Fees, Autonomy and Equity

The current rift between IIMs and the government on fees unmasks different faces of marketisation of higher education and of the various actors involved.

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The current rift between the government and the Indian Institutes of Management (IIMs) on student fees is the direct outcome of the market reforms introduced in higher education institutions in India during the last decade and a half. First, after the economic reform policies were introduced, government budgets for higher education institutions were slashed; second, following the recommendations of Dr Justice Punnayya Committee on central universities and more specifically Dr Swaminathan Committee on technical education, higher education institutions were required to generate substantial amounts (at least 20 per cent) of their requirements on their own, particularly through fees; and thirdly the higher education institutions were clearly required to reduce their dependency on government, on the ground that they were too dependent on the government, though the degree of dependency (or the rate of government subsidy) in India is not in any way higher, if not lower, than that in many other countries. To support the arguments for increase in fees particularly in technical institutions, it was widely stated that students in technical and management institutions such as IITs and IIMs were able to pay high levels of fees, as after all, they came to the campus in cars, spent high amounts on restaurants, and cinema houses, and so on. Institutions that generated revenues on their own were also provided with added incentives, in terms of grants, etc. As a result of all these policy directives, there was a race among many institutions to generate resources on their own, through (a) substantial and erratic increases in fees and introduction of fees for items which were earlier provided free –such as application fees, examination fees, convocation fees, fees for mark statements, extra fee for consolidated mark statements, fees for authentication of transcripts and others; (b) introduction of self-financing courses, and (c) consultancy, sale of services, etc. Cost recovery has been the buzzword and it largely refers to recovery from students through fees and other charges. Among many, institutions like the IIMs, IITs, and other management and technical institutions and even departments in universities offering management and technical education, vigorously pursued cost recovery measures and began raising substantial resources. Governments – union and state – were happy and did not care to take note of how the several institutions were generating governmental and non-governmental resources and at what actual and potential cost to the education sector and to the society at large. In fact, governments either explicitly or implicitly approved rather all kinds of methods of generation of resources by the institutions, as it would reduce the need for funding by the government. Further to help the higher education institutions to appreciate the relevance of market modes of financial management in higher education and to increase the pace of marketisation of higher education, business tycoons were appointed not only as chairpersons of committees/task forces on reforms for higher education, but also as chairpersons of academic institutions. As a result of these market reforms, many institutions accepted the government directives initially reluctantly, but later less reluctantly, if not very willingly and introduced financial reforms, including specifically steep hike in fees. These market reforms also enabled the private (self-financing) institutions to charge any level of fees they wanted and the government had conveniently opted not to interfere. Hence the conflicts relating to fees (and also admissions and other aspects) in self-financing institutions were to be settled between the judiciary and the institutions with the government playing literally no role and students and parents becoming the victims left to themselves.

Now with reduced public budgets and the accompanying market reforms many public institutions of higher education began behaving 'autonomously', if not arrogantly, rejecting special grants from the government, rejecting proposals regarding reduction in fees, increase in intake, admissions, common entrance tests, etc, however right they were because acceptance of a government proposal was perceived to be a threat to their 'autonomy'. The government has begun to feel that it has lost control of the whole higher education system in the country, even when it wants to intervene for right purposes. Proposals such as reduction in levels of fees and common entrance tests, for example, can be viewed as positive measures from 'social' point of view, that would respectively promote equity and help students avoid the trouble of appearing for dozens of entrance even before completing their senior secondary school-end examinations. What finally we see now is a familiar story: once the market forces are unleashed, it is difficult to contain them, and it is foolish to think that the government can effectively intervene with a soft hand, whether for good (or bad) reasons. The rift between IIMs and the government on fee levels is a classic case of this situation.

As reported in the media, the current fee level in IIMs is about Rs 1.5 lakh per student per year; and the IIMs were planning to increase it to Rs 1.75 lakh. A decade ago, it was about Rs 20,000, and it was increased only after the government recommended it in the early/mid-1990s with a view to making them self-reliant. Increase of fees at the beginning of every academic year has become an annual affair nowadays. Based on the recommendations of the U R Rao Committee, the government has decided to cut the fees in these institutions to Rs 30,000, though the committee is said to have recommended reduction up to Rs 60,000 only. IIMs opposed all this, and even threatened to go to the courts against the government directive.

