

ASIAN ECONOMY - A CROSS COUNTRY ANALYSIS

Volume - I

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This book is the compendium of papers presented in the Two Days International Conference on **"Asian Economy- A Cross Country Analysis"** organized by Department of Commerce, University of Mumbai on 17th and 18th February, 2020. This book will be useful for those who are interested in issues related to business and commerce of Asian Countries.

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CMA Dr. Kinnarry Thakkar is Professor and Head, Department of Commerce, University of Mumbai. Her qualifications are **ACMA., CS., Ph.D., MBA (Finance) and M.Com (Gold Medalist)** She has 21 years of teaching experience. She was principal of SIES College of Commerce and Economics, Sion, Mumbai. Her area of specialization is Finance and Accountancy. She has received the prestigious Dr. A.P.J. Abdul Kalam award for teaching excellence in 2018. She is member, Board of Studies in University of Mumbai and in 9 Autonomous Colleges affiliated to University of Mumbai. She has organized 20 Conferences, Workshops & Webinars. She has acted as Keynote Speaker/Chairperson/ Resource person in 150 conferences and workshops. She has published 39 papers in national and international journals and co-authored 11 books. She has presented papers in 70 conferences and seminars.


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FINANCING IN HIGHER EDUCATION IN ASIAN COUNTRIES- AN OVERVIEW

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Abstract

Higher education is essential for every country because of plenty of reasons. With the help of higher education a country can attain greater levels of growth in each and every sector. The quality and effectiveness of higher education is a crucial factor to gain a high level of country's human capital. Every country uses a distinct framework of financing higher education with distinct success rates. Some countries mainly depend upon private sector financing, while others make use of public sector financing. The contribution of public sector to finance higher education varies significantly in every country. As a result of recent trends and developments in the area of higher education, the equity between the contribution of private and public sector finance has changed to a great extent. In the present study the researcher wish to discuss the different financing system in the higher education in the Asian countries. It also analyzes the contribution of different sectors participating in higher education financing.

Keywords: Education, financing, contribution, development, public sector, private sector.

1.0 INTRODUCTION

The more the importance given to education in a country, the more is the up gradation of its economy and socio-cultural framework along with the enhancement in the quality of service which the government provides to its citizens. So, higher education is an essential part of education. It plays a notable role in development of the new generation. One of the definite effects of higher education is the significant addition in the development of a country's human capital. With the number of students attending colleges growing, the state and national level of income also grows. So, it can be stated that higher education results in the welfare level of people. One of the main difficulties faced by higher education is about its financing, which changes with time. We all know that higher education is mainly financed by public or private sector. During the last few decades, the involvement of public sector in financing of higher education has especially reduced in the countries where liberalization is prevalent in its policies. As a result, the student and household participation rates have risen in such countries and at the same time higher education has started to be privatized.

In various countries the public sector continues to be effective in financing higher education. This study examines the contribution of public or private sector in financing higher education in Asian countries. It also focuses on the different options and opportunities that are being used to raise more and more of resources for higher education and the feasibility of some of these options for the Asian countries.

At present the higher education sector faces financing restraints which is a matter of prime concern. It is the need of the hour that governments analyses new approaches to finance quality higher education, such as opting for partnerships with the private sector along with providing the

public higher education institutions more liberty and responsibility for raising funds.

It is believed that the private sector is more beneficial for the growth of higher education and so it should reap in the benefits of being financed by the direct beneficiaries rather than by the public sector. This move of encouraging market operations in the economic sector had its impact in the higher education sector too. A considerable share of expansion in higher education taking place in Asia today is because of the participation of private sector. There are several reasons for this shift.

A large number of graduates passing out of the public universities were in the subject of liberal arts. On the other hand the market demanded graduates of an education programme related to practical, applicable knowledge and knowledge-based technologies. The market demanded skills that could be achieved via short term courses which may not necessarily result in a degree. The public institutions were not able to provide such graduates whereas the private institutions were prepared to start non-university courses focusing on skills development.

The public sector can finance only a small part of the costs in the case of technical and vocational education and training institutes. An appropriate solution involves transferring the role of skills training from the public sector to the private sector while intensifying the public sector's role in regulating technical and vocational education and training.

The private higher education institutes are not relieved from acquiring financial grants from the government. Private higher education institutes in some countries such as India receive funding from the government. To accommodate more than 90 per cent of its operational costs, more than 75 per cent of the private higher education institutions in India, receive financing from the government. Such institutes indeed operate like public institutions which are handled by private individuals and agents. In Japan, the government provides with aid to private institutions on the grounds of quota of admissions. Their private higher education institutes have to admit the agreed number of students in order to get the government aid. The Indonesian government provides subsidies to recruit teachers with higher qualifications (such as a doctorate, etc.) which in turn help the private higher education institutes to appoint more qualified academic staff. Hong Kong has a complementing fund scheme wherein the government finances an equal amount for each dollar invested by the private sector. The government funding is not available for private higher education institutes aiming to earn profits. In a country like Bangladesh, where the share of higher education in the comprehensive education budget has lessened significantly, still the government funds the public universities. The public universities in India are run and mainly funded by both central and the state governments. The private universities generally self-finance themselves through tuition fees but also receive aids and grants from the government during their initial phase.

2.0 STATE BUDGET BARRIERS TO FUND HIGHER EDUCATION

The issues faced by the state government in financing higher education are more obvious in recent time when compared with a decade before. The political leaders never talked about the structural budget deficits. A major share of the state budget is allocated towards health care sector, leaving a small proportion for higher education sector. The growth in income is less in comparison with the increasing expenditure on goods and services.

