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## The Indian Higher Education Pricing Paradox

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### **Abstract:**

*Private Unaided Educational Institutions play a major role in the Indian Higher Education system. Fees of such colleges are regulated by State Fee Regulatory authorities. A comparison of approved fees of around 1200 Private Unaided Engineering & MBA Colleges in 3 neighboring states, namely, Maharashtra, Gujarat and Madhya Pradesh for the academic year 2013/14 reveal some interesting findings. Collective consideration of these numbers raises some basic questions –What does the intra-state and inter-state differences in the fees for the same course and for the same academic year mean? Does education sell like real estate? If the differences are assumed to be genuine, that is, free of any manipulations, then is it the case that so much of difference in salaries of teaching staff and other facilities are acceptable to the course approving authority like All India Council for Technical Education (AICTE) who follow a single set of norms for approval of the courses? Alternatively, if it is assumed that there can't be so much difference in the salaries and facilities, then, is it the case that in some cases salaries are being paid at a significantly higher rate and to higher number of people than what they are actually needed to be paid? The article is an attempt to ponder over questions that crop-up in the wake of the compiled data. It is an attempt to understand factors like commercialization, profiteering, quality etc related to higher education.*

**Keywords:** Fees, Fee Fixation, Fee Fixation Committees, Higher Education, Private Unaided Colleges

### **1. Introduction**

There is a goddess who is worshipped and as a matter of practice a coconut is offered whenever the devotee visits her temple. The devotee comes to know that the same goddess is available in a neighboring state but there she need to be offered one and a half coconut. There is another neighboring state where the same goddess is available but there the exchange requirement is two coconuts. Is this possible? The devotees only know better! But what I can share with you is an interesting story about the price (fees) of higher education provided by private unaided educational institutions in 3 states of India. Take the undergraduate course of engineering. Call it BE or B.Tech. If you were to do this course's 2 semesters in a private unaided college of Madhya Pradesh you would be required to pay a fees of Rs.48,600/-. Same course if you were to do in Gujarat, you would be required to pay Rs.56,000/-. But if you chose Maharashtra for the same course, then the fees would be Rs.70,885/-. By chance if you are a post-graduate student and wish to pursue MBA, then the fees for Madhya Pradesh, Gujarat and Maharashtra would be Rs.45,600/-, Rs.54,000/- and Rs.80,000/- respectively.

Results of All India Survey on Higher Education (AISHE) (2013), reveal some interesting facts about the growth in the role played by the private sector in Indian Higher Education - 73% Colleges are privately managed; 58% Private - unaided and 15% Private-aided. Andhra Pradesh and Tamil Nadu, both have more than 85% Private-unaided colleges, whereas, Bihar has only 6% and Assam 10% Private-unaided colleges. Further out of total private colleges, unaided are 80% and only 20% are aided.

Unaided private colleges are expected to play a major role in higher education in a country like India where the Government doesn't have adequate funds to cater to the huge demand particularly in the wake of the current demographic profile that is dominated by the youth. Before we discuss the fee variations that are observed it would be pertinent to note some peculiar characteristics of the private unaided educational institutions –

- Established as Trusts or Cooperatives
- Management under Trustees/Executive Committee Members
- Absence of profit objective. Operate as charitable institutions.
- Education as a common service rendered as a charitable activity.
- Common set of regulations and norms for approvals, fee fixation etc.
- Regulated academically and administratively by agencies like All India Council for Technical Education (AICTE), Medical Council of India (MCI) and by State Universities.
- Fees fixed by State Fee Fixation Committees that have been established in the backdrop of the landmark Supreme Court judgment in the case of T.M.A. Pai Foundation v/s State of Karnataka in 2002.
- Cash flow patterns that are cyclical in nature - concentrated at the beginning of the academic year and drying-up during the second-half of the academic year.

