

Why Subsidise Higher Education?

The state is spending substantially on college education programmes for a privileged few without their having to pay anything for it. There has to be a political consensus to make higher education self-financed and target the scarce resources towards primary and secondary education.

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It is an amazing state of affairs that in a country where the literacy rates are as poor as in India, we spend an abysmally small amount of money on education. As a nation, we spend some 3-4 per cent of our GDP on education. Within the sphere of education also, the bulk of the money (relatively speaking) is spent not on the primary or secondary sector but on the tertiary sector, a classic case of the inverted pyramid in funding.

Let us look at some numbers: In 1951, there were about 2,40,000 primary and secondary schools and about 650 institutions of higher learning (this includes, colleges, professional colleges and universities). The corresponding figures for 2001 are about one million and 11,000. That is to say that while our primary and secondary base grew by 400 per cent in 50 years, the tertiary sector experienced a mammoth 1,700 per cent growth. Of course, such a differential growth is expected because as the primary and secondary sectors grow, they feed into the tertiary sector, which is growing from a low baseline. Looking at the enrolment data makes it clear that the number of students at the secondary level have increased hugely compared to the growth in primary level

students. There were 1.9 crores primary students in 1951 and 12 crores in 2000, while secondary students were 15 lakhs and almost three crores for the same years respectively.

With the proliferation of universities, colleges and institutes, the spending on this sector can only grow. At the last count, there were more than 250 universities in the country and about 13,000 colleges with a total student strength of about 75 lakhs. Enrolling in a college has become a default option for a large percentage of high school graduates. Periodically, the government appoints various committees to review the structure of higher education and we hear homilies about vocational courses and other alternatives to a bachelor's degree. But in the absence of any infrastructure these remain just words.

The motivation that gets students into colleges after finishing school is varied. At one end, we have those seeking admission to professional and technical courses that can lead to a career related to the course. At the other, there is a small minority that considers a college degree to be a social status symbol and does not have any intentions of entering the job market after finishing college. However, the vast majority of college entrants have come into general degree courses,

mostly, as a 'default option'. The employment situation in the country remains bleak after school. Not that it improves substantially after an ordinary college degree, but even that incremental increase in job prospects is worth spending those few years at college, in the absence of better alternatives. This also becomes an 'attractive' option in view of the ridiculously low tuition fees charged by our system of tertiary education, which has practically remained unchanged during the last 50 years. There are also, in many places, 'perks' like subsidised local transport charges, subsidised railway concessions and even cheap cinema tickets!

None of the categories of students seeking admission to colleges can be faulted. But barring perhaps the professional courses, in a vast majority of cases, classroom teaching has become more or less irrelevant to its avowed purpose of providing a support system for the intellectual development of students. Even in situations where colleges prepare students for examinations conducted by an 'external' authority, interested students depend upon alternative strategies to do well. The near irrelevance of anything meaningful in our regular classroom teaching, of course, is related to the fact that the concept of accountability has become non-existent in the profession, despite a substantial rise in public spending on it. And this has become possible, to a large extent, because the primary users, namely, the students, are not directly paying for their studies and hence do not protest against the system. They are in effect 'consumers' of this facility, but not having directly paid for it, they do not seek 'consumer grievance redressal' in any form. Thus, in the absence of any institutional checks and balances for ensuring proper teaching, the teacher's conscience becomes the only constraint in his/her performing his/her duties conscientiously.

The fact that students pay a pittance for college education is also the reason for another serious malady, namely, the casual attitude of students while entering a particular course. It is not uncommon to find students hopping from one course to another freely. There is, at times, a very severe depletion of the number of students in a course as it progresses from the entry stage to the final examination time in a three-year degree course – sometimes going down by a factor of three or even higher. Of course, this kind of anomaly cannot be totally eradicated but the fact that these can be done without substantial

financial damage causes its indiscriminate use and plays havoc with the teaching programme. This also deprives many students who were initially denied entry into the course the possibility of college admission.

Though the issue of fees at professional institutions has recently been in the news, thanks to some public posturing by the government and the Indian Institutes of Managements, the real issue is much more broad based than just a handful of IITs or IIMs. The whole tertiary sector is riddled with anomalies, though maybe not as glaring as the professional institutes.

One can, of course, get accurate figures for the amount of resources spent in each teaching institution but for our purposes, we can perform a simple back-of-the-envelope calculation to get an idea of the amounts involved. If we multiply the average annual salary of a teacher at the institution with the student teacher ratio we will get a reasonable estimate of the money spent on salaries. To cover the salaries of the support staff and other expenses, we can double this figure and get a fairly accurate lower estimate of the amount spent on each student. The actual numbers can only be higher since there are other expenses like buildings, maintenance etc. At the lower end, consider a typical undergraduate college. With an average teacher salary of Rs 2,00,000 and a student-teacher ratio of 20:1, we get a figure of about Rs 20,000. On the other hand, for institutes like the IIMs, the average salary is around Rs 5,00,000 and the student-teacher ratio only 8:1. Here the average expense per student goes up sharply to about Rs 1,25,000.

Thus unlike, for example, in schools, the state is spending substantially on college education programmes for a privileged few without their having to pay anything for it. The problem itself is complex and multidimensional. What is needed of course is a complete rethinking of the role of government in the higher education sector. There have been committees appointed by the government which have looked into this issue but a major surgical operation is needed to cure the malaise. But this is going to be tough in a democratic-populist polity like ours where the 'common man' has assumed that the government has the duty to provide him with everything: from free electricity to subsidised bus travel. Thus it is never going to be easy to touch the issue of subsidies cornered by a vocal minority, namely college students.

