

## Financing of Higher Education in India

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**Abstract:** India has a young population and one of the world's largest higher education systems. The higher education sector in India is flourishing despite the fact that it must contend with a number of challenges; yet, these challenges are not insurmountable. A country's progress is determined by how much money it invests in its higher education system. To raise funds for higher education, which is always a challenge, it is important to follow the right steps. With its relatively low gross enrollment ratio, gender parity index, pupil-teacher ratio, and so on, the Indian higher education system continues to face challenges. In today's knowledge-based global society, financing is a big challenge for India's high-demand higher education institutions. India spends a smaller percentage of its GDP on education than most other developed countries, and when it comes to higher education, this percentage drops even more. An attempt was made to explain the various sources of financing for higher education in India while analyzing the financing process in the higher education sector. As a result, the government should devote a greater number of resources to improving the standard and quality of higher education in order to cultivate individuals who are knowledgeable, well-rounded, and reflective.

**Keywords:** Financing Higher Education; New Education Policy, 2020; Quality Education; Sources of Finance.

### INTRODUCTION

After the US and China, India has the third-highest higher education enrolment rate (World Bank, 2019). India has one of the youngest populations (aged 5 to 24), which creates a number of educational opportunities (IBEF, 2022). Higher education in India suffers from a significant imbalance between supply and demand (Nathan, H. S. K. & Das, S. K, 2010). Because more people are going to elementary and secondary school, there is a greater demand for finished products from higher education institutions, but the supply of these products can't keep up with the growing demand. India needs to put a lot of effort into higher education if it wants to grow and improve its intellectual workforce, industries, agricultural success, and development of priceless resources (Maheshwari, M. T., Nagra, G. K. & Gopal, R, 2022). A higher standard of education would also help the country directly or indirectly become a global superpower. The effective and efficient operation of the nation's higher education system ultimately depends on education financing. Therefore, an appropriate number of financial resources can support the expansion and development of the system. Educational finance is very important if you want to achieve goals related to higher education. In India, funding for higher education comes from both the government and the private sector, and every level of government central, state, and municipal contributes to the public sector. Financial aid from the private sector, such as through donations, fines, interest on bank accounts, rent from buildings, etc., this is referred as public philanthropy (Sharma R. A, 2013). In

India, the government is primarily responsible for funding education. Almost all education funding is provided by the central and state governments working together (Ahir and Joshi, 2013). Because of this, funding higher education is one of the best things the government can do for the progress of human civilization.

### Higher Education

In India, college and university education are seen as an ongoing process that continues after high school. Higher education students are expected to study new things and think creatively about a wide range of topics. This gives them a broader view of the world. The relationship between the human development index and the standard of higher education is particularly strong for marginalized groups (Joshi, 2006). Higher education raises GDP per capita and life expectancy, boosting human development (Tilak, 1994).

Indian higher education is receiving global attention. Post-independence India's higher education system grew significantly, and universities have always been major actors in a knowledge-based global society (UGC, 2003). During the 2020–21 academic year, nearly 38 million students were enrolled in courses at India's universities, colleges, and stand-alone institutions of higher education; these students were taking admission in traditional and distance courses (UGC Annual Report, 2020-21). India currently has more than a thousand universities, including national, state, deemed, and private universities. There are also numerous organisations that were

created and are currently operating under Acts of Parliament, as well as Institutes of National Importance like AIIMS, IITs, and NITs (AISHE 2019–20).

#### AISHE Report 2019-20

- Higher education has a gross enrollment ratio (GER) of 27.1%.
- According to the Gender Parity Index (GPI), which increased from 1.00 in 2018-19 to 1.01 in 2019-20, female access to higher education has improved.
- Student enrollment has increased by 11.4% over the last five years, from 2015-16 to 2019-20.

