956 and were given unitary structure, the permission to set up off-shore campus and fees was supposed to be regulated by the UGC and

other concerned statutory bodies. Uttar Pradesh Private University ordinance 2019 was passed by the state cabinet on 18th June, 2019 and it is likely to be passed by the State Legislative Assembly. It has been proposed in the ordinance that land for the university cannot be sold, transferred or leased, though it can be mortgaged to a bank or financial institution for establishment of the university.

2.1.2 *Deemed to be Universities*

2.1.3

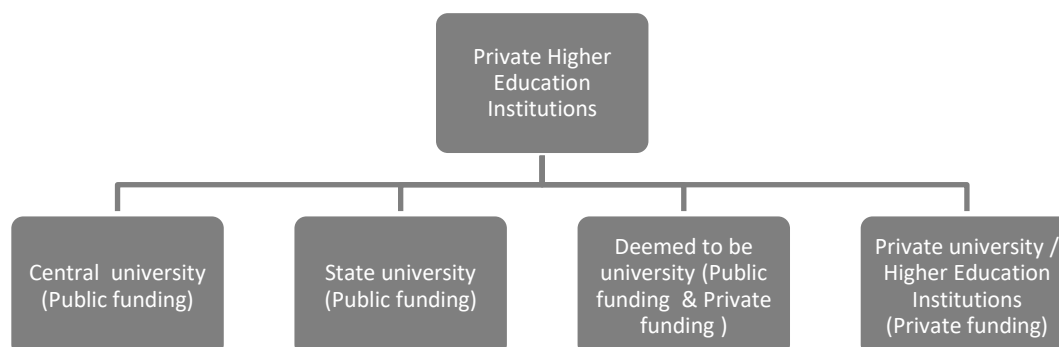
Under Section 3 of the University Grants Commission Act, 1956, high-performing institutions are declared as deemed to be universities by the central government. It is a status of autonomy granted to high performing institutes in India based on the recommendation by the University Grants Commission. The deemed to be university status allows full autonomy in setting course work and syllabus of those institutes and research centers but it also empowers the institutions to set their guidelines for the admissions, fees and instruction for the students. Deemed to be universities are allowed to award degrees under their name.

2.2 *Categories of Higher Education Institutions based on Funding*

Broadly, India has four categories of higher education institutions in terms of funding. As is shown in Figure 1, the first two categories comprise government-funded central and state universities. The third category—deemed to be university—has certain special features as it is funded either by the government or private entities. The fourth category includes private universities and other private higher education institutions that are funded by private entities.

Figure 1

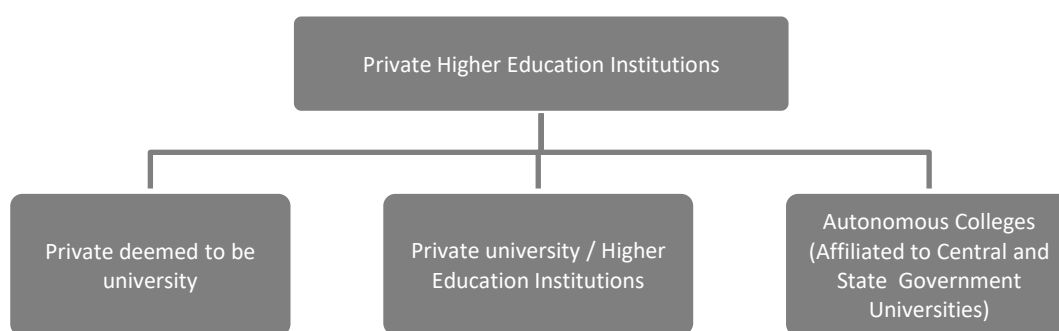
Types of Higher Education Institutions Reflecting Pattern of Finance



In India, the structure of private higher education institutions is complex. Broadly, these institutions belong to two categories. The first category consists of private higher education institutions that are set up and operated without any government funds. Under the second category, private higher education institutions are set up without any government fund but operated with the support of some form of government fund or other resources. Another classification based on their formation comprises private deemed to be universities, private universities, and private colleges as shown in Figure 2.

Figure 2

Categories of Private Higher Education Institutions



2.2.1 Establishment of Private Higher Education Institutions

The UGC (Establishment and Maintenance of Standards in Private Universities) Regulations, 2003, govern the establishment and regulation of private universities. The regulations require a university to be set up only through a separate State Act rather than an executive order and restrict the jurisdiction of the private university to the state wherein it is incorporated. A “sponsoring body” is anyone who wants to set up a private university and can do so through a non-profit entity – a society, trust, or a Section 25/ Section 8 company. In India, education is designated as a not-for-profit sector and hence is open to only philanthropic and religious organisations willing to abide by the aforesaid condition. Private universities can be established only through the legislative route. At present, there is no enabling legislation that allows private universities to be established at the central level. At the state level, 24 of the 28 states have enabling legislation for setting up private

universities. Private players can opt for one of three routes to set up an institute of higher education in India (Shah, 2015):

1. Private universities in a state through the legislative route: 24 States at present have passed the required legislation facilitating the establishment of a private university. States can have an umbrella Act for private universities as is the case in Haryana, a separate Act for each university with Uttar Pradesh as an example or have an umbrella Act as well as a separate Act for each university as is the case in Rajasthan.

2. Deemed to be universities: The Central Government on the recommendation of the UGC can grant deemed to be university status to private institutions. Two categories of private institutions are granted deemed to be university status – the general category institutions and de-novo category institutions. The general route applies to institutions with at least 15 years of standing and evidence of excellence in academics and research. The De-novo route on the other hand is adopted by institutions without 15 years of standing. However, these institutions are required to conform to stricter entry barriers in terms of infrastructural and academic requirements when compared to the institutions that opt for the general route. However, in comparison to private universities, institutions under the de-novo category enjoy greater operational and academic freedom. Further, deemed to be universities are governed only by UGC regulations. Hence, there is only a central component and no state component to the regulatory structure.

3. Private colleges affiliated to government universities: Private colleges can choose to be affiliated to government universities at the cost of enjoying the least freedom in terms of administration and academics. Each university specifies its own distinct rules for granting affiliation however the process of doing so is fairly similar among all universities. Private colleges can admit students only after seeking affiliation.

Professional courses, on the other hand, are managed by different regulatory/statutory bodies such as All India Council for Technical Education (AICTE), Bar Council India (BCI), Dental Council of India (DCI), Medical Council of India (MCI) and National Council for Teacher Education (NCTE) among others.

UGC Regulations, 2012 mandate that all higher education institutions be accredited by an accreditation agency and there are two accrediting institutions– namely the National Board of Accreditation (NBA) established by the AICTE and National Assessment and Accreditation Council (NAAC) established by the UGC.

2.2.2 Funds for Establishing Private Higher Education Institutions

As per the UGC, only a society or trust or Section 25 company/ Section 8 company can be a sponsoring body for setting up a private university. For-profit organizations cannot finance such ventures. The minimum endowment fund is specified in the State Acts. State governments retain the fund as security so that in the event of dissolution of the university, this amount can be used to run the university until the last batch of students completes the courses. Further, the income earned from the endowment fund can be used only for capital expenditure and not for the recurring expenditure of the higher education institution.

2.2.3 Sources of Funds for Private Higher Education Institutions

The sources of university finance mainly consist of various types of fees collected from the students, interest earned on investments such as fixed deposits, contributions from the sponsoring organisations, loans, donations, income from the sale of application forms, research grants, and income from consultancy and other services. Fees from the students include tuition fees and other fees such as cancellation fees. Grant and sponsorship for research and development (R&D) projects are important sources of income. A few institutions get income from consultancy, medical treatment, product development and other services. Interest-generated income, investment returns, donations by institutions, individual, alumni members, and grants by received under the corporate social responsibility (CSR) initiatives help fund these institutions. Donation from abroad is also important; especially when received from the religious trusts that sponsor higher education.