- Revenue streams made up of Tuition and Development Fees
- Typical expenditure patterns with salary as the dominant recurring expenditure.
- Peculiar financial problems like delays in receipt of scholarship from the Government

## 2. Data collection and analysis

As stated earlier, fees to be charged by private unaided educational institutions are fixed by state fee fixation committees. The higher education colleges generally fall under 2 streams – Technical and Medical. Prominent amongst the Technical group are colleges of Engineering, Management, Pharmacy etc. Medical, Dental, Ayurved etc are the important types of colleges amongst the Medical group. The present study was based on fee data of around 1200 private unaided colleges in the states of Maharashtra, Madhya Pradesh and Gujarat. These states apart from being the leading states in education in the country are also adjacent states. As these are adjacent states possibility of regional differences get minimized as compared to a comparison between say Maharashtra and Uttar Pradesh. Colleges in the Technical stream that have the largest numbers are Engineering and MBA. Hence around 600 each of the 2 were selected for the study. Fees fixed for these colleges for the academic year 2013-14 as declared by the fee fixation committees was tabulated. In addition, fees fixed for engineering colleges for 2010-11 for Maharashtra and Madhya Pradesh was also tabulated. Calculations were done with respect to parameters of mean, median, mode, standard deviation, maximum and minimum amount of fees for each of the states for both the courses separately. The fee numbers in states of Maharashtra and Gujarat were skewed as compared to those of Madhya Pradesh. Therefore, while analyzing the data, along with mean, median and mode values have also been calculated and used for interpretation of results.

**3. Result summary :** In the following 5 tables, the results are presented for further analysis.

Parameters	Maharashtra	Gujarat	Madhya Pradesh	Total
No. of Colleges	329	75	205	609
Mean	71405	59587	49954	62880
Median	70885	56000	48600	60000
Mode	75000	52000	45600	45600
Standard Deviation	16829	12391	3293	16688
Highest	116500	120000	65000	120000
Lowest	27660	42000	37000	27660

*Table 1: Summary of fees fixed for AY 13/14 of Engineering Colleges  
(Source – Websites of respective states fee fixation committees)*

Parameters	Maharashtra	Gujarat	Madhya Pradesh	Total
No. of Colleges	313	89	196	598
Mean	85851	57281	49117	59789
Median	80000	54000	45600	60000
Mode	100000	51000	45600	45600
Standard Deviation	30418	11170	4325	28699
Highest	250000	120000	70000	250000
Lowest	21900	43000	37000	21900

*Table 2: Summary of fees fixed for AY 13/14 of MBA Colleges  
(Source – Websites of respective states fee fixation committees)*

Parameters	Maharashtra – 10/11	MP – 10/11	Ratio of Maharashtra to MP
No. of Colleges	264	199	1.33
Mean	58111	51601	1.13
Median	56740	48600	1.17
Mode	55000	48600	1.13
Standard Deviation	12499	2649	4.72
Highest	106520	67000	1.59
Lowest	33000	40000	0.83

Table 3: Summary of fee's fixed for AY 10/11 of Engineering Colleges  
(Source – Websites of respective states fee fixation committees)

Parameters	Maharashtra (13/14)	Maharashtra (10/11)	Increase in %
No. of Colleges	329	264	25%
Mean	71405	58111	23%
Median	70885	56740	25%
Mode	75000	55000	36%
Standard Deviation	16829	12499	35%
Highest	116500	106520	9%
Lowest	27660	33000	-16%

Table 4: Summary of fees fixed for 13/14 & for 10/11 of Engg. Colleges of Maharashtra  
(Source – Websites of respective states fee fixation committees)

Parameters	Madhya Pradesh (13/14)	Madhya Pradesh (10/11)	Increase in %
No. of Colleges	205	199	3%
Mean	49954	51601	-3%
Median	48600	48600	0%
Mode	45600	48600	-6%
Standard Deviation	3293	2649	24%
Highest	65000	67000	-3%
Lowest	37000	40000	-8%

Table 5 - Summary of fees fixed for 13/14 & for 10/11 of Engg. Colleges of Madhya Pradesh  
(Source – Websites of respective states fee fixation committees)

#### 4. Key observations

- Average fees for 13/14 of both Engineering & MBA colleges across the 3 states follow the same pattern – highest in Maharashtra, lowest in Madhya Pradesh and in the middle in Gujarat. Interestingly the standard deviation too follows the same order.
- Ratio of the median fees of Maharashtra and Gujarat as compared to that of Madhya Pradesh are as under –

Course	Maharashtra	Gujarat	Madhya Pradesh
Engineering	1.46	1.15	1.00
MBA	1.75	1.18	1.00