- In higher education, the pupil-teacher ratio is 26 in 2019–20.
- The "Times World University Ranking 2022" included three Indian universities in its top 400. (IISc Bangalore is ranked 301-350; IIT Ropar is ranked 351-400; and JSS Academy of Higher Education and Research Mysuru is ranked 351-400.)

#### Regulatory Framework for Indian Higher Education

As the number of universities and students in India has grown, the education system has become more centralized, bureaucratic, accountable, open, and professional. The university's administrative overhead has expanded, diluting the focus on academics and research and student participation.



**Fig 1:** Regulatory Framework for Indian Higher Education

**Policy Making:** Higher education policy is the set of rules and guidelines that govern how universities and other places of higher education are set up and run. The following are the policy-making organizations in India: State Councils for Higher Education, the Department of Higher Education, the Ministry of Education, the Association of Indian Universities, and CABE all play important roles.

**Regulation:** Regulatory agencies are government agencies tasked with enforcing compliance with regulations, standards, and procedures. They are also accountable for ensuring that the quality of education remains high. Here are India's higher education regulating agencies: UGC, AICTE, MCI, ICAR, NCT, DCI, PCI, BCI, RCI, Indian Council of Medical Research (ICMR), ICSSR & CSIR.

**Accreditation:** Every institution of higher learning must go through a process that is open to public scrutiny and is of the highest possible standard in order to maintain its status as accredited by the agencies. Every year during the course of the cycle, the NAAC and the National Board of

Accreditation will need to conduct quality checks in order to raise the educational standard.

#### National Education Policy (NEP): 2020 Vision Regarding Higher Education

The vision outlined in the NEP: 2020 as follows:

- The NEP: 2020 aims to increase access, equity, and inclusion through activities including public education.
- It guarantees that public institutions' independence will be supported by significant public funding.
- According to NEP: 2020, the objectives of the 1968, 1986, and 1992 Programmes of Action (POA) plans to spend 6% of GDP on education were not met.
- The Kothari Commission recommends that the Central and State governments rapidly increase public investment to 6% of GDP for India's economic, social, cultural, and intellectual development.

#### Educational Finance

Finance is a wide and diverse area in general, and education finance is no exception. Without adequate funding, it is impossible to imagine a

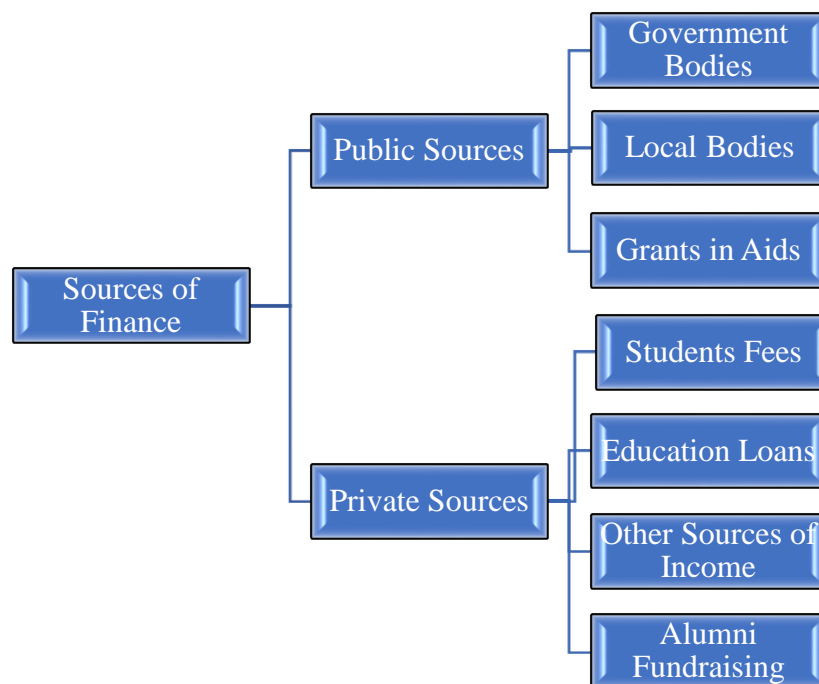
functioning educational system. Educational financing covers all government and non-government funding for maintaining, developing, and improving training (Mishra (2008)). In the world we live in now, education is seen as an important way for a country to grow. Because of this, a lot of funding goes into the education sector. The idea of educational finance brings to mind the idea of human adventure, and its effects can be seen throughout the financial cycle. When younger people are interested in education, it stimulates the public to fulfil its future requests and encourages them to learn. As a consequence of this, every general public has an expectation for exceptional returns from the expenditures it makes on people and material assets. This approach of investing funds in education could be seen as a means of foregoing pleasure in the here and now in order to accomplish an increase in profit development in the near future. The funding of education can be conceptualized as a cycle that involves payment, utilization, and savings, with the goal of achieving a balance between the two for the benefit of the general public.