A sample of 40 private higher education institutions was surveyed to identify the sources of funding and the findings are summarised in Table 1. These institutions are categorized based on the pattern of funding. The number of institutions under each category is given in brackets.

Table 1
Sources of Fund: A Comparative Analysis

Sources of Fund	Categories of Institutions					
	Pattern I (Seven Institutions)	Pattern II (Eight Institutions)	Pattern III (Nine Institutions)	Pattern IV (Six Institution)	Pattern V (Six Institution)	Pattern VI (Four Institutions)
Tuition fees (%)	50	98.7	6.05	2.93	93.16	55.78
Other fees including cancellation fee (%)	10			0.84		
Loan (%)	30		93.95			43.93
Grant/sponsorship for Research and Development Projects (%)	10					
Income from consultancy, medical treatment, product development and other services (%)					6.84	
Interest income and Investment returns (%)		1.3				0.29
Donation from India: Institutional, Individual, Alumni, corporate under CSR and other sponsorship (%)				96.23		
Foreign donations (%)						
Income from sale of application forms (%)						
Other Income (%)						
Total (%)	100	100	100	100	100	100

In the area of funding, the classification between different higher education institutions becomes blurred. In some cases, private colleges operate like public ones. For instance, government-sponsored students are granted admission in addition to students who pay 'private' fee. In the areas of medicine and law, private colleges act like public ones. Private institutions get government funding when

government sponsors students at private institutions by providing them with tuition fees, living allowances, etc. The practice of self-financing courses in government aided colleges and university departments has resulted in a deregulated fee structure within the regulated sector. Fees are the main sources of revenue for a majority of private institutions. These institutions also mobilize donations to fund their expenditures. Universities sponsored by the religious organisations are in a strong position to mobilise donations from India and abroad. A small number of institutions also depend on endowment or other funds contributed by the alumni. Some universities have created corpus funds other than the mandated endowment fund. In all the cases, sponsoring organisations provide the fund for capital expenditure. In a few cases, sponsoring organisations can donate CSR funds to help education institutions meet the revenue deficit.

2.2.4 Cost Components of Private Higher Education Institutions

Higher education institutions incur recurring and non-recurring expenditures. Recurring expenditures include expenditure on maintenance activities while non-recurring expenditures are borne on account of development activities or capital expenditures. Recurring expenditures cover salaries and allowances of teaching and non-teaching staff, maintenance of infrastructure, water and electricity charges, purchase of consumables and chemicals, subscription of journals, etc. Non-recurring/capital expenditures are in the form of building infrastructure, purchasing furniture, equipment, books, etc.

2.2.5 Land: Norms for Private Universities and Private Deemed to be universities

Land norms are an integral part of the cost of compliance. According to Section 7 of UGC Regulations, a campus located in a metropolitan area should have a minimum of five acres of land, seven acres in a non-metropolitan urban area and ten acres in a non-urban area or as per the norms of the statutory/regulatory body concerned. However, the land requirement for a deemed to be university, as specified by the UGC, is given for a single course institution. As an institution increases the diversity and the number of courses, the land requirement is the aggregate of the land prescribed for each course by the respective statutory councils like the Medical Council of India and Bar Council of India. Classification of private

higher education institutions based on land owned by sponsoring organisations is shown in Table 2. The sample size of the study included 40 institutions-both private deemed to be universities and private universities. Around 80 percent of the institutions studied have land purchased from the open market and the remaining institutions have land leased from state government authority.

Table 2

Classification of Private Higher Educational Institutions Based on Land Owned by Sponsoring Organisation

Category	Institutions (Number)	Institutions (%)
Land purchased from open market	32	80
Land leased from state government authority	8	20
Total	40	100

Recently, there have been a few cases of violations of lease norms by some educational and charitable institutions. A few states have already initiated action against these institutions to stop these violations.

Classification of private higher education institutions in the sample based on courses offered is shown in Table 3. About 80 percent higher education institutions covered by the sample survey belong to the multi-domain category.

Table 3

Classification of Private Higher Educational Institutions Based on Courses

Category	Institutions (No.)	Institutions (%)
Single Domain	8	20
Multi-domain	32	80
Total	40	100

2.2.6 Fee Structure and Regulatory System

The fee structure of courses varies from institution to institution and depends upon factors like demand for the course, type of course (whether it is for a degree, diploma, certificate or a post-graduate degree), duration of the course, market value

of the course, and the name and fame that the institution carries. Different State Private University Acts have different criteria for deciding fees for different courses. In Rajasthan, a committee is constituted to regulate fees charged by universities. Universities are required to seek prior approval from the committee before a change in their fee structure. The decision of the committee is valid for three years. On the other hand, Universities in Haryana do not require prior approval. However, they are required to intimate the government about the new fee structure before the commencement of the academic session. Haryana also mandates a different fee structure for domicile students. Fee concessions are provided to 25 percent of the students in the universities who are mandated to be domiciles of Haryana. The first 20 percent is to be granted full fee exemption; the next two segments of 40 percent are to be granted 50 percent and 25 percent fee exemption respectively. Uttar Pradesh specifies that fee structure should be as per the laws in the state. Some of the State Governments have been proactive in taking steps to introduce transparency in the fixation of fee structure. In this study, we have analysed the relation between the fee collected and the expenditure incurred. Our analysis looks at how much of the fee collected comprises the income and the extent up to which it could cover the expenditure of these institutions. The results are reported in Table 4 and Table 5. The percentage of fees to the recurring expenditure is presented in Table 4. Out of 40 institutions, 33 are able to cover more than half of their total recurring expenditure through fee collections.

Table 4**Percentage of Fee w.r.t. Recurring Expenditure**

Percentage of Fee to Recurring Expenditure	No. of Institutions
<50	7
50-59	8
60-69	9
70-79	6
80-89	7
90-100	3
Total	40

Concerning the relationship between fees and revenue, we find considerable heterogeneity among institutions (Table 5). We see that of the 40 institutions, a majority i.e. 21 have fees as their major source of revenue.

Table 5

Percentage of Fees w.r.t. the Total Revenue

Percentage of fees to the total revenue - Range	Number of Institutions
<50	19
50-75	18
>75	3
Total	40

The fraction paid as salary to meet recurring expenditures is presented in Table 6. We find that a majority of institutions, i.e. 21, have salaries paid to employees as the highest recurring expenditure.

Table 6

Percentage of Salary w.r.t. Recurring Expenditure

Percentage of salary to Recurring Expenditure – Range	Number of Institutions
<50	19
50-54	7
55-59	5
60-64	6
>65	3
Total	40

2.2.7 Unit Cost of Education

The operating cost of institutions is usually the money required to acquire the resources needed to operate and run the institutions. It includes expenditure incurred on wages and salaries of personnel, the purchase of goods and services, financial aid to students, and the acquisition or use of land and infrastructure. The unit cost of education is calculated by dividing the total recurring/operating expenditure of the institution by the number of students enrolled. The result of cost analysis is shown in

Table 7. There are 7 institutions which have unit cost below Rs. 1 lakh. For 12 institutions the unit cost is in the range of Rs. 1 to Rs. 3 lakhs. A total of 7 institutions have costs in the range of Rs. 3 to Rs. 5 lakhs. Another 7 institutions are in the range of Rs. 5 to Rs. 7 lakhs. A total of 5 institutions have costs in the range Rs. 7 to Rs. 9 lakhs, registering the highest unit cost of education.

