

## CHAPTER – 9

## SELF-FINANCE in UNIVERSITIES in PAKISTAN

Almost all over the world, institutions of Higher Education are facing serious fiscal pressure and constraints. An increasing level of enrolment pressure is seen due to expansion at the secondary level, and the perception of higher income associated with university degrees. The unit cost of Higher Education simultaneously tends to rise higher due to increasing cost of books, equipment, etc. This has resulted in the compression of per student expenditure and in lower spending per student by governments. The increasing demand for Higher Education places and growing constraints on public budgets is a principal source of strained relations between the state and the academic community. Almost no government in the world is able to support high-grade university and college systems exclusively from its own resources. At the same time, governments find various claimants for money from other sectors such as Primary and Secondary Education, housing, health, infrastructure, law and order, etc. This relegates Higher Education to non-priority areas. There is also the factor of growing dissatisfaction with the performance of public sector institutions. This is the pattern which has emerged in the late nineteen nineties almost all over the world, and is reflected in the UNESCO publications and World Bank Reports. (1) (2) (3) (4)

### Funding Constraints and Challenges

Higher Education institutions in Pakistan are operating under adverse conditions. The Universities do not get realistic funding. This has resulted in the deterioration of quality and depreciation of physical facilities. Universities have very little money for research (because most of the recurring grant is consumed in salaries). Library holdings are severely deficient. Laboratories are not well equipped. Professional activities of faculty members receive meagre financial support. The buildings need necessary maintenance, repair and renovation to provide a neat and clean environment on campuses.

Public expenditure on education has always been inadequate, whereas owing to continuous increase in the cost of supplies, educational expenditure is becoming increasingly heavy. The total government grants to universities now add up to Rs.2.424 billion. Compare these figures with the figure of Rs. 254 million for all universities for 1979-80, when the Federal Government took over the funding of the universities. This shows an upward trend of almost 10 times.

Compared to other countries, the funding of education in Pakistan has been much less, as evidenced from the following table:

**Public Expenditure on Education <sup>(1)</sup>**

Country	Expenditure on education as %age of GNP	
	1985-87	1995-97
Pakistan	3.1	2.7
India	3.2	3.2
Bangladesh	1.4	2.2

Sri Lanka	2.7	3.4
Iran	3.7	4.0
Malaysia	6.9	4.9
Korea	3.8	3.7
Saudi Arabia	7.4	7.5

Suggested minimum expenditure on education as recommended by the UNESCO, is the minimum of 4% of GDP for developing countries.

### Recurring Budgets of the Universities of Pakistan <sup>(6)</sup>

Rs. in million

	1995-96	2000-2001
Total government allocation (for 24 government funded universities)	1835.331	2424.808
Income generated by the 24 government funded universities from their own resources	1118.399	2291.015
Total of (a + b)	2971.730	4715.823
Ratio of government grants and income generated by the universities from their own resources	62:38	51:49

*(The annual budget of Sultan Qaboos University, Oman is over \$ 85 million and has 5000 students, whereas the total annual budget of all universities in Pakistan is less than \$ 80 million with a student enrolment of over 125, 000).*

This sum is however, too meagre to achieve a major advancement in the quality of education.

In developing countries, Education, like in developed countries, is a social responsibility of the government. However, in developing countries, since there are very few cost sharing groups, the bulk of the cost on Education is borne by the government. Resources being limited, there is always a strong competition between education and

other sectors for allocation of funds. The cost of professional and higher education to the users in Pakistan is perhaps one of the lowest in the world. Accordingly, the return in the form of fee and charges on the use of facilities is very low.

#### Comparative Fee Structure of Universities (7)

Type of University	Total Fee per annum
General Public University	Rs.1840/- Plus Living Expenses
Agriculture Public University	Rs. 2000/- Plus Living Expenses
Engineering Public University	Rs. 5000/- Plus Living Expenses
GIK Institute of Engineering Sciences & Technology, Topi	Rs. 1,50,000/-
Aga Khan University, Karachi	MBBS Rs. 2, 28,000/- B.Sc. Rs. 66,000/-
Sir Syed University of Engg. & Tech. Karachi	Rs. 70, 000/-
Lahore University of Management Sciences, Lahore	B.Sc. (Hons) Rs. 2, 82,000/- M.B.A. Rs. 2,65,500 Plus Living Expenses
An average Accredited University of USA	Rs. 500,000/- Plus Living Expenses

Compare this with the average expenditure as per table below, which the government has to incur per student.