The government's point is that fees in such high quality institutions should not be high, otherwise, high quality education would become the monopoly of the rich, depriving many economically poor but educationally deserving students. Who will contest the statements such as: fees must have a rational basis; higher education must be accessible and affordable; talent should not be the monopoly of a small section of the society; talent from the deprived sections must get an opportunity along with their dignity, etc. The Supreme Court also rightly expressed the same opinion. Very high levels of fees would be highly regressive. Even though due to the phenomenon of excess demand for higher education in India, the total demand for higher education may not necessarily be elastic to even very significant increases in fees; but it can certainly be expected that the demand of the middle and lower income groups for higher professional education would be highly fee elastic. High levels of and steep increases in fees keep the middle and low income groups away from higher education. Given all this, the government's intervention to reduce the fees in IIMs needs to be welcomed and other institutions of higher education may take similar initiatives on their own, before the government does. Instead, the IIMs and others have opposed the fee cuts mainly on the grounds that it will result in a fall in the quality and standards in higher education, erode autonomy of the institutions and that it would not help the poor.

What is surprising now is, while there used to be hue and cry earlier against hike in student fee in higher education, now there is hue and cry against cuts in fees! Those who raised the hue and cry now include students, staff, alumni and heads of the institutions and other experts. Anticipating, rather rightly, that the fee cuts in public institutions may have an effect on fees in private institutions, heads of private institutions (like IITs) also joined the protest. It was mentioned by many opponents of reduction in fees in IIMs, that "those who aspire to study here are prepared to invest substantial sums of money … they can afford all this and a tuition fee of Rs 2 lakh...". In fact, the reality is: nowadays only those who can afford all this dare to aspire to study in these institutions. Popular media quickly conducted opinion surveys of current students of these institutions, who surprisingly reiterated the stand taken by the heads and other staff of their institutions and even have gone to the courts! The opinion of the students who are completing senior secondary/undergraduate studies on whether the reduction in fees would encourage them to aspire for admissions in undergraduate courses in IITs, etc,/postgraduate courses in IIMs and similar other institutions may be more important in such a context than of the opinions of the students who are already enrolled in these institutions or their alumni or the staff. The emerging blatant lack of concern for equity and equally blatant preference for exclusivity in higher education is indeed shocking.

Such high levels of fees, or high proportions of fees to the costs of higher education, or such high levels of fees in relation to average national income per capita, as we find in India, can rarely be found in better educational systems of the world. The really excellent education systems care for excellence as well as equity. This applies to excellent private universities in the west as well. Some contested the government view that the fee is disproportionate to the national income per capita in the country, and seem to be rejecting outright the suggested norm. While fee in higher education institutions is rarely fixed keeping the average national income per capita, there is no justification to brush it aside altogether, as this would certainly be a helpful analytical measure to examine the relative costliness of higher education in a given society and this can provide valuable inputs for sound policy making on the issue.

Those who are critical of the proposed cuts in fee levels have also argued in this context that the state should subsidise only primary education, and should not subsidise higher education. Neither empirical evidence from other countries nor theory supports such a view. Theory (see G E Johnston, Subsidies in Higher Education, *Journal of Labour Economics*, 1994) suggests that the higher education of even the richest student has to be subsidised by the state, simply because of the externalities it produces. Further, interrelationships between different levels of education are too important to be ignored, and one level of education cannot be sacrificed in favour of another, as this would damage both and the whole edifice of education. Thirdly, high levels of fees, and reduction in state subsidies lead to privatisation of higher education. Unfortunately, the argument of the critics of the fee cuts coincides with the recommendation made in the Report of the Sub-Group on Education of the Prime Minister's Council on Trade and Industry, familiarly known as the Mukesh Ambani-Kumaramanglalam Birla Report. The group recommended that the state should confine itself to provision of primary education and should leave higher education to the private sector. It is surprising that those who are critical of the Ambani-Birla group's recommendation now argue exactly the same: why shouldn't the state focus on primary education and why should it subsidise higher education, higher professional management education in particular. Those who are critical of privatisation and are critical of fee increases in higher education are also critical of fee cuts!

The cut in fee levels is also contested by many that it would result in a fall in the quality of education. But this need not be the case. What the opponents of reduction in fee mean is: cut in fee levels will lead to increase in enrolment of students from lower economic background and this in turn would lead to fall in quality and standards of higher education, thus equating lower economic background to low quality, quite ignoring that the distribution of merit is not so skewed in favour of the rich. Further, fee levels in IIMs and IITs were not very high until recently. It may be recalled that it is only in recent years – during the last decade and a half that steep increases have been effected in student fees, and that these institutions depended heavily on government for grants. This does not mean that these institutions had been producing low quality graduates all these years.

At the same time it is important to see that significant increases in enrolment are accompanied by required increase in total spending, otherwise, the resources would get thinly spread over a larger number of students, pushing down the quality of education. The increase in resources has to be proportionate to increase in enrolments, if the existing resources are already being optimally utilised. If there exists any scope for better and more efficient utilisation of the existing resources the additional requirement may not necessarily be proportionate to increase in enrolments. Except in a few resource-rich institutions, expansion of higher education does require additional resources. As long as admission procedures are not diluted, quality does not have to be traded off for increase in enrolments.