Table 7**Unit Cost of Higher Education Institutions**

Unit Cost Range	Institutions (Number)	Institutions (%)
Less than one lakh	7	17.5
1 lakh - up to 3 Lakhs	12	30
3 lakh - up to 5 Lakhs	7	17.5
5 lakh - up to 7 Lakhs	9	22.5
7 lakh - up to 9 Lakhs	5	12.5
Total	40	100

2.2.8 Fee Structure in Autonomous Colleges

A college under Section 2(f) & 12(b) of the UGC Act can be granted autonomy. The parent university awards degrees to the students, but students are evaluated and recommended for the degree by colleges. Autonomous colleges that have completed three-year terms can confer the degree under its title and with the seal of the university. Criteria for identification of institutions for grant of autonomy are (1) academic reputation and track record of performance in university examinations and academic/co-curricular/extension activities in the past; (2) academic/extension achievements of the faculty; (3) quality and merit in the selection of students and teachers, subject to statutory requirements in this regard; (4) adequacy of infrastructure, for example, library, equipment, accommodation for academic activities; (5) quality of institutional management; (6) financial resources provided by the management/state government for the development of the institution; (7) responsiveness of administrative structure; and (8) motivation and involvement of faculty in the promotion of innovative reforms. Autonomous colleges are affiliated to Central and State Government universities. In a comparison between autonomous and private universities based on fee structure, it was observed that private universities are charging much higher fees than autonomous colleges for the same course. For example, in an autonomous College, the fee for a 3-year BBA

course is Rs. 2,57,000; while the fee charged in a deemed to be university is Rs. 3,90,000. The course fee for a similar programme in a private university covered in our survey costs as much as Rs. 8, 40,000.

The findings of this section are summarised as follows. In India, private higher education institutions are either set up and operated without any government fund or are set up without any government fund, but operated with some support in terms of government funds or other resources. Broadly, private higher education institutions comprise of private deemed to be universities, private universities and private colleges. The sponsoring body which establishes a private university should be a non-profit entity. Concerning funding, the distinction between different higher education institutions gets blurred. In some cases, private colleges also operate like public ones when they admit government-sponsored students in addition to students who pay 'private' fee. In the areas of medicine and law, private colleges act as public ones. Private institutions receive government funding when government-sponsored students are admitted to private institutions. Expenses like tuition fees and living allowances of the sponsored students are paid out of this funding. Further, fee is the main source of revenue and accounts for the payment of most of the recurring expenses, wherein salary constitutes the largest head in over half of the institutions surveyed. Universities sponsored by religious organisations are in a better position to mobilise donations from India and abroad. A small number of institutions depend on endowment or other funds contributed by alumni. Lastly, land norms vary between different categories of higher education institutions and are an integral part of the cost of compliance for the surveyed institutions.

3. Four Case Studies of Finances of Private Higher Education Institutions

We present the case studies of four private higher education institutions for an in-depth insight into the working of private higher education institutions. The scope of analysis includes two private universities and two private deemed to be universities. Recurring cost, capital cost, fee structure, unit cost of education, and the relationship between cost and fees are analysed in each case study. The unit cost of education is calculated by dividing the total recurring/operating expenditure of the institution by the number of students enrolled. The operating cost of institutions includes expenditure incurred on wages and salaries of personnel, the purchase of

goods and services, student financial aid, and the acquisition or use of land and infrastructure, etc.

3.1 *Institution A: Case Study of a Private University*

The university was established in Karnataka in October, 2010 under the State University Act, 2010. It is being sponsored by a charitable foundation that is incorporated under Section 25 of the Companies Act, 1956. In line with the guideline issued by the Government of Karnataka, 25 percent of seats are reserved for Karnataka domiciled students. The university has a total of 109 permanent faculty members and provides 10 multi-domain courses. It has two campuses—one permanent campus built on 81.5 acres and the other is an interim campus built on 12 acres of land. The campus occupies 1,20,000 sq. ft. of space that houses classrooms equipped with audio-visual equipment, a large seminar hall, conference rooms with video-conferencing facilities, and multiple discussion rooms. Students have access to a well-stocked spacious library, a cafeteria with two dining halls, and extensive facilities for sports like including football, cricket, and basketball. The university has 81.5 acres of land reserved for building a permanent residential university campus on the outskirts of Bangalore. B.Sc. and B.A. courses have a fee of Rs. 1, 40,000 per annum. Whereas, M.A. and L.L.M. have a course fee of Rs. 75,000 per annum. The hostel fee ranges from Rs. 96,000 per annum to Rs. 1,28,000 per annum and mess fee is Rs. 50,000 per annum.

The current assets of the institution include cash and cash equivalents, short term loans, advances and deposits, and other current assets. Fixed assets include property, plant and equipment, and intangible assets. The yield ratio shows the share of fee collection in the total income of the university or it is the fee to expenditure ratio and it is calculated for two years. As mentioned earlier, the major expenditure of the institution is on staff emoluments. Other recurring costs include academic expenses and general expenses. Total revenue expenditure of Institution A was 51.19 crores in 2015-16 and Rs. 65.67 crores in 2017-18. Employee benefit amounted to Rs. 19.94 crores in 2015-16 and by 2017-18 it was Rs. 24.44 crores, registering a 22.57 percent increase. The fee collection is around 80.9 percent of their total income. However, the fee collection was able to cover only 20.6 percent

of the total expenditure. This clearly shows that recurring costs are not financed by fee collection only.

Table 8 shows the calculations for the unit cost of education for Institution A. There is around 28 percent increase in unit cost between the periods of 2015-16 and 2017-18. It is most likely on the account of an increase in the total recurring cost of Institution A.

Table 8

Unit Cost of Education for Institution A (Private University)

	2015-16	2016-17	2017-18
Operating Expenditure (Rs. crores)	51.19	57.25	65.67
Number of students	760	760	760
Unit Cost of Education (Rs. lakhs)			
$\frac{\text{Operating Expenditure}}{\text{Number of students}}$	6.73	7.53	8.64

The university has been supporting disadvantaged students and provides extensive financial assistance to deserving students for pursuing higher studies. The scholarships are provided to cover the university fees, both tuition and accommodation fees. The university facilitates education loans for students through tie-ups with banks.

3.2 Institution B: Case Study of a Private University

This case study discusses the finances of a private university situated in the northern region of India. The university, Institution B, was established as a State Private University in 2011 by Act No. 12 of 2011 (duly passed by the State Legislature of Uttar Pradesh) and was empowered by the UGC to award degrees under Section 22 of the UGC Act, 1956. The university was established by a registered public charitable trust, created under the Indian Trust Act 1882 and registered under the Registration Act, 1908. The university offers 38 different courses under 5 different schools namely School of Engineering, School of Natural Sciences, School of Humanities and Social Sciences, School of Management and

Entrepreneurship, and School of Extended Education and Professional Development. The number of students enrolled in the university in 2017-18 was 2003, and the university employs 196 teaching staff and 248 non-teaching staff. The student-faculty ratio is 1:9.

