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Fiscal Crisis in Higher Education: A Case Study of North-Eastern Hill University

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Abstract:
The investment in higher education pays a key role among others for imparting quality education. The paucity of funds for higher education is a serious concern all over the world. There is the need of making an adequate increase in funding for higher education. The Government of India is finding it difficult to sustain the current level of funding to the institutions involved in higher education and searching alternative mode of generating revenues from their own resources. Realising this phenomenon, a modest attempt has been carried out in the present case study to explore the fiscal crisis in higher education.

Key words: *Higher education, Fiscal crisis, NEHU.*

Introduction:

The higher education system and pattern of its funding vary a great deal across the countries and across the units within a country especially in terms of their size, strength and degree of diversification of institutions involved. Yet, they all face severe financial crisis as to allocation of available public funds for the purpose (Barr, 2005). In India, the Government is finding it difficult to sustain the current level of funding to the institutions involved in higher education (Rani, 2004). On the other hand the needs of the higher education system have been growing at a fast pace. Paucity of funds for higher education has led institutions raise concern all over the world as to the need of making an adequate increase in funding for higher education (Task Force, 2000) and to think of alternative modes of generating revenues from their own resources once created (Das, 2007).

Higher Education in North East India:

Prior to independence, the pace of higher education development in North-East was tardy and insignificant. Cotton College, Gauhati established in 1900 was the first such institution in the region. The region has seen gradual expansion of higher education in post independence period which began with the establishment of Gauhati University in 1948. The region today has 10 central universities and one deemed university besides 4 state universities. In addition, the region could attract 16 more private universities. Despite all this development, the region as a whole is still lacking in professional and technical education.

Political instability and insurgency, lack of proper infrastructure, poor connectivity and high cost of development has been assigned as the problems of higher education in the region and the reasons for lack of proactive expansion of educational facility (Pathak, 2004), (Naskar, 2008). Besides, **cut in financial support has added to the problem of funding.** More efforts are necessary to mobilize internal resources. This is more pertinent since the need and scope of North Eastern States are different from the rest of the country. As such the role of Central Government is crucial in further development of higher education in the region.

Although significant public expenditure is made on infrastructure development of higher education thorough the Non-Lapsable Central Pool of Resources and various other centrally funded projects, grant towards maintenance is not properly matched (Vanlalchhuawna, 2006). In the light of this and high cost of living in the region, it is pertinent to take steps to generate funds for proper growth, upkeep and maintenance of institutions of higher learning.

Profile of North-Eastern Hill University

North-Eastern Hill University (NEHU) the oldest central affiliating university was established in 1973 by an Act of Parliament as a teaching and affiliating University which has grown a long way during the past 39 years. It began with only 20 students in Post Graduate course in 1975 which has increased to 4571 by 2011-12 (excluding the affiliated colleges). At present it has 34 departments and two centre of studies and 63 affiliating colleges spread over two campuses one in Shillong and the other in Tura.

Financial Position of North Eastern Hill University

University is facing severe financial crunch particularly in the non-salary component of the maintenance grant (Annual Report, 2010-11). To understand this phenomenon, two fold study comprising - a) the pattern of funding and b) actual financial position of the university has been made.

All recurring activities taken up during a current plan period sanctioned by UGC on the basis of approved norms are included in the maintenance grant or non-plan sector at the end of the plan period on the same norms and patterns. Maintenance grant is provided to run and maintain the entire academic and administrative machinery of the university. The Maintenance grant is generally made available keeping in mind the immediate previous year's sanction plus the expected expansion of the specific university and the normal rise in establishment cost on account of inflation. Although it has long been suggested that there should be a suitable machinery to assess the additional expenditure involved on account of price rise and 'unpredictable not provided for items' in the budget to avoid the huge deficit (Ghosh, 1981). NEHU receives a large proportion of its maintenance grant from UGC, the procedure for obtaining the same is as in any other central university (Sharma, 2004). The receipt and expenditure during the last 10 years is given in the following Table No.1:

Table: 1
Non-plan Receipt and Expenditure of NEHU
From 2001-02 to 2010-11.

