



2 STATES OF THE STATE IN REGULATING FEES OF PRIVATE EDUCATIONAL INSTITUTIONS

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ABSTRACT

While on one hand the Government wants the private sector to play an active role in the strategic sector of education, at the same time it does not want the private sector to manipulate and indulge in profiteering. To achieve this objective the state plays the role of a regulator. But, at times, due to loose controls and corruption, the regulation becomes absolutely toothless and meaningless. In fact the regulation itself is used by the private enterprises to earn huge profits. Fee fixation committees and admission regulatory committees are the State Governments regulatory bodies that control fees and admissions of private unaided colleges. Government of Maharashtra recently announced that it is going to come out with new set of norms so as to tighten the private unaided colleges. Thus, it is a classic case of a state that on one hand wants private sector's active participation in education and at the same time is unable to control the manipulations therein and hence wants to increase the controls including harsh provisions of imprisonment, which in turn can run the risk of discouraging private institutions to come up. This article ponders over the 2 states of the State in tackling the fee fixation issue of private unaided educational institutions.

INTRODUCTION

Newspapers all over Maharashtra on 22nd April, 2015, flashed the news stating that the State Government wants to tighten the Unaided Private Colleges in respect of fee fixation and admissions. The Government smells huge profiteering in the private education sector. It announced that soon it is going to come out with new norms that will include provisions for imprisonment if found guilty of manipulations. The perception of the State Government is that the fees of the private unaided colleges are very much on the higher side. So now it wants to reverse certain earlier liberal provisions that allowed fee hikes every year and wants to keep the fees constant for a period of 4 years. This article takes a look at the dilemma faced by the State and its resultant 2 states – one where it wants to encourage private participation and one where it fears that the private sector is taking things completely in its own hand.

NEED FOR PRIVATE SECTORS ROLE IN EDUCATION AND THEIR FEATURES

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. In the landmark Unni Krishnan Judgment delivered by Honorable Supreme Court of India (1993), paragraph 61 of the order states that private unaided educational institutions are a must for a country like India especially in higher education where the Government does not have financial strength to meet the requirement of capital for medical and technical education. According to the All India Survey for Higher Education (AISHE) provisional report 2012-13, Gross Enrolment Ratio (GER) in Higher education in India is 21.1, which is calculated for 18-23 years of age group. Thus, still huge part of the population is struggling to seek education. Given these numbers and the current demographic profile of our country where the youth population holds a huge share, undoubtedly the need for private sectors role in the education sector is clearly of a great significance.

Before we discuss the current position of fees 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

FEE FIXATION SCENARIO IN THE STATE OF MAHARASHTRA

Fees of private unaided colleges is generally fixed by the fee fixation committees that are under the control of the State Governments. 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, Ayurveda etc. are the important types of colleges amongst the Medical group. A study based on fee data of around 1200 private unaided colleges in the states of Maharashtra, Madhya Pradesh and Gujarat was carried out by the author. 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.

RESULT SUMMARY OF THE STUDY

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 I – 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 II - 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 III - 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 IV - 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 V - Summary of fees fixed for 13/14 & for 10/11 of Engg. Colleges of Madhya Pradesh (Source – Websites of respective states fee fixation committees)

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 VI – 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 VII – Ratio of Highest to Lowest fees of AY 13/14 of the 3 states



- d. 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.
- e. 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/-.
- f. 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 VIII – Mean and Standard Deviation Fees of all the colleges in the 3 States

RESULTANT QUESTIONS BASED ON DATA ANALYSIS

- a. 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/-?
- b. 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).
- c. 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!

- d. 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.
- e. 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?
- f. Assuming that many colleges in state of Maharashtra have implemented 6th 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 5th pay scales now draws a higher salary as per 6th 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?
- g. 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?
- h. 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?
- i. 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 IX – 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?

THE DILEMMA OF THE STATE

Given the relatively higher amount of fees in the State of Maharashtra, the Government as stated earlier now wants to tighten up things. But with the proposed provisions like fees remaining constant for a period of 4 years, imprisonment in case of manipulations getting proved etc. it is but obvious that new institutions would not be encouraged to come up. In fact, existing institutions would also find it difficult to survive. And there are already talks of 7th pay implementation. So how the private colleges would be able to fit their salary bills into the highly controlled fees is indeed a question mark. Therefore, implementing these norms is a dilemma before the state. Because if the norms backfire, then the objective of the government to motivate private participation in the education sector would be adversely affected. Thus the State will have to think a lot – Whether to implement these norms? And If yes, how strictly?

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. And that is why the new government of Maharashtra wants to increase the controls. But only time will



tell whether it would be able to successfully implement the norms and to what extent those would adversely affect the motivation of the private unaided educational institutions.

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