The university has 286 acres of campus with a projected built-up area of 74.61 acres, current built-up area of 64.28 acres, and an indoor sports built-up area of 2.75 acres. The value of fixed assets of the university stands at around Rs. 52 crores. The university has 62 classrooms, 69 teaching labs, 54 labs and studios, and separate hostels for boys and girls. The central library spread across 1.72 acres offers computer and communication facilities along with 43,778 volumes and 23,763 titles of books. The land was given to the university by the Uttar Pradesh State Industrial Development Authority based on a lease agreement signed by both the parties. Fixed assets including capital work in progress worth Rs. 68 crores was purchased by the university. Loan and tuition fees are the main sources of funds for the university. It has also received income in the form of consultancy services fee, sponsorships, and payouts for product development. The current assets include sundry debtors, cash and bank balances, and loans and advances. The income of the institution includes fee, interest and investments. The expenditure incurred by the university includes expenses on personnel, general expenditure, and transportation. Calculations of the unit cost of education are provided in Table 9. Over the years, the unit cost of education has witnessed an upward trend.

Table 9

Unit Cost of Education for Institution B (Private University)

	2014-15	2015-16	2016-17	2017-18
Operating Expenditure (Rs. Crores)	75	74.96	85.02	128.10
Number of students	1803	1763	1961	2003
Unit Cost of Education (Rs. Lakhs) $\frac{\text{Operating Expenditure}}{\text{Number of students}}$	4.16	4.25	4.33	6.39

Currently, no financial aid is provided for economically weaker sections and scholarship is strictly provided on merit basis. A tuition fee waiver of 20 percent on

the annual tuition fee is awarded to students with CGPA 7.5-8.49 and a 40 percent tuition fee waiver if the CGPA of the student is 8.50 and above. In the academic year 2019-20, a tuition fee waiver of 40 percent (of the total tuition and special fees for B.Tech., B.Sc. and B.A. programmes) was awarded to selected candidates from Nepal and Bhutan.

3.3 *Institution C: Case study of Private Deemed to be University*

This case study discusses the finances of a private deemed to be a university situated in the southern region of India. The university was a college affiliated to Bangalore University when it was established in July 1969. In July 2008, MHRD declared this college as a deemed university under Section 3 of the UGC Act 1956. It is managed by a trust set up by a religious congregation. The total land area of the university is 40.61 acres, with a built-up area of 5.20 acres. Its main campus has 21.58 acres of the land which is taken on lease from the government. The university has 420 classrooms with LCD TV and Wi-Fi facilities, 91 laboratories, 33 seminar halls, and 3 video centers. The library includes around 2 lakhs books worth Rs. 14.20 Crores. The collection of the library includes reference books, e-books, journals, and 3 digital databases. The university offers 378 different courses.

Institution C has different sources of funds which include tuition fees, loans, grants, and sponsorships. The calculations for the unit cost of education are provided in Table 10. The unit cost of education for the year was around Rs. 0.57 lakhs and Rs. 0.75 lakhs for 2014-15 and 2017-18 respectively. The major component of the recurring cost of Institution C is expensed on personnel followed by administrative costs. The total fees collected are higher than the recurring expenditure. Total income from different sources is higher than the expenditure and hence the university has reported a surplus that is added to the general fund. The collection from fees forms around 88 percent of its revenue collection. Fee collection includes admission fees, security deposit, and tuition fees.

Table 10**Unit Cost of Education for Institution C (Private Deemed to be University)**

Particulars	2014-15	2016-17	2017-18
Operating Expenditure (Rs. crores)	92.68	127.18	151.49
Number of students	16340	17852	20311
Unit Cost of Education (Rs. lakh) $\frac{\text{Operating Expenditure}}{\text{Number of students}}$	0.57	0.71	0.75

Institution C has different schemes for providing scholarship and fee concession to its students. Rs. 450 lakhs are allocated for fee concessions and scholarships annually. These schemes are both merit and need-based. The merit scholarship is based on pre-entry and subsequent performance in tests and examinations. Financial assistance scholarship is for economically weak but diligent students, especially from rural areas. The percentage of concessions for different categories is recommended as 0-50 percent for self-financing courses- and 0-90 percent for others. There exists a provision for fee payment in installments for students who are unable to pay fees in one installment, applicable for those where total fees are more than Rs.10,000. The Alumni Association also helps economically weak students through contributions to the Alumni Fund. The ability of Institution C to provide greater financial aid to students can be attributed to its revenues being higher than expenditures.

3.4 Institution D - Case study of Private Deemed to be University

In this case study, the finances of a private deemed to be university in the state of Haryana is presented. This university was established in 1998 as a research institute under a trust to provide academic learning programmes. This university offers 25 courses which include master's programmes in science, arts, law, business administration, and technology. It also offers doctoral programmes. Other than the master's programmes, the university also offers short-term diploma and certificate courses. The university also offers post-graduate diploma courses through distance education. The Institution has a total of 50 permanent faculty members which includes 32 assistant professors, 9 associate professors, and 7 professors. At present, the university has only one campus. However, two more campuses-- one each in

Guwahati and Hyderabad are expected to start operations soon. The university has a 12 acres campus with a building with all the necessary amenities. The green building has 20 classrooms, each having the capacity for 32 students, 6 lecture halls with a capacity for 60 people, and an auditorium with a capacity for 80 to 100 people. It also has a state-of-the-art conference hall, and 10 well-equipped laboratories to facilitate cutting-edge research. Institution D is in the process of starting a doctoral programme at its upcoming campuses in Guwahati and Hyderabad. Further, the institution proposes to utilize a grant from the Assam government for the construction of the Guwahati campus. Their campus in Gurugram houses advanced facilities for developing green technologies, along with a residency complex. The funds for university mainly come from loans, tuition fees, interest and sponsorships. The calculations for the unit cost of education are provided in Table 11. The unit cost for the year 2015-16 was Rs 2.48 lakhs and for 2016-17 was Rs. 2.20 lakhs.

Table 11

Unit Cost of Education for Institution D (Private Deemed to be University)

Particulars	2015-16	2016-17
Operating Expenditure (Rs. crores)	Rs 18.70	Rs 21.36
Number of students	752	972
Unit Cost of Education (Rs. lakhs) $\frac{\text{Operating Expenditure}}{\text{Number of students}}$	Rs 2.48	Rs 2.20

The Institution offers several scholarships to students joining the doctoral and master's programmes. These are awarded to foreign as well as Indian students. All grants to students are made on a competitive basis, with due consideration to both means and merit.

3.5 *The Four Case Studies of Institutions in a Comparative Perspective*

We now discuss the various financial aspects of the four institutions from a comparative perspective. Landholdings of the four institutions are shown in Table 12 and Fig 3. Institution B has the highest landholding with 286 acres of land for campus and Institution D has the lowest at 12 acres of land for the campus.

Table 12**Landholdings of Institutions A, B, C and D**

	Institution A	Institution B	Institution C	Institution D
Campus Area	81.5 acres in one permanent campus in Karnataka and 12 acres in interim campus in Karnataka	286 acres in Uttar Pradesh	40.61 acres in Karnataka in three university campuses	12 acres Haryana (Two new campuses are being built up in Guwahati and Hyderabad.
Built-up area, Facilities	12,000 sq. ft. of spaces for classrooms, seminar rooms, conference halls and other facilities	Built-up area 64.28 acres and Indoor sports built-up area of 2.75 acres.	Built-up area of 5.20 acres.	Built-up area of 1.2 acres
Value	Rs. 122.05 crores	Rs 12.5 crores	Rs. 1688 crores	Rs.14.36 crores