(Rs. in lakhs)

Year	Maintenance Grant	Internal Receipts	Total Receipts	Internal Receipts as % of total Receipts	Grant for non-salary Expenditure at Constant price (2001 Base Year)	Expenditure	Students' Enrollment in the University	Per Capita Expenditure
2001-02	2361.85	130.11	2491.96	5.22	863.74	3061.13	1243	2.46
2002-03	3106.60	130.17	3236.78	4.02	1008.28	3158.70	1821	1.73
2003-04	3276.15	174.76	3450.92	5.06	975.20	3630.21	2102	1.73
2004-05	3598.19	246.08	3844.27	6.40	1065.69	3909.51	2059	1.90
2005-06	3741.01	221.54	3962.56	5.59	1212.57	3886.92	2036	1.91
2006-07	3534.33	238.24	3772.58	6.32	1243.60	3830.88	2102	1.82
2007-08	4322.08	249.91	4572.00	5.47	1511.55	4267.47	2759	1.55
2008-09	5226.07	241.46	5467.54	4.42	1535.97	5649.94	3064	1.84
2009-10	6702.69	267.69	6970.38	3.84	655.35	6594.06	3515	1.87
2010-11	5288.69	283.34	5572.04	5.09	668.88	5827.28	3847	1.51
Growth	9.23%	8.71%			- 1.19%	8.42%	11.23%	-2.50%

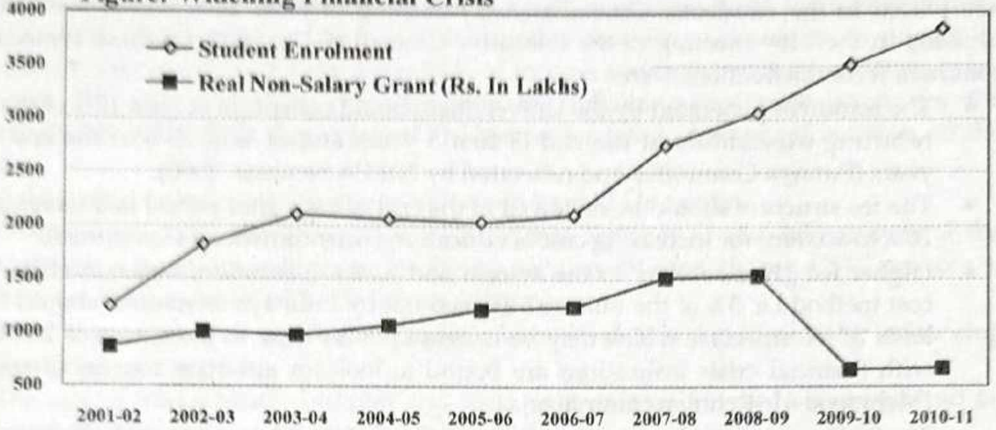
Source: *Annual Reports of NEHU*
Note: Figures have been adjusted for price inflation with base year 2001.

From the above it can be seen that as against students' growth of 11.23 %, the growth in maintenance grant has been 9.23% only which was again entirely absorbed by the statutory payments towards Salary and Retirement benefits as is evident from the fact that the rate of growth in non- salary grant has been negative. This illustrates the increasing pressure on academic expenses like library, laboratory, examination and all other expenses which are incidental to the academic growth of university as is also evident from the fact that growth in per student expenditure of NEHU has been -2.50 %. Although the growth of internal receipts was 8.71%, the percentage of internal revenue as part of total receipts of the University has declined from 5.22% in 2001-02 to 5.09% in 2010-11. At the same time, per student expenditure has also gone down from Rs.2.46 to Rs.1.51 lakhs which shows that the financial crunch in the University grew over a period of time. This reduction in grant was not university specific as is clear from the analysis of 29 universities that Govt. grants reduced from 65% of total expenditure in 1996-97 to 57 % in 2001-02 (Narula, 2004). The Tenth Plan noted that "since budget resources are limited and such resources as are available need to be allocated to expanding primary education, it is important to recognize that the Universities must make greater efforts to supplement resources from the Government"(Azad, 2005). Here it is more important to note that many a times the university has to spread its basic requirement over a period of time because budgetary projections of requirement is strictly based on norms stipulated by UGC / MHRD i.e 3% increase over actual expenditure of previous year in case of salary component and 8% increase over the actual expenditure in case of non-salary component. It may be pointed out that up to 2005, additional requirements were supplemented with some 'Special Grants' which has been discontinued ever since.