Borah, B. (2020) suggested that educational financing serves a number of roles:

- To establish new educational possibilities
- To preserve standard educational services
- To upgrade the current educational facilities
- To reduce educational disparities.
- To improve education quantitatively
- To enhance the standard of education

### The Sources of Financing for Higher Education in India

One of the most important things about higher education is funding. The rate of economic growth in a country is directly related to the amount of funding that country puts into its higher education system. To improve higher education funding, which is always hard, it is important to follow the right steps. According to the World Bank (2007), governments all over the world, in both the developed and developing worlds, are facing a big problem: how to change the way higher education is funded in response to rising private demand for admission and severely limited public budgets. Higher education institutions can work well if they have adequate funds. India's higher education system is funded in a number of ways.



**Fig 2:** The Sources of Financing for Higher Education in India

**Public Sources:** It is the duty of the Indian government to see to it that all of its citizens are provided with access to basic education of a standard quality. Therefore, it is primarily the responsibility of the union and state governments to provide for and support elementary, secondary,

and higher education. In terms of public funding for colleges, the central government provides the most, while states supply the least. In India, state universities represent the vast majority, while central universities receive more funding from the central government. Therefore, it is crucial to

provide adequate funding for all of these educational institutions.

**Governments Bodies:** Funding for higher education in India comes from both the state and central levels of government. Each year, the central government and each state provide financial support to promote and improve higher education. The central government provided greater support to central universities than to state institutions. In the budget, the government set up a fund for higher education and allocated the funds to a range of organizations, including the UGC, NCERT, NCTE, SCERT, AICTE, NUEPA, and others. In addition to this, the central government devises and puts into action a great number of programmes, policies, committees, and commissions in order to raise the status of higher education and provide funding for it.

**Local Bodies:** Municipalities, District Bodies, Zilla Parishads and Panchayats are all examples of local bodies that are responsible for the operation of educational institutions within their respective communities. In addition to this, they contribute financial support in the form of local taxes and subsidies from the state government in order to facilitate the achievement of the objective for providing elementary and secondary students with access to higher education.

**Grants in Aids:** Grants are given to colleges and universities by the government or by its different agencies. A grant is a form of financial assistance such as gift of money and products given by a more powerful department of the same government to the subordinate.

**Private Sources:** Private funding is also a big part of how higher education is paid for. Even though the government pays for most of higher education, the share of private sources of funding has been steadily growing over the past few years. Businesses that help with education (transportation, school supplies, and uniforms), donations, sponsorships, subscriptions, gifts, and other things are all ways that higher education is funded privately.

**Student Fees:** There are many different kinds of fees that students pay when they go to college or university. These include tuition fees, library fees, lab fees, sports fees, and so on. Universities in India have traditionally employed this method of generating revenue.

**Education Loans:** Students who wish to further their education can apply for financial assistance from the Indian government in the form of student loans. These loans are intended to help students afford the costs associated with continuing their education. Another possible source of funding for higher education comes in the form of the interest that is paid on student loans.