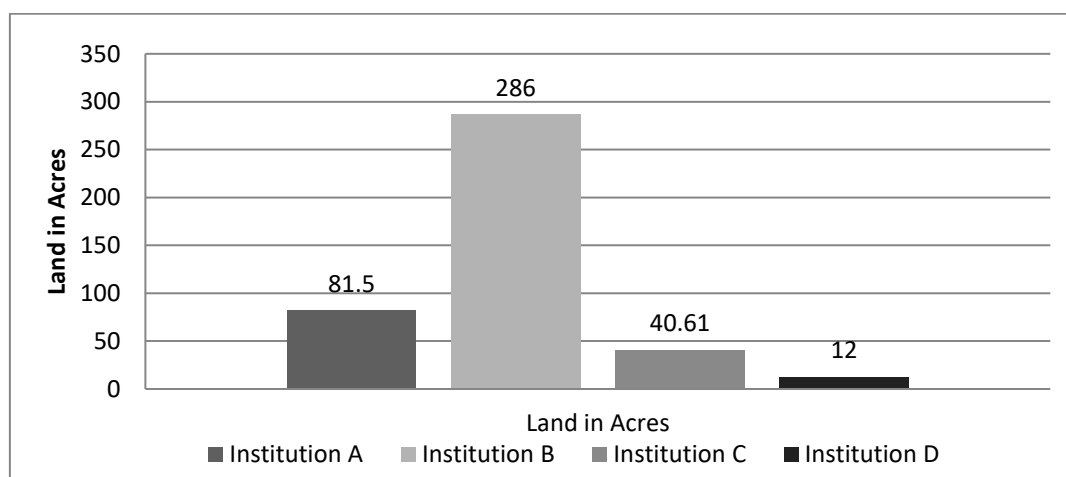
Figure 3**Land Holdings**

Table 13 shows that all the four institutions have good infrastructure with modern amenities and the current asset value of the institutions ranges from around Rs.10 crores to Rs.147 crores.

Table 13**Fixed Assets of Institutions A, B, C and D (2015-16)**

	Institution A	Institution B	Institution C	Institution D
Fixed Assets	Land 250 classrooms 42 teaching labs 23 labs, library plant and equipment	Land 62 classrooms 69 teaching labs 54 labs library with 43778 volumes of books and 23763 titles of books plant and equipment	Land 420 classrooms with LCD TV and Wi-Fi facilities. 91 laboratories 33 seminar halls 3 video centers Library with 2 lakhs textbooks plant and equipment	Land Delhi campus Capital work in progress- Mysore campus, Guwahati campus, Hyderabad campus plant and equipment
Value of Fixed Assets Rs. crores	55.16	684	216.29	46.02
Current Assets	Cash and cash equivalents, short term loans, advances and deposits, other current assets	Cash and bank balances, loans and advances	Sundry debtors, cash and bank balance, loans and advances, deposits inter unit transfers	Cash and cash equivalents, loans and advances
Value of Current Assets (Rs. crores)	9.74	10.24	146.51	11.42

Table 14 provides information on student enrolment and the demand ratio (actual enrollment/ sanctioned intake) for each of the institutions.

Table 14**Student Enrolment and Demand Ratio: Institutions A, B, C and D**

	Institution A	Institution B	Institution C	Institution D
Number of Students Enrolled				
2014-15	760	1803	16340	620
2015-16	760	1763	N.A.	752
2016-17	760	1961	17852	972
2017-18	760	2003	20,311	NA
Demand Ratio of Enrolment				
2015-16	N.A.	0.855	0.7799	0.598

The size and composition of faculty and non- faculty members are shown in Table 15. Institution C has the highest number of full- time staff and Institution A has the lowest student-faculty ratio.

Table 15**Faculty Size and Student-Teacher Ratio for Institutions A, B, C and D**

Institution A	Institution B	Institution C	Institution D
Student-faculty ratio is 7:1	Student-faculty ratio is 9:1	Student-faculty ratio is 24:1	Student-faculty ratio is 8:1
109 full-time faculty members	169 permanent faculty members	691 full-time teaching faculty members	51 permanent faculty members
	27 part-time/ temporary faculty members		24 part-time/temporary faculty members
	248 non-teaching staff		

Courses offered by the 4 Institutions are presented in Table 16 and Fig.4. Institution C offers maximum courses followed by Institution B.

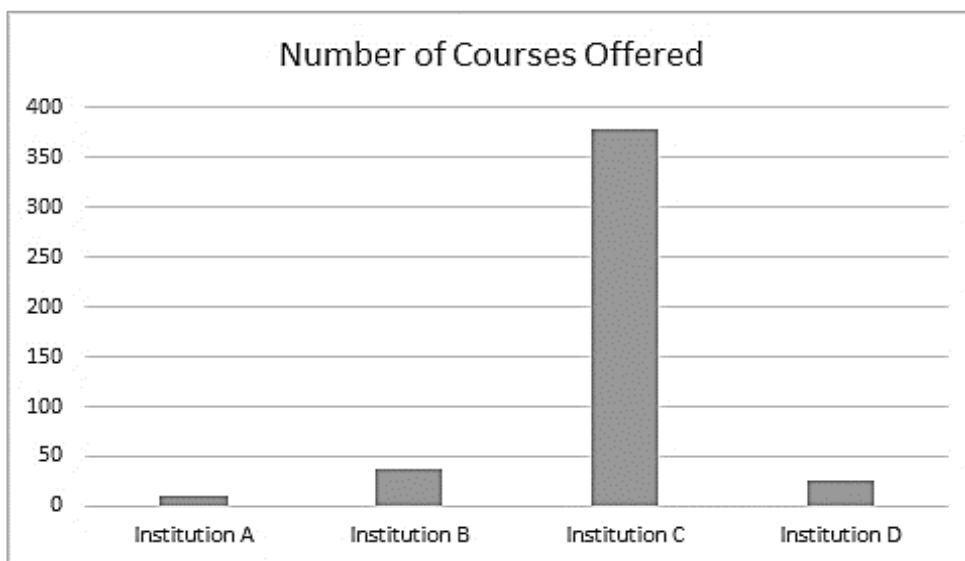
Table 16

Courses offered in Institutions A, B, C and D

Institution A	Institution B	Institution C	Institution D
Offers 11 courses— 6 undergraduate and 5 post-graduate courses.	Offers 38 courses under 5 different schools. Undergraduate-15, postgraduate-8, doctorate-13, PG Diploma -1, Certificate-1	Offers 378 different courses. Undergraduate-44, Post graduate-44, M.Phil-16, PhD-17, Certificate -253, Diploma-2, PG Diploma-2	Offers 25 courses which include Master’s programmes, doctoral programmes, diploma, certificate and distance education.

Figure 4

**Number of Courses (multi-domain/single-domain) Offered
by Institutions A, B, C and D**



Information on the sources of funding is shown in Table 17.

Table 17**Sources of Funds for Institutions A, B, C and D (2015-16)**

	Institution A (Rs. Crores)	Institution B (Rs. Crores)	Institution C (Rs. Crores)	Institution D (Rs. Crores)
Tuition Fees	8.98	21.52	143.54	8.1
Loan		287.83	21.31	8.68
Grant/sponsorship for research and development projects		4.6	9.41	
Income from consultancy, medical treatment, product development, and other services		0.03	0.58	
Interest income and investment returns	2.48	0	3.65	17.47
Donations outside India		0	2.55	
Income from the sale of application forms				0.19
Other income	0.06	0.41	6.25	10.09
Total	11.52	314.39	187.29	117.5

In Table 18, a comparative financial analysis of four institutions has been presented.

Table 18**Income and Expenditure for Institution A, B, C and D**

Year		Institution A (Rs. Crores)	Institution B (Rs. Crores)	Institution C (Rs. Crores)	Institution D (Rs. Crores)
2014-15	Income	11.43	13.79	137.59	20.90
2014-15	Expenditure	45.91	75	92.68	19.50
2015-16	Income	11.68	21.66	163.45	19.57
2015-16	Expenditure	53.41	74.96	108.93	18.90

The comparison of the unit cost of four institutions is given in Table 19 and Fig. 5. The unit cost of education of Institution C is the lowest. Their cost is around 0.75 lakhs in 2017-18. The unit cost of three other institutions is above Rs. 1 lakh.