This was well predicted by some researchers like Coombs (1985) and Balachander (1987). Coombs (1985) stated that the constraint on higher education comes from increasingly resistant budget ceilings on one hand and relentless rising cost on the other.

Similarly, Balanchander (1987) stated that "the difference between expected requirement and the possible budgetary allocation of resources from public funds will be substantial in the years to come, and if the same pattern of financing continues higher educational administrators will have to do some tight rope walking in matching requirements with the available funds." Therefore, the higher educational institutions should review their position with respect to the grants they receive.

Figure: Widening Financial Crisis



Source: Author's Elaboration from Table: 1

Growing concern of NEHU

An observation of the minutes of Finance Committee (F.C.) meetings held over the years clearly shows the university's concern over the growing crisis as depicted above owing to decline in grant for non-salary component can be observed from The Committee noted in 2002-03 that the budgetary provision for periodicals and journals for the year was so inadequate that compelled it to discontinue 26 foreign journals which are indispensable to the teaching and student community. The drastic cut of 13 % in budget of 2005-06 had adversely disrupted the ongoing academic activities of the University. Owing to further cut of 26 % in non-salary component of 2006-07 rendered the restoration of momentous growth impossible. In April 2007, it was noted that due to non-release of funds under non-plan non-salary component, essential repair and maintenance of its residential quarters, academic buildings, hostels, and the furnishings of its newly constructed buildings could not be undertaken. In December 2007, it was put on record that cut in budget being a regular feature, managing the affairs towards the obligatory expenses in the midst of expansion in terms of increase in faculty, students and new departments became extremely difficult. Justice was also not given to the up-keep of buildings and equipments not to speak about the replacement of 20-25 years old equipment and furniture. In June 2008, it was felt that despite huge curtailment of expenditure during 2007-08 on electricity, vehicle operations, fees and honorarium, TA / DA to members of committees, TA / DA to staff, advertisement and publicity, hospitality, etc. the university was still reeling under financial crunch. In the wake of serious hindrance to the progress of the University owing to 52 % cut in the non-plan non-salary budget of 2009-10 over 2008-09, the Finance Committee in June 2010 expressed concern in the words that *"the University must overview its fees structure and income realization and to adopt an innovative approach to improve resource generation."* In November 2010, the University puts on record that despite utmost economy and withholding of maintenance work, the actual expenditure exceeded amount sanctioned for 2010-11. It was opined that the periodical repairs & maintenance and up-keep of buildings and other assets need to be resumed. With the addition of newly constructed buildings, consumption of electricity has gone up. Similarly due to increase in number of students, expenses on conduct of examination have also gone up. Realizing that the University suffered a setback in the academic and administrative programmes / activities because of the drastic reduction in the non-plan non-salary budget, it is necessary to maintain non-plan non-salary budget at the level above that of 2008-09.

The contemporary developments at the national level as communicated by the MHRD were placed in the Academic Council's (A.C.) meeting of June, 2003 which were further discussed in the 116th meeting of the Executive Council (E.C.), 2003. Of these some of the prominent recommendations were:

- The resources generated by the Universities should constitute at least 15% of the total recurring expenditure at the end of first 5 years and at least 25% at the end of 10 years (Punnya Committee and reiterated by NIEPA Seminar, 2000).
- The fee structure should be reviewed at the end of each plan period and increased by 20% to account for increasing cost of education (Anandkrishnan Committee).
- Higher fee gives sobriety to the system and to the institution, hence modified unit cost method i.e. 3% of the unit cost worked out by Punnaya committee should be the basis of fee structure which may be increased every year to the extent of 2%. Faced with financial crisis institutions are bound to look for alternate sources of revenue (Mehmood-Ur-Rehman committee).
- The 9th Report of the Expenditure Reforms Commission has suggested efficient use of whatever resources available in the Institutions to increase their resources, besides curtailing wasteful expenditures at their level. Failing to improve financial and academic discipline, institutions will be subjected to face disincentives.
- The UGC sponsored seminars on "Higher Education in India, Issues and Concerns and New Directions" observed that organized structure for Higher Educational fund raising and creating a culture of giving back is a possible way of tackling resource crunch in higher education (UGC, 2003).