**Other Sources of Income:** There are many more ways for educational institutions to bring in funds, such as through donations, gifts, subscriptions, fines, leases, loans, liens, etc.

**Alumni Fund Raising:** Alumni donations may be another source of funding for colleges. Clark (2003) alumni fundraising is a first-rate source of long-term or urgent support. As a consequence of this, the institution has the opportunity to cultivate meaningful ties with the graduates in order to garner financial support.

#### **Higher Education Funding Agencies in India**

**University Grants Commission (UGC):** UGC coordinates, determines, and maintains higher education. It grants government universities, institutions, and students' scholarships. UGC spent millions of rupees on PhD and post-doctoral scholarships annually. UGC launched Ishan Uday, Postgraduate Merit Scholarship for 1st and 2nd rank holders.

**Rashtriya Uchchar Shiksha Abhiyan (RUSA):** SSA and RMSA were launched to strengthen elementary and secondary education in India. High enrollment and quality education are challenges for higher education. In 2013, India launched the Rashtriya Uchchar Shiksha Abhiyan to address these issues. The plan intends to address issues of access, equity, and quality at the state level in order to effect fundamental transformation in the higher education system. It works to promote state institutions and colleges by providing financial aid.

**NITI Aayog:** In 2014, NITI (National Institute for Transforming India) Aayog succeeded the Planning Commission. V K Saraswat (2019), NITI Aayog "If we neglect higher education, we neglect growth of the nation as a whole because higher education contributes to the nation's growth". Education costs India 3.1% of its GDP (2021–22). The NITI Aayog recommended allocating at least 6% of GDP to education, as recommended by the Kothari Commission (1964–66).

**Ministry of Education:** School education and literacy and higher education are the two divisions

of the Ministry of Education. According to the Finance Minister's statement, the Ministry of Education has received Rs. 1,04,277.72 crore in 2022–2023. This includes 63,449.71 crore for school education and 40,828.01 crore for higher education.

**Higher Education Funding Agencies (HEFA):** The HEFA was established in 2017 by the Ministry of Education and Canara Bank, with a 91%-9% equity participation ratio. It intends to finance educational and Research & Development

infrastructure to help institutions gain worldwide prominence.

### India's Budget: 2022 for Education

According to the NEP: 2020, the proportion of the country's GDP that should be allocated to education should be equal to 6%. In India, the total amount of funds set aside for the education sector has not yet reached this level. The proportion of GDP that is spent on education in the Economic Survey provided by Union Finance Minister Nirmala Sitharaman in January 2022 is shown in Table No. 1.

**Table 1:** Budget allocations for Education: 2019-24 (in Rs crore)

Department	2019-20 Actuals	2020-21 Revised Estimates	2021-22 Revised Estimates	2022-23 Revised Estimates	2023-24 Revised Estimates	2024-25 Budget Estimates
School Education & Literacy	52,520	52,189	54,874	58,640	72,474	73,008
Higher Education	36,916	32,900	38,351	38,577	57,244	47,620
Total	89,437	85,089	93,224	97,217	1,29,718	1,20,628

**Sources:** Expenditure Budget: Ministry of Education, 2024-25; PRS.

In the budget for 2019-20, the total amount allocated for education was 89437 crore rupees, but the department for higher education received just 36916 crore rupees. Likewise, the amount of funds that were allotted to the Ministry of Education in the Budget for the Financial Year 2020–2021 was 85089 crore rupees, which is almost 5% less than the amount that was allotted in the previous budget. In addition, the financing for higher education was reduced by around 11 percent this year. According to the data presented in the table 1, the amount of funding set aside for the Department of Education is expected to go up

each year through the budget year 2020–2021. In addition, the department for higher education was given a larger budget than it had the year before. If one compares the education budget of India to that of other developed countries like the USA, the UK, Norway, and others, one would get the impression that India's spending for education is insufficient. The government of India has not yet implemented any of the suggestions made by the Kothari Commission (1964-66) and the more recent NEP 2020 policy, which both urge to allocate 6% of GDP in annual budget for education.