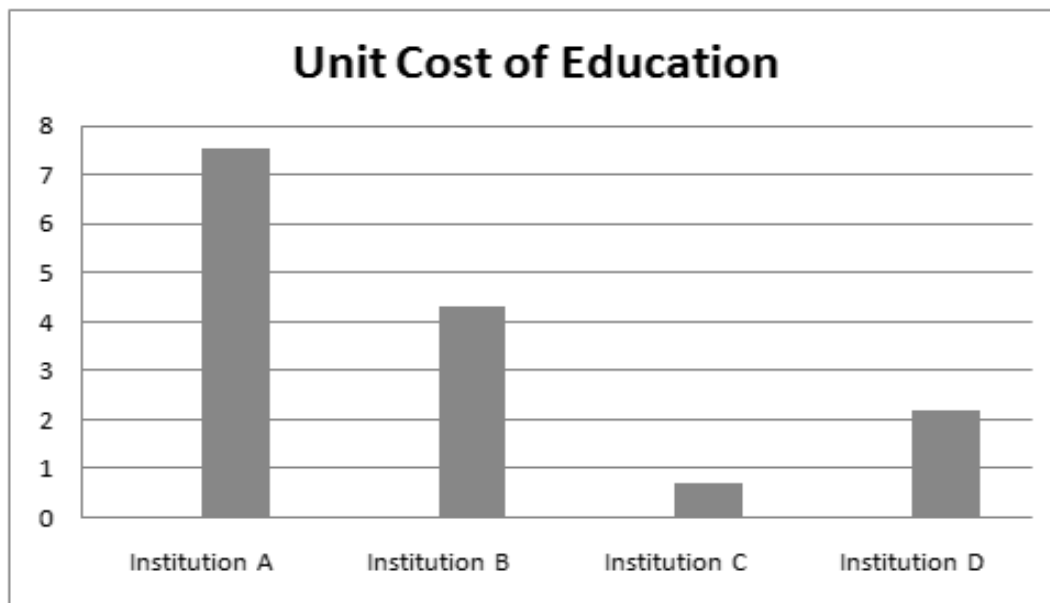
Table 19

Unit Cost of Education for Institutions A, B, C and D

Institution A		Institution B		Institution C		Institution D	
2016-17 (Rs. Lakhs)	2017-18 (Rs. Lakhs)	2016-17 (Rs. Lakhs)	2017-18 (Rs. Lakhs)	2016-17 (Rs. Lakhs)	2017-18 (Rs. Lakhs)	2015-16 (Rs. Lakhs)	2016-17 (Rs. Lakhs)
7.53	8.64	4.33	6.39	0.71	0.75	2.48	2.20

Figure 5

Unit Cost of Education for Institutions A, B, C and D



3.6 Assessment of Financial Management

Our analysis of this limited sample shows that the unit cost of education of the four institutions varies widely. There are no secular trends as we move from one year to the next year. Also, there seems to be no clear relation between unit cost, and number of students, number of courses or student-faculty ratio in these institutions. However, it is also important to point out that the lack of regularity can be attributed

to institution D being an outlier. Leaving aside institution D, there seems to be an inverse relationship between unit cost and number of students, number of courses, and student-teacher ratio. However, we will avoid generalizing the results without extending the analysis to a larger sample of institutions. Further, there is no relationship between increasing recurring costs and unit costs.

Another variable of interest is the demand ratio of institutions. The demand ratio is the ratio of total enrolment to the sanctioned intake. It pertains to the patterns of student enrolment and the availability of seats in the courses offered by the institution. From Table 10, it is clear that institutions B, C, and D, which the demand ratio is available for, face a demand-supply mismatch. Institution B fares the best with the least excess supply and institution D fares the worst. It seems fairly straightforward that the demand ratio depends on the institution's quality. However, measuring quality for private higher education institutions is challenging and hence establishing the link between quality and demand ratio is a non-starter. Although there have been attempts by the government to provide quantifiable measures of quality through its accreditation agencies, amongst the 4 institutions in our case studies, only Institution B has figured in the National Institutional Ranking Framework(NIRF) of MHRD. In 2019, Institution B ranked 77th among the 100 top higher education institutions in India. A more detailed analysis of the demand ratio and its determinants (institution quality and fees) using a large sample of institutions will be extremely informative from an education policy perspective. However, due to incomplete availability of data, this analysis is not possible at this point of time.

Further, it seems that several private higher education institutions do not follow financial principles in maintaining and presenting accounts and financial reports. Though large amounts of public land are given at no cost or a highly subsidized rate on lease basis, these benefits are not passed on to the students. A few states have comprehensive State Act or policy guidelines to regulate private universities. In the absence of such Acts or policy guidelines in other states, issues related to the fee structure, utilisation of various funds, collection of fees under different heads, land use, infrastructure, staff qualification and admission remain unaddressed.

4. Access and Equity in Private Higher Education Institutions: Problems

In the recent past, private higher education landscape in India has been transformed with a large number of private higher education institutions being set up. But, this rapid growth in the sector has also resulted in several unaddressed problems and confusion. The following are a few inferences gained from the primary data collected as part of this study.

4.1 *Poor Quality and Governance*

Some of the private universities do not have defined policies and plans to enhance the quality of educational services and equity. The poor quality of educational services provided by a few private institutions is an area of concern. While there are many privately funded and managed institutions that are committed to excellence in education, a few do not deliver educational services of good quality. Along with the poor quality of services, these institutions suffer from poor governance. Even after collecting huge fees, the faculty members are recruited on a negotiated salary, invariably much lower than the pay scale recommended by the Seventh Pay Commission. Further, the recruitment process is not transparent. The salary of an assistant professor would range between Rs 10,000 and Rs 40,000 per month, depending on the institution. There are very few institutions that offer salaries in line with the pay scale recommended by the Seventh Pay Commission. In many universities, faculty who have been working for many years, are under severe pressure to produce a certain number of papers to gain promotions. Thus, they often publish papers in journals that may not be of high quality. This also highlights that in a few of the surveyed institutions there is more emphasis on publishing papers than on teaching. Further, some of the private universities lack basic infrastructure for research even though there is an increasing emphasis on research.

4.2 *Inconsistent Rise in Unit Cost and Underreporting Financial Data*

The analysis of 40 private higher educational institutions reveals that 12 institutions, i.e. 30 percent of total the sample have a unit cost ranging from Rs. 1 to Rs. 3 lakhs. In the case of 7 institutions, i.e. 18 percent of the total sample, unit cost ranges between Rs. 3 to Rs. 5 lakhs. The rest have unit cost above Rs. 7 lakhs. There

is no consistency in cost as we move from one year to the next. In some cases, it shows a decreasing trend but in other cases, it shows just the opposite. The analysis also shows that there is no relationship between increasing recurring cost and unit cost. It seems that several private education institutions do not follow financial principles in maintaining and presenting accounts and financial reports.

4.3 *Underutilisation of Subsidised Land Resources*

In a few cases covered by our sample survey and case studies, different plots of public land were allotted to charitable trusts, societies, and Section 8 companies for setting up private higher education institutions. Though large amounts of public land was given at no cost or highly subsidized rate on lease basis, these benefits have not been passed on to the students.

