

Secondary School Financing & Budgeting

FINANCING OF EDUCATION

2.1 SOURCES OF FINANCE FOR EDUCATION

There are multiple sources of finances for education in Pakistan. The funds for higher education mainly come from three different sources, viz. government, fee income from students and other sources of income from philanthropy, industry, sale of publications, etc. Reliance on government for resources has almost doubled right from the first plan. On the other hand, fee income has drastically declined. Other sources contribute around 10 per cent throughout the period. Higher education has been largely a state funded activity with about three-quarters of the total expenditure being borne by government. The relative shares of nongovernment sources such as fees and voluntary contributions have been declining.

The needs of the higher education system have been growing rapidly. It is being realized that public budgets are not adequate for funding higher education, particularly when sectors of mass education are starved of even bare needs. Hence, in the recent decade, the need for experimentation with several alternatives such as student fees, student loans, graduate tax and privatization is intensified.

The sources of finance for education in Pakistan can be broadly classified into external and internal or domestic sources which are explained in the following figure. External sources do not form a significant part of educational finances in Pakistan.

(A) Internal sources: The domestic/internal sources of funding are broadly divided into public and private sources. The public sources include contributions made by central, state and local governments. The private or non-governmental sources include fees and other household expenditures incurred by the direct beneficiaries (students/parents) of education and endowments and donations made by individuals, trusts, etc. Among the private sources, fees are a compulsory payment whereas others are voluntary contributions.

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Private sources of finance:

1. Student fees: It is well known fact that free and compulsory education is made at the primary stage, while fee structure at the secondary and university level has remained constant during the post-independence period, attempts at raising fees structure incorporates a large element of in-built subsidy, which is given indiscriminately to all the students, furthermore, Pakistan education policy provides an open invitation to all qualified students to involve in the institution of higher education regardless of their capacity to profit from such education. The academic resources and the physical resources available to the educational institution are put to the severest strain.

There is a proposal to raise fees, but it adversely affect the socially and economically under privileged sections of the society. The suggestion could be a differential fee system in which those who are able to profiting from secondary and higher education are given while those who propose to join these institutions on the basis of other than academic merit should be made to pay full costs of education. There should be the provision for scholarship and free ship so that no student of merit is denied education due to economic reasons.

2. Educational Loans: The loans by banks and private institutions, being repayable in easy instalments, can create a self-generating fund which can be recycled for the education of generations of students. It would assist students to continue their higher education, because the education unemployment is increasing day by day which affects the repayment of loans. It is proposed that, an alternative student loan scheme specifically for the weaker sections should be evolved. Such a programme must be flexible enough to suit their requirements, which may involve government guaranteed loans, subsidised interest rates, liberal terms of repayment, waivers for those students with less future incomes, etc, in addition to a strong student support system.

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3. Individual/trusts donations: There is a decline in the proportion of contributions for education from private sources, and the philanthropic contributions have dried up. Therefore steps to be taken to augment private resources for education as no government can finance entire education system: the combined efforts of the government and the general public could meet the finance.

Various proposals have been made in this regard. It had suggested that the industrial establishments should set up colleges to train technical human resources required by them, levying of cess on imports, encouraging private entrepreneurs to donate for education through tax remissions, surcharge on land revenue and cess on urban property.

Public sources of finance:

It includes the funds contributed from central and state, university grants, U.G.C., NCERT and financial aid.

1. Central government: provides grants-in aids for centrally Sponsored schemes. These schemes are formulated by the Central Government and are included in the Centre's five year plans, the Centre persuades the states to implement these schemes through financial incentives in the form of grants-in aid which meet a larger proportion of the total expenditure of the states on those schemes. The Central Government provides assistance, for centrally assisted schemes.

2. State Governments in financing education: The state meets the non-plan and plan expenditure on education at all levels. The non-plan expenditure is met from a states own revenue supplemented by the financial resources passed on from Centre to the state through finance commission. The state incur non-plan expenditure on education about one-fifth of their revenue in a financial year.

3. Grant-in-aid of revenue: The constitution provides for transfer of resources to the state government through grants-in-aid of revenue. Grant in aid or economic assistance utilities

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certain amount for education purpose. This can be in the form of general grant and special grant, which is provided in case of emergency. The Grant in aid amount can be utilised for development of primary education, increase in salary for the teachers, research development in the institution.

4. Funds of local bodies: This amount includes the funds of Municipal, Zilla and other areas which assist development of education. The local community's assist the local schools and colleges for health and education service. Municipality looks after municipal schools cleanliness, police and other areas in the locality. The aid is provided in the form of municipality fund or municipality club fund. Zilla looks after the functions at district level, the objectives is to assist education at primary level and secondary education.