**Table 2:** Comparison of India's expenditure on education (% of GDP) with some selected developed countries  
Comparing India's Expenditure on Education (percentage of GDP) with some selected developed countries:

Developed Countries	Developed nation public spending on education % of GDP	India's public spending on education % of GDP	Differences (%)
Norway	6.6	3.1	3.5
New Zealand	6.3	3.1	3.2
United Kingdom	6.3	3.1	3.2
Israel	6.2	3.1	3.1
USA	6.1	3.1	3

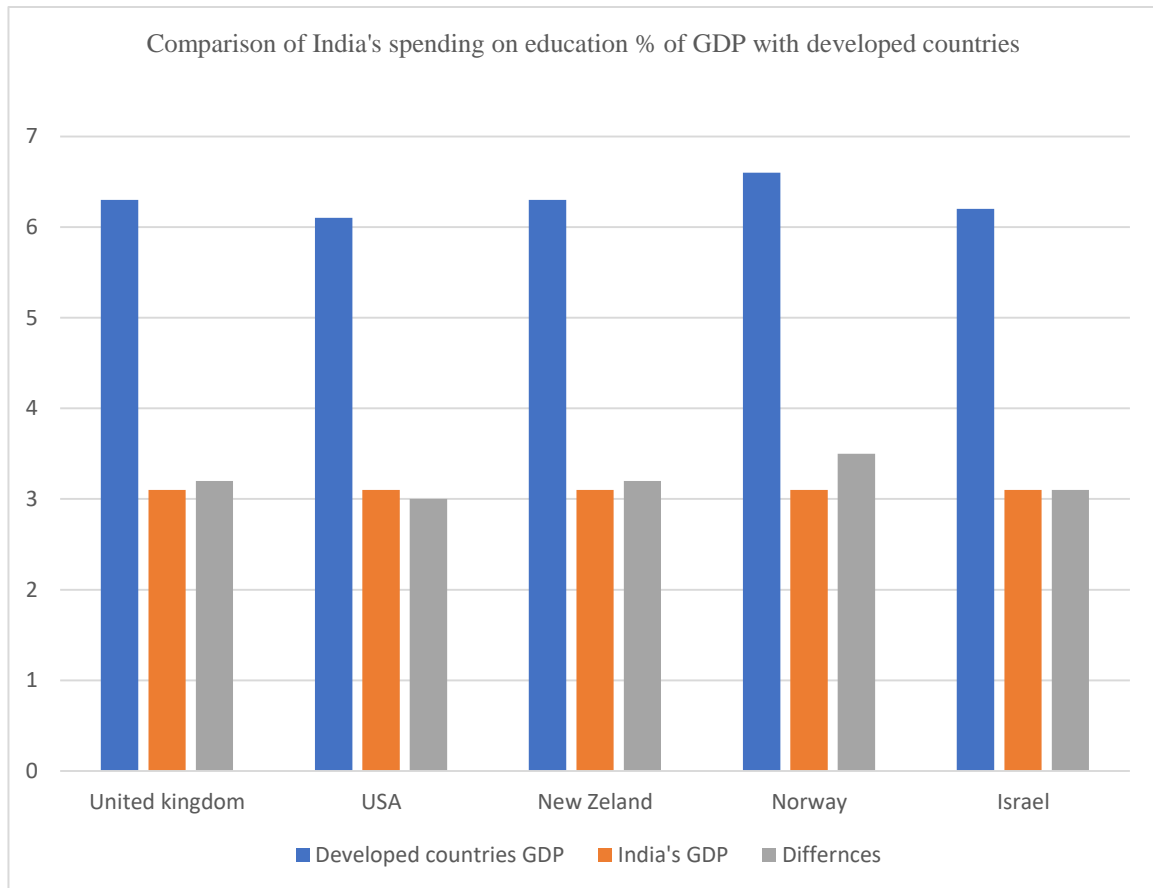
**Source:** Organization for Economic Cooperation and Development (OECD), 2021-22