4.4 *Lack of Affordability, Access and Equity*

Some private universities covered in our study do not provide fee concessions and scholarships for economically weaker sections. The high fee charged by a few private higher education institutions forces the meritorious and deserving students from economically weaker sections to keep away from various academic facilities and opportunities. A system of admission based on financial considerations excludes a large number of meritorious candidates. It can also create social tensions due to the lack of income and occupation mobility. Some private higher education institutions also go to the extent of limiting access to education to the higher income groups of the society. There is an urgent need for issuing guidelines to these institutions for providing admission, and fee concessions to students from marginalised communities and financially challenged sections.

4.5 *Arbitrary Fee Structure*

Education institutions covered by our study do not disclose any basis or structure according to which the fee is fixed or the heads for which the fees are being charged. At present, there is no guarantee that these universities fix fee structure for just recovering their recurring costs and not fixed costs. In most cases, they are charging fees much higher than the recurring cost. There has been no reliable information on the extent to which private higher education institutions have

generated internal resources. The fees include items such as tuition fees, library fees, laboratory fees, caution deposit, development fees, and refundable deposit. Fees in these private universities, compared to private deemed to be universities, are exorbitant. Indeed, it seems that these institutions recover more than their recurring costs i.e., the full recurring cost plus part of the capital cost.

4.6 *Credit Market in the Education Sector*

A number of private universities charge high fees because there is no financial support from the government. Hence, it is difficult for poor and lower-middle-class families to avail educational services from these private higher education institutions. Credit markets in the education sector are narrow as credit can only be availed by those belonging to the middle or high-income families. Students belonging to poor families and marginalised communities do not have access to credit facilities in the education sector.

4.7 *Linking Fees to Quality of Educational Services*

Private universities are unable to link hike in cost per student to greater productivity and delivery of quality higher education.

4.8 *Mobilising Easy Money through Early Admission Process and Imposing Fines*

Several private universities extract a huge amount of money from students by completing the admission process before the public-funded universities. Private institutions begin and close the admission process well before public-funded higher education institutions. This compels several students to take admissions in PHEI and deposit full course fees. A considerable number of students get admission in the public-funded universities later and cancel the admission in private institutions. In a majority of these cases, private universities exploit the loopholes in the UGC Acts to their advantage and do not refund the fee after the cancellation of the seat. Some of the private higher education institutions also collect money through unfair means such as imposing fines for lack of attendance.

4.9 Unaccounted Money

Funds in the education system flow in cash and cheque/electronic forms. Generally, the institution collects funds under various heads. The fee structure in most of the institutions comprises admission fees, tuition charges, transportation charges, special funds, etc. A portion of these payments is deposited by a cheque/demand draft/digital transfer and the rest in cash. These cash payments lead to unaccounted earnings for such institutions. Some of the respondents in our survey reported that some institutions are set up to convert “black money into white” and evade taxes in the name of social service. Some of these institutions resort to various techniques in mobilising unaccounted money. A few medical colleges also make a considerable amount of unaccounted money through unfair practices in internship programmes.

4.10 Fee Concession to Domiciles

In some states, the Private University Act allows fee concession to domiciles. It ends up making students from other states cross-subsidising the students from their own state. Moreover, the requirement of granting a waiver to all domicile students, including those from rich families, may impose an excessive burden on students admitted from other states and thus can be exclusionary.

4.11 Gender Discrimination

There are various instances of discrimination in private university campuses. Some private universities do not provide appropriate benefits like paid maternity leave and child care facilities to women faculty members. A few leading private higher education institutions have gone to the extent of instituting gender-specific restrictions.

5. Conclusions and Policy Recommendations

Categories of Private Higher Education Institutions: The first category comprises private higher education institutions that are set up and operated without any government fund. The second category includes private higher education institutions that are set up without any government fund, but operated with the support of some

form of government fund or government resources. Another classification, based on their formation, is private deemed to be universities, private universities, and private colleges. Private universities can be established only through the legislative route. Since the Parliament does not have an enabling legislation, private universities have not been established at the central level. At the state level, all states do not have their respective enabling legislation for setting up private universities. There are three routes for private players to set up an institute of higher education in India. A private university can be set up in a state through the legislative route and so far, 20 states have passed the required legislation facilitating the establishment of a private university. A private institute is granted the status of deemed to be university by the Government of India on UGC's recommendation. Private colleges can be affiliated to a government university. However, they enjoy the least freedom in terms of administration and academics. Each university has its own set of distinct rules for granting affiliation, though the process of doing so is fairly similar in all universities. Different regulatory bodies such as the Medical Council of India, All India Council for Technical Education and the Bar Council India, among others, manage different professional courses in these institutions. Only a society or trust or a Section 25 company/ Section 8 company can be a sponsoring body for setting up a private university. For-profit organisations cannot finance such ventures. A minimum requirement of endowment fund has been specified in the State Private University Acts. Land norms are an integral part of the compliance cost. The findings from a sample survey of 40 private higher education institutions reveal that around 73 percent of the institutions have purchased land from the open market and the remaining institutions have leased land from their state government authority.

Unit Cost of Education: The results of the sample study of 40 institutions show that 7 institutions have unit cost of education below Rs. 1 lakh. For 12 institutions the unit cost is in the range of Rs. 1 to Rs. 3 lakhs. A total of 7 institutions are in the range of Rs. 3 to Rs. 5 lakhs. Another 7 institutions are in the range of Rs. 5 to Rs. 7 lakhs. A total of 5 institutions have the unit cost of Rs. 7 to Rs. 9 lakhs, the highest unit cost of education. The fee structure of courses varies from institution to institution and depends on factors like demand for the courses, category of courses i.e. whether it is a degree, diploma, certificate or a post-graduate degree, the duration

of the course, the market value of the course, and the brand value of the institution. Different State Private University Acts have different criteria for finalising fees for different courses. It will be extremely interesting to see how the unit cost of education is related to other characteristics of the institutions such as the number of students, the number of courses, accreditation score, and student-teacher ratio. Although, this richer and more informative analysis which will have an immense value from the perspective of education policy is not possible due to information gaps. To plug these information gaps and given the extremely important role of higher education and skill development for the economic growth of India in future, it is imperative that a large sample of data which is representative of the higher education institutions should be made publicly available by the government on the lines of the data collection exercises done for the Annual Survey of Industries by the Ministry of Statistics and Programme Implementation.

Financial Management Analysis of Select Private Higher Education Institutions:

An attempt is made to assess the financial performance of four private higher education institutions in a comparative perspective. The main sources of income for Institution A are fee, interest receipts, and investments. The major expenditure of the institution is on salary and employee benefits. The fee collection is around 80.9 percent of their total income. However, the fee collection was able to cover only 20.6 percent of the total expenditure. This clearly shows that recurring costs are not financed by just fee collection. Institution B's main sources of income are fee collections, revenue from consultancy projects, and research and development projects. The major expenditure of the university is on personnel. The fee collection covers 28.7 percent of recurring expenditures including salary. Fees contribute about 99.3 percent of the total income generated by the university in 2015-16. In the case of Institution C, the major component of recurring cost is expense on personnel followed by administrative costs. The total fees collected, which forms around 88 percent of its revenue collection, are higher than the recurring expenditure and total income from different sources is higher than the expenditure. Hence, the university has reported a surplus that is added to the general fund. The major expenditure of Institution D is on salary followed by expenditure on research and training programmes. The fee covers around 42 percent of the expenditure.

It is important to note that Institution A and Institution B are private universities while Institution C and Institution D are private deemed to be universities. Institution A has 109 permanent faculty members whereas in Institution B there are 169 permanent and 27 part-time faculty members. Institution C has the largest number of full-time staff. Institution C offers maximum courses followed by Institution B. Institution C is offering around 378 courses which include doctoral, master's, undergraduate, diploma, and courses through distance learning mode. Further, only Institution C has received foreign funds. The unit cost of education of Institution C is the lowest and it was 0.75 lakh in 2017-18. The other three institutions have unit cost above Rs. 1 lakh.