Nevertheless, there are still policy decisions that could be taken and which do not require a major change in statutes or bureaucratic wrangling. The subsidisation, which is certainly a curious anomaly in a resource poor country such as ours, could be corrected in several ways. One could envisage an across the board increase in tuition and other fees to more realistic levels. The way to ensure that economically backward students are not squeezed, a means scholarship scheme or preferably a low interest loan can be initiated. This, of course, will be easy to implement but a hard decision politically. Given the tremendous political economic power of the bureaucracy and the other well to do sections of society (whose progeny make up the bulk of entrants) exercise, this option is almost certain to be shot down.

It is claimed that in a country like India, it is very hard to get an authentic idea of the economic level of students. Notwithstanding that this is a typical bureaucratic response to the problem, there could be a simple way to ensure the principle of 'people who can pay, do pay'. One simple, straightforward way to ensure that people who can pay, do actually pay for higher education, is to insist on a fee receipt from the school last attended. The CBSE can be asked to indicate the school from which the student has appeared for the high school exam and a fee certificate obtained for the average fees paid over the last two years. Since the CBSE in any case does collect information from all students before the school leaving examinations, adding this small piece of information will not require any more work. And since the fees structure is anyway public knowledge, all that one is ensuring is that the data collected is authentic, which is something the CBSE can easily do.

The tuition fees for the entering student can then be pegged at this level, and allowed to increase by say the inflation rate every year. This will ensure that a poor student with access to only a government school (and hence deserving of the subsidy) actually pays less than the one who pays over a thousand rupees a month in class 12 and then suddenly finds himself paying the same amount per year in the institutions of higher learning. However the basic idea should be to move towards a more student-financed higher education. An obvious way to achieve this would be to treat the total money spent on each student as a loan by the state to the student. This loan would need to be repaid when the student enters the job market.

The tenure of the loan, the interest rate, etc, can all be worked out by the government so as not to impose too much of a burden on the student. For instance, the state could bear part of the interest burden and peg the repayment to some percentage of the gross income of the student when s/he starts working.

An obvious objection to such a scheme would be along the lines of "how does one ensure that the beneficiary repays the amount"? It is here that technology and bureaucratic will come into the picture. With the introduction of Permanent Account Numbers (PAN) for each income tax payee, there already exists a system which can track down income tax payers. What can be done, for instance is to issue a PAN to each enrolling student – admittedly a huge task but then with present day storage technology, not insurmountable. This will have the added advantage of bringing more and more people into the income tax horizon (whether or not they actually pay the tax is a different thing altogether!)

The government fixes the level of expenses per student depending on the course, institution, etc. Every month this amount gets added to the 'loan' which the state has advanced to the student, the accounts being kept at a bank or post office, depending on convenience and accessibility. Of course, if a student wants to pay along and not opt for this loan, s/he can do it.

Now once the student finishes her/his education, s/he will be expected to file income tax returns like the mandatory IT filing currently under 1-in-4 scheme. Once the student starts earning, some percentage of his/her gross or taxable income can be used to pay off the loan with a certain minimum, e.g. three per cent of his/her gross income or 20 per cent of the taxable income whichever is higher. For instance, an undergraduate who has a loan of about 1,50,000 can be expected to pay about 400 per month. If s/he gets a salary of 1,00,000 per annum, this works out to be around 5 per cent. Or in the case of an IIT graduate with an outstanding loan of 6,00,000, 20,000 a year can be repaid. Once again, assuming the starting salary to be around 3,00,000, this is a small amount.

This scheme, as it stands can be faulted on the grounds of equity. One can argue that this once again will penalise those who can be in the potential tax net, namely those who are wage earners. What about the self-employed? In the present system, this is certainly true. But with the use of technology, it will certainly decrease. For instance, once banking and income tax

computers are able to exchange information, it would become difficult for people to use banking channels and evade tax. In any case, once most people have a PAN, it will certainly be easier for the government to track them down.

But what about those who go abroad for studies or jobs or emigrate? Will they not be able to escape from this repayment? Once again, given the technological capabilities of the passport office, it should be easy for them to ascertain whether s/he has repaid the loan amount. Given that one needs several clearances for issuing a passport (including an emigration clearance) it should be easy to incorporate the mechanism to ensure that the émigré repays the loan before leaving the country (even if it is for the purposes of studying abroad). Alternatively, protocols can be evolved to have such a person's passport validated only up to such time as he/she has repaid his/her loan.

Admittedly, fundamental changes of the kind envisaged above can never be brought about at one go in a democratic polity such as ours. They should be done in a phased manner with detailed feedback and evaluation reports after each phase. As a start, the state can, for instance, enforce the schemes at educational institutes where the cost to the exchequer is high and the job prospects of students are also significant, e.g. the engineering colleges, the Institutes of Managements and central universities like the University of Delhi. The states may then be given an incentive to implement similar schemes (modified according to specific needs and conditions) at institutions which are funded by state governments. We are aware that for a significant proportion of the student population, the job avenues available after an undergraduate degree from a college in a mofussil area are minimal. Hence, it is important to introduce the scheme judiciously and in a staggered manner for it to be politically acceptable.

If there is a political will and bureaucratic clarity, it should be possible to design systems where such a scheme can be made easily operational. And as we have sketched above, all this can be done without too much extra infrastructure on the part of the state. Ultimately, there has to be a political consensus to make higher education 'self-financed' and target the scarce resources towards primary and secondary education. **EPW**

[We thank Kamal Datta, Indira Rajaraman and Pompa Roy Choudhury for their comments on the draft of this paper.]