



Subsidies in Higher Education

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This article is based on **“Should we do away with subsidies for higher education?”** which was published in The Hindu on 22/11/2019. It talks about the impact and challenges of subsidies in higher education in India.

Recently, the proposed fees hike of residential hostels in Jawaharlal Nehru University (JNU) has sparked a widespread protest and controversy over subsidies in higher education.

Almost more than a **fifth** of the population is below official poverty limits and **93%** of the workforce is engaged in unorganised sector, subsidized education provides access to quality education to the poor. Subsidies in education education generates a host of positive externalities such as health improvement, reduction in poverty, crime and population growth. It directly or indirectly influences almost all facets of social life, and therefore should be viewed as a non-negotiable public good and by far the most potent social investment.

Advantages of Subsidies in Higher Education

- **Inclusiveness and Equity:** Subsidies in higher education have enabled the marginalised and socio-economically backward sections of the society to get access to quality higher education which has largely been the domain of socially dominant groups in the society.

Inclusiveness and equity are very important characteristics of a good public institution. And, over the years, this has actually increased in public institutions and that is entirely because of subsidy.

- **Economic:** The subsidized education plays a significant role in **building an economy** as in the case of India. Students' engaged with research and specialised education go on to become better contributors to the economy. Higher education boosts innovation, creative thinking and innovations.

For Example: Software segment which comprise of huge share in India's GDP is a shining example of positive externalities from subsidies in higher education.

- **Demographic Dividends:** India is one of the youngest nations in the world comprising huge chunk of population in favourable demographic phase. However, this young populations educational and skill status is not aligned to the requirements of the market.

Therefore, subsidies in higher education sector has a greater role to play in reaping the benefits of demographic dividends.

- **Social Mobility:** Earlier, higher education used to be the exclusive preserve of elites, and other socially and economically backward classes were deprived of higher education.

But due to the efforts made by the government (in the form of subsidies and other benefits) to make it within the reach of every social group, a large number of poor and the marginalised have to begun to express their aspirations for social mobility through access to higher public education institutions.

- **Human Capital:** The country has developed a wide network of institutions like CSIR, IITs and Central Universities which provide **quality subsidized education** to the masses.
 - These institutions have become the nucleus of providing **trained manforce** in propelling research and development and economic growth in the country.
 - Students of all sections of society from these institutions went on to occupy the higher positions in government in forms of engineers, doctors, bureaucrats etc.

Liberalisation and Higher Education in India

In the post-liberalisation era, public expenditure in higher education went through a period of stagnation in real terms, and the per student public expenditure actually declined dramatically. All this happened while private higher education saw a phase of impressive expansion. So, while the overall intake of students in higher education increased considerably in the post-liberalisation era, a large proportion of this expansion was accounted for by expanding private sector. Growth in national income did not result in an increase of public expenditure for education as a whole. It kind of stagnated. Within the education sector as a whole, there was a shift in the focus of funding in the 1990s from higher education to primary education.

Problem with Subsidies in Higher Education in India

- **Free Riders:** Subsidies are intended to serve the vulnerable section of society. However, it is often seen that these benefits of subsidies are exploited by middle and elite section of society.
- **Subsidies do not guarantee quality education:** Access without assured quality is no access. Also, there has been a lot of clamour that subsidies hampers meritocracy.

- **Unevenness in distribution of subsidies:** There is considerable unevenness in the distribution of public finances. Student subsidies for premier institutions like the IITs and engineering colleges are incomparably higher than those for universities and colleges, particularly for liberal arts institutions.
- **Privatisation:** Private institutions are generally not likely to be amenable to measures promoting access and equity. Therefore, a large number of private education institutions remains inaccessible to economy weaker sections.

Way Forward

- **Better Targeting:** According to study conducted by **Gokhale Institute**, benefits can be skewed in the absence of regulation. Therefore, eliminating free riders is the biggest challenge in dissemination of subsidies. Technological improvement like aadhar, direct benefit transfer can be used to eliminate inclusion and exclusion errors. The **third party verifications of beneficiary** will help in eliminating the free riders.
- **Differential Fee Structure:** Rationalisation of fee structure according to the demand of programmes based on marketability, affordability and input cost and according to different income groups could pave the way for optimal utilization of subsidies.
 - Providing free or subsidized higher education to students from lower income groups could pave the way for a more equitable and just society.
 - Some large public universities should now approach the 20% mark as recommended by the Punnayya Committee and National Knowledge Commission.
- **Regulatory Mechanism:** A proper **regulatory mechanism** should be placed in order to make private institutions in line with the government's goal of making higher education accessible and affordable to vulnerable section.
- **Per-student public funds** has to increase drastically in order to maintain the principle of equity and inclusiveness.

Education is one of those genuinely long-term businesses. A public effort is needed to frame a different management style, better autonomy and accountability. Subsidies can help in improving access to higher education and bridge socio-economic divides across communities in the country. However, these can be rationalise in order to reap optimum benefits.

Drishti Inputs

Explain the significance of subsidies in providing quality education to vulnerables.