A few states have comprehensive State Act or policy guidelines to regulate private universities. Private University State Act provides a detailed framework for the establishment and day-to-day working of universities along with guidelines and the role of the sponsoring body. In the absence of such State Acts or policy guidelines in other states, issues related to the fee structure, utilisation of funds, collection of fees under different heads, land use, infrastructure, staff qualification, and admission remain unaddressed.

Sources of Funds and Fees Structure: Tuition fee is the major source of income for the private higher education institutions. Other sources include loans from banks or sponsoring body, research funds, alumni contributions, donations, foreign contributions, etc. The fee structure of an institution has many heads. It generally includes admission fees, student welfare fund, alumni fees, identity card, modernisation fees, dissertation thesis fees, examination fees, internet and computer fee, accident insurance, social and development charges, and deposits for security and library.

Absence of Defined Policies and Plans: The rapid growth of private higher education institutions has resulted in several unaddressed problems and confusion. They do not have well-defined policies and plans to enhance the quality of educational services and equity. The poor quality of educational services provided by a few private institutions is a major concern. Moreover, along with the poor quality of services, these institutions suffer from poor governance.

Wide Variations in Cost Recovery: There is no observable trend in cost as we move from one year to another. It seems that several private education institutions do not follow financial principles in maintaining and presenting accounts and financial reports. In several cases, public land, which had been acquired from farmers at throwaway prices, were allotted to charitable trusts, societies, and Section 25 / Section 8 companies for setting up private higher education institutions. Though huge quantities of public land are given at low cost on lease basis, these benefits are not passed on to the students.

According to the guidelines, fee income should not exceed 20-25 percent of the recurring expenditure of the institutions. These universities do not share much information about the structure according to which the fee amount is decided or the heads which the fees are being charged for. At present, it is not being ensured that these universities fix fees to recover only their recurring costs and not fixed costs. Fees in these private universities compared to private deemed to be universities are exorbitant. Indeed, these institutions recover more than their recurring costs i.e., full recurring cost plus part of the capital cost.

Absence of Fee Concessions and Scholarships for Economically Weaker Sections: Certain private universities do not follow guidelines for fee concessions and scholarships for economically weaker sections. However, private deemed to be universities offer some scholarships to students from economically weaker sections. Many meritorious and deserving students from economically weaker sections keep away from various facilities and opportunities because of the high rate of the fee charged by a few private higher education institutions. Credit markets in the education sector are narrow as credit can only be availed by those hailing from middle or high-income families. Students belonging to poor families and marginalised communities do not have access to credit facilities or scholarships in the private education sector. Further, private universities are unable to link hikes in cost per student to greater productivity and delivery of quality higher education. Moreover, several private universities extract huge amounts of money from students by completing the admission process before the public-funded universities. They also collect money through unfair means such as imposing fines for lack of attendance. Further, some of these institutions resort to various techniques for

mobilising unaccounted money. There are also various instances of discrimination in private university campuses. Some of the private universities do not provide appropriate benefits like paid maternity leave and child care facilities to women faculties.

5.1 Policy Recommendations

Revision of Fees Structure: Private higher education institutions often recover more than their recurring costs as fees and other forms of payments, i.e., they attempt to recover a part of the capital cost from students. It is therefore imperative to prevent private universities from extracting unjustified fees and other forms of payments from students. Further, the fee is often not commensurate with the quality of educational services. A committee comprising representatives of various stakeholders can be formed to monitor the revision of fee structure.

Transparency in Financial Transactions: Private higher education institution should not become a channel for converting unaccounted funds or misuse of CSR law for tax avoidance. A strong and effective audit system must be introduced to prevent financial malpractices. Moreover, CSR law may be revisited and amended to prevent such unethical behaviour on the part of corporate bodies that run private higher education institutions. Private education institutions should follow financial principles in maintaining and presenting accounts and financial reports. At every stage, starting from formation to each phase of its expansion, a mechanism is required to prevent the inflow of unaccounted funds for financing capital expenditure or recurring expenditure.

Financial Support to Students from Socially and Economically Weaker Sections: Given that the private sector is expected to play a significant role in the expansion of higher education, a well-designed strategy needs to be formulated to ensure that higher education does not become exclusionary. Currently, the income of parents is the main source for financing the cost of education at private higher education institutions. Students belonging to poor families and marginalised communities do not have access to credit facilities in the education sector. Hence, scholarships, fee concessions, and other grant schemes should be made available to students at private higher education institutions.

Stricter Enforcement of Government Land Leasing Norms: A huge amount of public land is given on lease in a few states. However, benefits and facilities committed in the lease agreements are not passed on to the students. In some cases, state governments have issued notices to leaseholders for violating the lease norms. State governments must take steps to ensure the lease rules for the government land are strictly followed by the concerned private higher educational institutions.

National Body for Coordinating Credit Facilities in Education Sector: All the schemes for providing financial support and credit facilities should carefully be calibrated and implemented with sensitivity to meet the needs of students from socially and economically marginalised sections. It is desirable to create an independent agency to oversee credit facilities, grant schemes for students or any non-payable student aid schemes, with special focus on the rapidly growing private intervention in the education sector in India. This national body can coordinate all such efforts across the country by formulating guidelines for credit facilities, collecting relevant data, providing interest subsidy to banks, monitoring loan disbursement, assessing the recovery default and impact on student's academic performance and professional achievements, and functioning as a link between various stakeholders.

Enhancement of Quality of Educational Services and Good Governance: Several private institutions will have to focus on providing educational services of quality at par with public-funded institutions. Government authorities must introduce a strong institutional framework to monitor and check the quality of services and governance of private institutions. Each private higher education institution needs to enhance the quality of its governance by constituting an effective governing body. Its composition should be defined in line with international best practices. The term of the chairman and each member of the governing body should be limited to two or three years. Similarly, other relevant committees should be constituted and made functional to improve the governance system.

Avoidance of Gender Discrimination: It is pertinent to note that private higher education institutions need to be nudged to keep the gender balance in the teaching and non-teaching staff, and students. Moreover, the representation of women in senior leadership positions should be encouraged.

Formation of Student Bodies and Parents- Teachers Associations: There have been several cases of conflicts and tensions between students, faculty members, and management in PHEIs. Several issues can be sorted out through regular communications and interactions among students, parents, teachers and the management. Therefore, the formation of student bodies and Parents-Teachers Associations is recommended.

Sharing State Experiences and Best Practices: In India, there are several good practices and experiences about the formation, operation, and management of the PHEIs. It is essential to identify, document, and disseminate learnings obtained from these experiences and practices among various state governments and PHEIs.

Nationally Representative Data Set on Higher Education Institutions: The education policy in the near future is going to be decisive in determining the growth path of India and several enabling measures should be introduced for improving the status of higher education. This includes the collection and dissemination of institutional-level data that is representative of all the higher education institutions in India. This will provide data-driven inferences for improving education policy.

In a nutshell, India has a diverse and complex structure of private higher education. In the foreseeable future, the private sector is expected to play a dominant role in financing and massification of higher education. Thus, India will continue to witness the fast growth of private higher education institutions. Hence, there is a critical need for taking drastic steps to address the issues identified in our study and align the objectives of the private sector with the welfare of students. However, time is of the essence here as sound policies for higher education will determine whether India will be able to benefit to the full extent from the demographic dividend it currently enjoys.

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