Steps to Resolve Concern:

The University's highest bodies were well aware of the importance of Internal Revenue generation in order to avert the university from impending financial crisis. In this regard a mention may be made of 63rd A.C. (June, 2000) which for the first time approved the following *inter-alia* other recommendations of the Dean's Committee on 'Income Generation and Cost Saving Measures' which when placed at 107th E.C. for approval was deferred:

1. Investment of university funds on various projects and activities which may generate more income than the income generated through bank interest.
2. Lump-sum fee on short-term courses.
3. (a) To reserve 10% supernumerary seats on full cost basis.
   (b) Library fee for Non-NEHU people.
   (c) Internet user fee for research scholars.
   (d) Parking fee by constructing parking yards.
   (e) Bench fee for research scholars @ Rs1000 per year.
   (f) Use of sites on Campus for Advertising of selected commercial products.
   (g) Advertisement on fee book cover, file cover, bus shed, staff uniforms, university publications, etc.

Later the university constituted one Man Committee on 'Academic and Financial Management of NEHU' the recommendations of which were ultimately deferred by 116th E.C. The relevant recommendations among others were:

1. "Common resource centers in each department / center. This is desirable in view of gross under- utilization of the existing facilities available in the rooms of individual teachers."
2. "Greater financial autonomy to the departments / centers for managing the funds allocated to them. This is expected to encourage generation of fund as also more judicious use of the financial grants available to them."

The recommendations of both the above referred Committees were again placed in the 69th A.C., 2003 which proposed to constitute another Standing Committee to suggest in detail the concrete measures for the generation of income and revision of fee structure every two years. The said committee came up with the following recommendations for the approval in 70th A.C., 2003, that deferred the matter for want of more information on the subject:

- Publications of various materials which could be sold for a price.
- USIC to deal with maintenance of PC's, Science Equipment and microscopes of the University, use of glass blowing facility by department for a charge. USIC services to be extended to schools and colleges for a payment.
- RSIC may extend its services to include maintenance of equipment for enhancing generation of revenue.
- The sale of Mayurbhanj Complex and fund so generated be put in a corpus and be invested judiciously to generate revenue.
- Bijni Complex to be rented.
- Streamlining of system for monitoring of fee payment.
- Differential fee structure for different courses based on actual cost of course.
- Paid seats be introduced in various courses.
- Functioning of computer centre be improved, short-term courses be introduced and fee be charged as per prevailing market rates.
- Transport charges to form a part of semester fee.
- Corporate fares to be negotiated with airlines for official travel.
- Downsizing of CDD in view of near completion of Campus development.
- Short-term orientation courses by various departments in the evening.
- Alumni contribution and reaching out to community and general public for funds.
- Faculty consultancy may be encouraged; however, a part of the remuneration may be contributed to Corpus fund.
- On completion of VSAT facility the same may be extended to teachers / students and staff on payment basis.

These recommendations were placed in the 116th E.C., 2003, but, the item was again deferred. The 142nd E.C., 2010 discussed and approved the letter received from the Secretary, UGC on utilization of surplus capacity in Educational Institutions which calls for optimal utilization of already existing infrastructure in Colleges and Universities that could be in the form of Skill Development Programs (SDP) / Courses in Educational Institution after class hours. However, the Finance Committee, November, 2011 concluded that non-salary grant including the internal receipts so generated is simply not adequate to meet the growing requirement.

Conclusion:

It is evident from the above that the university is almost entirely dependent on the Government for its maintenance. The university is reeling under the rising inflationary pressure resulting in shooting up of its maintenance cost on one hand and reduced maintenance grant other than that of salary and pensionery benefits on the other hand. It is true that while the State cannot walk away from its responsibility of financing higher education, imaginative ways will have to be devised to find complimentary sources of funds so that universities can move beyond their current levels of engagement with students and excel in providing education (Yashpal Committee, 2009). Further, according to the recent practice of UGC, the additional revenue generated by the universities is no longer treated as their income while calculating grants payable by it to universities. The universities are free to use it for the pursuance of their objectives. Studies conducted in developed countries also largely found supporting a systematic environment oriented effort as the key to successful revenue generation by universities. Countries and institutions are trying to meet the shortfall in financing higher education in various ways. Studies need to be taken up to see if NEHU through concerted effort can adopt systematic channelisation of internal resources for generating additional revenue.

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