Obviously the market orientation of these institutions of higher education does not seem to allow them to be any more concerned with issues such as equity. They are concerned more with efficiency, financial efficiency in particular. They rightly take up their own uncontestable aspects: higher education is costly; so is quality education, and world class education comes at a price! The point in all this is not that higher education is not costly or quality higher education is not so; but cost to whom and who should pay? The market-oriented institutions seem to feel that students should pay. But others feel that the government should provide subsidies.We do not have the third actor in funding higher education, widely prevalent in the west in the form of philanthropy and charity.

Many people are, however, allergic to the very concept of free higher education. They belong to two schools of thought: one feels that people do not value free education, and that fees would make the students more diligent in their studies and this would increase the quality of education. The other school is apparently sympathetic to free education, but strongly feels that the government has no resources. But both views are not beyond challenge. If fees necessarily enhance the quality of education, the quality in our high fee charging self-financing colleges must be of the highest order; and everyone knows about the quality of education imparted in these institutions. The assumption that the government does not have enough resources is not tenable. Free education, including free higher education, does not cost huge amounts of money. If student fee income accounts on average, for 20-30 per cent of the total expenditure on higher education in the country (many, including the government, feel that the actual ratio is far below this; the proportions are much less in case of secondary education, and least in case of elementary education), the total government expenditure on education has to be enhanced, ceteris paribus, by at best 20-30 per cent if all education is to be provided free. So it is not so much a question of resources, as a clear policy and a strong political will. Not only many Scandinavian countries and the erstwhile socialist/communist countries, but also many other European countries (e g, England until this year), and also some developing countries in Latin America (e g, Brazil), and in Asia (e g, Sri Lanka) provide free higher education to all their native students, and in some cases to foreign students as well.

Many advocates of increase in fee also recognise that the needy students should to be supported and that they can be given loans. Loans (we have already forgotten scholarships and freeships) are viewed by many as a panacea. But they are not a solution to the problem of financing higher education. Loan programmes can create more problems than they solve. The fundamental assumption underlying loan programmes is that higher education is not a public good, nor a social merit good, but is a highly individualised private good, as the mechanism of loans shifts the responsibility of funding higher education from the society to the families, and more importantly within families from the parents to the individual students.

Though it is not referred to here, self-financing courses also raise exactly similar issues and problems. Many universities have been enthusiastically starting self-financing courses, which in my view should be termed as 'surplus generating courses' generating revenues much above the costs. Universities favour introduction of such courses, as (a) (high levels of) fees can be fixed by the universities (or by the departments) themselves; (b) they are least subject to 'control' and supervision by the higher authorities or the government bodies; and (c) the departments and the universities feel 'autonomous' in utilising the revenues. Rarely do questions of equity figure in designing these courses or in fixing fees. By the very nomenclature, they are aimed at generating finances, and that might become the sole objective of such courses.

The best way of financing higher education is fixing very low, if not zero, levels of fees for all students uniformly in all institutions, and the government providing liberal grants to the institutions. This is still the practice in most countries of the world, not only of the erstwhile welfare state economies, but also in others. Obviously institutions offering high quality education require more resources and the government should accordingly provide higher levels of grants to such institutions. In other words, government grants to an institution should be related to the actual costs of providing higher education in the given institution. This will enable all students, even the poor, to aspire and actually compete for admissions in the best institutions. The government should adopt a liberal approach to funding higher education institutions in India, and not 'neo-liberal' policies. There is no place for self-financing courses either.

The government has to review fees in not only IIMs, but also in all universities and institutions of higher education in the country, public as well as private and come out with very clear guidelines. It also has to review, along with fees, policies of financing by the government – directly or through UGC, etc. In fact, it has to have a major review of its policies and practices in higher education development. It cannot encourage privatisation of higher education, including financial privatisation of public higher education, specifically increase in fees on the one hand, and suggest fee cuts the next day on the other! It has to develop a long term coherent and holistic policy of development of higher education in the country.

A closely related issue raised in this context refers to autonomy. Fears on the erosion of autonomy are valid to some extent. But academic autonomy, administrative autonomy and financial autonomy need to be separated. State funding of higher education is a normal feature of many civilised societies. 80-100 per cent of the university budgets in several European countries is met by the state and universities are quite autonomous in many respects in these countries. Hence to view that financial dependency on the government will necessarily erode academic autonomy of the institutions is not a tenable proposition. In fact, necessary safeguards have to be built to protect and promote academic autonomy of our higher education institutions. Academic autonomy should not be linked to funding by the government. Both the government and the academic institutions have a responsibility to work towards this direction. The relevant model is that of our judiciary – totally funded by the state out of the public exchequer, but completely autonomous in its functioning. EPW