Table 6 – Ratio of median fees of AY 13/14 of the 3 states with fees of Madhya Pradesh as the base

- Ratio of Highest to Lowest fees of Maharashtra, Gujarat and Madhya Pradesh are as under –

Course	Maharashtra	Gujarat	Madhya Pradesh
Engineering	4.21	2.86	1.76
MBA	11.42	2.79	1.89

Table 7 – Ratio of Highest to Lowest fees of AY 13/14 of the 3 states

- While median fee ratio of engineering college fees for 10/11 of Maharashtra to Madhya Pradesh was 1.17, same shot up to 1.46 in 13/14.
- While median fees of Maharashtra for Engineering course has gone up from Rs.56740/- in AY 10/11 to Rs.70885/- in AY 13/14(up by 25%), in case of Madhya Pradesh, it has remained constant at the same level of Rs.48600/-.
- The standard deviation of all the colleges from the 3 states taken together expressed as a percentage to its mean are as under -

Course	Mean	SD	SD % to Mean
Engineering	62880	16688	27%
MBA	59789	28699	48%

Table 8 – Mean and Standard Deviation Fees of all the colleges in the 3 States

Before we proceed to understand and question these numbers it would be worthwhile to take a look at the current fee fixation norms that are followed by the 3 states.

### 5. Fee fixation norms

Comparison of guidelines or norms of fee fixation of all the 3 state fee fixation committees reveal the following important aspects

- The basic principle adopted by all the 3 states is to fix the fees on the basis of costs incurred with some allowances for inflation and reasonable surplus for development. Expenses based on audited statements of accounts (audited by Chartered Accountant within the framework of statutes governing Trusts and/or Societies) are translated into cost per student by dividing the aggregate costs by number of students which in turn is converted into Tuition Fees after taking into account factors like inflation. In addition to Tuition Fees there is a practice to allow for what is called as Development Fees to take care of infrastructure development.
- The costs that get reflected in the fee structure are broadly classified as – salary and non-salary costs. Non-salary costs include elements like establishment costs, student expenses etc. Over and above these, depreciation is also considered as an element of cost.
- Interest cost, at least partially to the extent of additions to fixed assets and on working capital, is considered by Madhya Pradesh whereas it is not at all considered by states of Gujarat and Maharashtra.
- While fees for Maharashtra are fixed every year, these are fixed for a block of 3 years in case of Gujarat and Madhya Pradesh.
- All the 3 states collect huge amount of data as inputs from all the colleges by way of proposals on the basis of which the fees are fixed. Apart from financial statements, various approvals from central and state authorities, salary statements, Income Tax, Tax Deduction at Source (TDS) certificates and lot of information related to the colleges is collected.
- Policies on depreciation, development fees etc. are not similar. For example, Maharashtra follows a policy of providing depreciation on buildings at a lump-sum amount per student, whereas other states follow conventional SLM/WDV methods of depreciation.

### 6. Resultant questions based on data analysis

- What does the intra-state and inter-state differences in the fees for the same course and for the same academic year mean? Why does it happen that within the State of Maharashtra itself, highest fees for MBA for AY 13/14 was Rs.2,50,000/- while lowest was only Rs.21,900/-? And what made it possible for Madhya Pradesh colleges to offer an Engineering course in 2013/14 at an average (median) fee of Rs.48,600/- when Maharashtra on an average (median) charged Rs.70,885/-?
- Is the difference in the price (fees) a reflection of difference in the quantity of education or is it a pointer towards the difference in the quality of education or both? If Madhya Pradesh is providing MBA course at Rs.45,600/-, is Maharashtra providing more quantity and/or quality for the same course so as to offer it at Rs.80,000/-? Here one needs to note that we are not comparing two institutions of the type Harvard and Oxford. Neither are we comparing a private college with Indian Institute of Management. We are comparing institutions with a similar legal structure, operating in identical environment, with same set of norms for faculties, infrastructure etc. and above all approved by common central agencies like All India Council for Technical Education (AICTE).