The above Table 2 presents information that makes a comparison between the expenditure on education in India and the expenditure on education in developed countries as a percentage of their GDP. The developed countries spend significantly more on education than India does. The expenditure put into education in the

developed countries is substantially higher than that in India. The table above shows that Norway spends 6.3% of its GDP on education. In the Human Development Report 2021–2022, Norway was ranked first on the human development index because it spent the most on education India, on the other hand, came in at position 131 due to its

lower overall expenditure on education. India should follow the example of other developed

countries and increase its expenditures on the education system.



**Fig 3:** Comparison of India's spending on education % of GDP with developed countries

The above bar graph reveals that India has only spent 3.1% of its GDP on education over the years, which is far lower than that of developed countries. In comparison to the developed countries, it appears to be quite low. As it is indicated that from the graph Norway spends 6.6% of its GDP on education, the US spends 6.1%, and India spends too little. The low expenditure of India on education reflects that our government is not concerned to provide better education to its people. If they are serious, then they should definitely incorporate the recommendations of the Kothari Commission on a priority basis. Kothari commission (1964-66) recommended that at least 6% of the GDP should be spent on the matter of education while after 54 years of Kothari commission, the NEP: 2020 also suggests the same to survive in the knowledge-based society in a better way and maintain the global competitiveness. In order to compete with the developed nations of the world, the Indian government must take the issue seriously and include the Kothari Commission's and NEP 2020's recommendations.

### Financing Higher Education in India: Issues and Challenges

- As more people want to pursue higher education, new universities are emerging all over the country to meet the demand. Even though private universities have enough funds, government institutions are having trouble. India is still a developing nation, so education funding isn't as good as in developed countries. India lacks the financial means to give each educational institution the funding it needs. This is due to the fact that the amount of funding required is always increasing. According to NEP 2020, the expenditure was "extremely critical for achieving the high-quality and equitable public education system that is truly needed for India's future economic, social, cultural, and intellectual progress and growth."
- The Consumer Price Index (CPI) is the indicator that is used to assess inflation in retail prices across the nation. Because of the economy's unusually high inflation rate over the past few years, average consumers have

lost a lot of their buying power. Since COVID-19, the amount of money spent indirectly on educational infrastructure, buildings, and other goods has gone up by a large amount.

- The tuition fees that higher education institutions collect from their students generate an exceedingly insignificant amount of revenue, which means that this source of revenue can only make a negligible contribution to the schools' overall finance.
- One of the issues that comes with financing higher education is finding a solution that does not include charging the same amount of tuition fees to all students without taking into consideration the individuals' unique financial situation.
- In higher education, especially in professional education programmes, there aren't enough students from lower socioeconomic strata.

## CONCLUSION

At the moment, the higher education system in India holds the third-best ranking in the world. India's higher education sector is making significant progress, even though it has to deal with a lot of challenges. These challenges are not insurmountable, though. Education received a greater proportion of funds from the budget in 2023 as compared to the previous year. However, this is still not enough. In the coming year, the government should provide additional funds for education. After India got its independence, the Central Government and the state governments put together a number of organizations whose goal was to improve education and give funds to higher education. The Indian higher education system still has problems, mostly because of the country's relatively low gross enrollment ratio, gender parity index, pupil-teacher ratio, and other similar indicators. Despite the fact that India is home to some of the world's finest educational institutions, none of the country's leading universities are ranked among the top 200 in the world, according to the Times World University Rankings for 2024. When compared to other developed countries, India spends a very small proportion of its GDP on education, and this percentage drops even further when higher education is considered. The NEP 2020 proposes boosting expenditures to 6% of GDP and emphasizing comprehensive and multidisciplinary education for students. India is a young country because it boasts one of the world's largest youth populations. There is concern over the finances of India's in-demand higher education institutes.

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