5. Gram Panchayat: It would assist in financing education to a little extent; the avenue sought from this area is utilized for education purpose.

6. Endowment funds: The institution utilized this fund for the interest obtained from the endowment fund when required. This amount is meant to utilize only at the time of crisis. This amount is a long term asset for the institution.

2.2 PRINCIPLES AND PRACTICES AND LIMITATIONS:

Education plays a crucial role in economic development and social modernization. As a key factor in production, it supplies requisite number and quality of persons needed for different tasks and by inculcating among the mass of people appropriate attitudes, skills and personality traits. It creates a proper climate for development. Creating a well informed and educated citizenry, it ensures the effective working of the basic institutions on which economic and social wellbeing of the nation depends.

The cost for higher education is to be essentially borne by the government or taxpayers (as grants), parents or their substitutes (as tuition fees), students and/or individuals (by availing loans or doing part-time work) and donors (individuals or institutional).

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Donation for higher education is not a universal phenomenon and plays an insignificant role in financing higher education in most countries. This is mostly found in the U.S.A. and the U.K. Financing of higher education by the government is justified on the ground that education, being a public good or at least a quasi-public good produces many positive externalities. Positive externalities would mean that since at large rather than the individual benefits from higher education, the government should finance higher education. It is widely accepted that education help in social mobility; therefore it is an effective instrument for promoting equity.

Education is a catalytic factor for the development of human resources with the provision for better health and nutrition, socioeconomic opportunities and helpful natural environment. The principles are efficiency, equity, flexibility, national unity.

A) Promote national unity: Higher education promotes values like national diversity, building tolerance, respect for differences and most importantly building a united, modern democratic nation.

B) Equity: The higher education system has to ensure equal and fair opportunities for all those who are eligible to enter the higher education system. In particular, emphasis will be placed on poor students with potential, the physically challenged, rural people, gender equity, and others who have been particularly disadvantaged in the past. Special attention needs to be given to increasing the number of women students.

C) Ethics and integrity: The higher education system must uphold the values of ethics, integrity and trust, act as role models for students and make every effort to inculcate them into young emerging leaders, intellectuals and students. Higher education teaching, research and services are about the search for truth, problem solving, and unravelling complex problems and challenges that affect people's lives and wellbeing. Without high ethical standards and integrity, such efforts are meaningless. Ultimately these qualities together with

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skills and knowledge will shape the character of students as critical citizens contributing to sustainable development.

D) Good governance, Effectiveness and Efficiency: The principle of effectiveness and efficiency are related but distinct. An effective higher education system or institution works in a manner that leads to achieving its goals and objectives. An efficient system or institution functions correctly, making optimal use of available resources without duplication or waste. A higher education system that will serve in achieving socio-economic development must be both effective and efficient.

Good governance is a key to effectiveness and efficiency. The creation of high quality institutions necessitates improved human resource management, from initial efforts at staff recruitment to the administration of research and other funding. Modern higher education must be flexible, innovative and responsive.

2.3 GOVERNMENT'S ROLE IN FINANCING HIGHER EDUCATION

The main key to country's current socio-economic success appears to be education, particularly the development of higher and professional education. The correlation between economic development and the development of higher education and the paramount importance of higher education to economic and social development in the knowledge-based economy are almost universally accepted. A great part of the success of the Pakistan model in economic development stands upon the foundation that Pakistan has built over time in its education sector – a large, complex system to provide higher and professional education that imparts useful, usable skills reliably and on a large scale produces theoretical and practical knowledge.

Broadly defined, the term “higher education” in the Pakistan context covers the entire spectrum of education beyond 12 years of formal schooling. Generally, it comprises three levels of qualifications: bachelor or undergraduate degree programs, master's or postgraduate

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degree programs and the pre-doctoral and doctoral programs – master of philosophy and doctor of philosophy.

Pakistan's independence in 1947 was watershed in its modern social development. It forever changed the higher education system, which has generally grown and improved steadily ever since. By the end of Tenth Plan (2002-2007) the number of universities in Pakistan increased from 20 in 1947 to about 172, a nine fold increase.

Role of Government in Higher education:

Governments play an important role in promoting and administering higher education institutions in Pakistan but they generally do so through agencies set up for this purpose. The most important are the National Planning Commission (NPC), University Grant Commission (UGC), the Central Advisory Board of Education (CABE), and the coordinating councils that are concerned with professional disciplines.

References:

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