- Does education sell like real estate – costliest at one place, costlier at another and least costly at another? If yes, why? In case of real estate one can understand that there is a basic difference in the cost of land. In case of fees fixed by state regulatory committees, the norms provide that infrastructure is the responsibility of the Trust and students cannot be burdened with its cost except by way of depreciation. Infrastructure funding cost, that is, interest too cannot be passed on to students. Interestingly the norms of Madhya Pradesh whose fees are the lowest amongst the 3 states, provide for consideration of interest except for on initial infrastructure! On the other hand, states of Maharashtra and Gujarat whose norms categorically exclude all type of interest from the costs are the ones with fees higher than that of Madhya Pradesh!
- If fees for engineering course in Maharashtra increases from Rs.58,111/- in 10/11 to Rs.71,405/- in 13/14 (that is by around 25%), what prevented the same kind of increase in Madhya Pradesh? In fact, median fees of Madhya Pradesh for the course of engineering have remained constant at Rs.48,600/- for both the years.
- An obvious reason for intra-state and inter-state differences for fee variations has to be differences in salary costs. This can be on account of variations in quantity (that is number of staff) and / or variations in pay-scales of the faculty. But how such differences can exist when a central national agency like AICTE with absolutely common norms is regulating the operations of such institutions across all the states? In other words, is it the case that institutions in Maharashtra and Gujarat are having excess staff and/or are paying more than required salaries to their faculties? Alternatively, are colleges in Madhya Pradesh running without adequate faculties or under-paid faculties?
- Assuming that many colleges in state of Maharashtra have implemented 6<sup>th</sup> pay scales during the period 2010-11 onwards, the salary having gone-up, what difference did it make to what students got? The same teacher who was drawing lower salary as per 5<sup>th</sup> pay scales now draws a higher salary as per 6<sup>th</sup> pay scale. What is the impact on quality of education due to changes like Ph.D qualification and few other things like research paper presentation? And is it commensurate with the extra price that has been commanded? Have the joining salaries of the students gone-up because of the extra costs that they have agreed to pay for the increased salaries of their faculties? Or is it a matter of pure inflation?
- If it is a matter of pure inflation, is it in line with the general levels of inflation? Or does one smell profiteering? Times of India (2014) have published an interview of the new Chief Minister of Maharashtra who has said about fee fixation committee that they have been just passing the fee claims as have been demanded by the colleges. What role the Government is playing? What kind of education is being sold to a vast majority of students?
- Is it the case that in the state of Madhya Pradesh, the fees declared by the Government are only fees on paper and in addition to that there are fees to be paid in “cash”? As is a matter of common knowledge (open secret), capitation fees and fees in cash are an integral part of Indian Education system. Practices like showing higher salaries on paper and then withdrawing cash from the employees is another “popular” practice. Are the variations in fees a pointer towards such practices?
- An obvious question that might arise is how the students are able to pay these fees? One answer is government scholarships. The following table shows the amount paid by the Maharashtra Samajkalyan Department towards scholarship reimbursements in the last few years –

Year	Rs. Lacs
2013/14	260,244.61
2012/13	233,804.53
2011/12	199,440.44
Total	693,489.58

Table 9: Amount of scholarship disbursements by Maharashtra’s SWD during last 3 years  
(Source: SWD web-site Government of Maharashtra)

Thus during the last 3 years, the total amount of scholarship disbursement by Maharashtra Governments Social Welfare Department was to the tune of Rs.693490 lacs or Rs.6935 crores.

The number is large enough for the new Maharashtra Chief Minister to express his concern in his interview to the Times of India (2014). What is the mechanism to ensure that the amount spent has ensured the desired results? One would argue that the aim of the Government is to provide education? Does this mean “degrees” or education that would fetch jobs?

## 7. Conclusion

In India some people look at education in the form of a goddess (called Saraswati). And there are others who look at education as a money-making opportunity. Entire process of fee fixation on its face looks well regulated with detailed guidelines in place and the huge amount of data and papers that are collected from the colleges. But the variations in intra-state and inter-state fee numbers for same courses and for same academic year, raises certain fundamental questions on various issues related to higher education provided by private unaided educational institutions. Call it a farce (business in the name of charity) or hypocrisy or business or whatever. One thing is for sure. All doesn’t seem to be so well. The above discussion is not just with reference to the cost of education; it is also concerned with quality in terms of delivering employable education to millions of students. Unless timely actions are taken the so called demographic dividend might actually become a demographic burden.

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