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3.0 STRUCTURAL BUDGET DEFICITS

During The Great Recession, the economies of all the countries had dwindled. This resulted in a big reduction in the public services. Currently many countries are humbly investing in the field of higher education but it is unlikely that they will be able to invest to the levels prior to The Great Recession. Every country faces a different budgetary problem, which is dependent upon the nature of its economy, the demographic shifts in its population and many more.

The disparity between the revenues and expenditure in the structural budget in the long run has resulted in fluctuations in the countries budget. When the state revenues are unable to grow in accordance with the economic growth and the cost of government, then such a situation is known as structural budget deficits. Such deficits influence all public services but majorly the higher education.

As higher education is one such public service which generates revenue by itself, the leaders often comply with institutional requests for increase in tuition fees during economic slowdown. But seldom do the fees decline in a face of economic recovery.

Till the early 90's, the structural budget deficits were not a matter of major concern as the economy generally recovered after short term recessions. But in the current situation such deficits are a matter of great concern for the government as they have to continue to deliver the public services, primarily higher education.

Asian Development Bank (ADB) is at a very promising place to provide direction and leadership in the educational sector in Asia. It is devoted towards achieving a developing, all inclusive, strong, and sustainable Asia and the Pacific, while assisting its efforts to eliminate acute poverty. It assists its members and partners by granting loans, extending technical help, grants and equity investments to boost up the social and economic growth of the Asian countries. The ADB has a performance history of assisting its developing member countries in securing the goal of quality education for all by granting loans to the mentioned sector worth over \$14billion in the past fifty years.

The ADB helps and advises financially the developing member countries in the field of education services. It works towards increasing the enrollment of the students, enhancing the educational outcomes, minimizing the education inequality and reducing costs too by achieving cost efficiency.

The decentralization of basic education in countries such as Nepal, Pakistan, and Uzbekistan; introduction of modern secondary education in Indonesia, Sri Lanka and Vietnam; higher education projects in the Lao People's Democratic Republic; distance education in South Pacific countries; and Open University systems in Bangladesh, have been supported by the ADB.

4.0 OTHER SOURCES OF FINANCING

In the rising debate between the public finance and private finance for higher education, the higher education institutes can look into some other sources of financing as well.

- (1) **External resources used for financing education:** The institutes can make use of the funding from banks as short, medium or long term loans. This method will guarantee that the monetary assets required for covering current expenses required for carrying out a project or a teaching economic or social activity is available.

- (2) **Self-financing in education:** The higher education institutes can generate their own finances by the way of tuition fees, income from rental of buildings or land. Income can also be generated from organizing training courses for the employees of various companies, conducted by the teaching faculty.
- (3) **International institutions** – The institutes can ask for help from the World Bank, as it also provides finance for various types of educational projects, particularly for lower levels of education.
- (4) **Foreign Governments** – Finance can also be procured from foreign governments for specialized courses in higher education, viz., language courses and literature based on these languages. Various types of scholarships offered by foreign governments to scholars are also a part of it.
- (5) **International Private Agencies (NGOs)** – Ford Foundation, Rockefeller Foundation, etc. are examples of such private agencies. These private trusts provide numerous types of grants for liberal education.

5.0 POLICY SHIFT FROM GRANTS TO LOANS

Over the time the dependence on grants for the purpose of higher education has shifted on loans. These trends are exceptionally vague for the students of low income group. Evidences have suggested that students belonging to such group are demoralized by the increase in the tuition fees because they are apprehensive of large amounts of debt.

Loans certainly play a crucial role in the financial planning for educational institutions.

But the problem is that the ascertainment of the relevant level of debt in proportion keeping in minds the educational costs for the students having contrasting income levels. The main drawback of such loans is that the inability of number of students to complete their higher education but who are still burdened with the debts.

6.0 CONCLUSION

The paper throws light on and there is a general debate in favor of increasing investment and expanding access to good quality higher education. There is lesser agreement on how financing should be shared between public and private sectors, domestic and external agencies and between households and government for the purpose of expansion and development. The market orientation in higher education aids in organizing and recognizing the resources for the development and extension of higher education. The extent market operations need to be inspected. The government also needs to review and reassess its role to suit the latest trend. An ideal situation would be through state funding fully. The public sector has to consider other roles that are uniformly important, even when it is not in a situation where it can finance all the activities under higher education. The state needs to be more effective in framing the rules for setting up institutions. They have to formulate systems promising quality and regulations promising equity. Rather than acting just as a fund provider the state should play a regulatory and a facilitative role. The paper makes an endeavor to analyze the consequences of globalization on the demand for higher education. It is analysed that the recent trends in globalization in the field of higher education has resulted in the cross-border mobility of institutions, students and teachers. The most growing segments of higher education are the Private and cross-border education.

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The general argument of the paper is that there is urgency for predetermined regulations and framework to permit numerous providers to operate. The unchecked and boundless growth of institutions, whether it is private or be cross-border, will anyways not benefit the long term development of the countries.

If the education sector is left out to the markets then the main principal objective of higher education of nation building will not be achieved. The markets can be trusted to enhance productivity along with efficiency. But its role to strengthen the equity is yet to be established. Education being a crucial determinant of earning differentials, if remains unorganized and not well planned, then it may lead to intergenerational economic and social inequality. Moreover, if the higher education sector is left in the hands of international markets, then the national dominance on deciding and designing the content and curriculum would reduce, which would have a negative effect on the national development.

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