**Average Expenditure per student per year in Public Sector Universities (2)**

<b>University</b>	<b>Average expenditure per student per year</b>
Agriculture University	Rs. 46,000/-
Engineering University	Rs. 37,000/-
General University	Rs. 29,000/-
Institute of Business Administration, Karachi	Rs. 30,000/-

Between the dilemma of conflicting claims of demands of Higher Education and escalating costs, the former will continue to get less funding and less attention from the government in the coming years, and there should be no doubt in this respect. Further competing claims from other sectors of the economy like basic education, health, public services, agriculture and food subsidies put a strain on the claim of Higher Education for more funds. The reality of the time, therefore is that university education should look elsewhere, or to itself, and raise necessary funds not only to survive, but to maintain quality. This, then, makes a strong case for generating their own resources by the Universities.

**Cost-sharing of Higher Education**

According to the World Bank Report on "Higher Education: the Lessons of Experience" (2), the financial base of public Higher Education can be strengthened by mobilising greater share of financing and cost sharing from students themselves, who can expect a higher income level throughout their life as a result of attending a university. It further adds that a growing number of developing countries is moving in the direction of

cost sharing. Income from student fees in public institutions is 22% of the recurrent expenditure in Viet Nam, 36% in Chile, 40% in Jordan and 46% in South Korea. In China, as a result of a new student funding system since 1989, tuition for regular students is set at about 9% of unit costs. Self-supported students pay tuition fees ten times higher than regular students, fully covering instructional costs. At the same time, the Report pleads that provisions should be made for financial support to needy students through loan schemes and stipends. There should be efficient use of resources and effective management.

Another World Bank Report on "Priorities and Strategies for Education" <sup>(3)</sup> highlights that high private rates of return to investment at all levels of education justify large investments by individuals. They also justify self-financing by families or students, through immediate or deferred cost-sharing.

### **Pursuing Equity**

The foregoing arguments make a strong case for sharing the cost of Higher Education by students. However, it also needs to be noted that this principle of policy ignores the element of equity, whereby poorer sections of society and disadvantaged groups will be eliminated from Higher Education. That will lead to a monopoly of high earning jobs by the richer class of students. The World Bank Report on Higher Education: the Lessons of Experience <sup>(4)</sup> stresses that achieving greater equity of participation in Higher Education is important for economic efficiency, as well for social justice, stability, and FPAEP: Futuristic Poverty Alleviation, Elimination and Prevention.

It further emphasises (p. 76) that providing equitable opportunities for participation in Higher Education is an important element of policies to increase national integration and the representation of traditionally disadvantaged groups in economic and political leadership. That makes the case for financial support to needy students.

### **Self-financing Scheme in Universities**

The introduction of Self-financing Scheme in Pakistan is quite a sensitive issue, because it touches the aspects of social justice and educational equity. The state should not consider Higher Education as a burden, but as a long-term investment. In view of the economic conditions, there is no escape from the challenges of financial constraints.

It is generally realized that the level and quality of teaching and research is declining as a result of over-crowding, deteriorating physical facilities, poor library resources and insufficient equipment. Government's funding to universities is insufficient and too little to expect a major advancement in the quality of education. The issue of rising pressures for admission, problems of quality and globalisation are some of the major challenges which Pak universities are to face. This they can only do if they generate sufficient funding for themselves. Once the universities are able to raise their funds, it is certain that they would have more freedom of action and autonomy in their governance. Financial dependence puts university education more under the burdensome weight of government bureaucracy. The road to university survival and freedom, therefore, lies more in financial autonomy and generating their own funds. There is, therefore, a need to generate more resources. Some likely possibilities may be:

- (i) Commercial/gainful utilisation of the surplus land of universities.
- (ii) Creation of endowments.
- (iii) Consultancy services to the commercial/industrial sector.
- (iv) Utilisation of research (leading to new discoveries/processes) in universities by establishment of joint ventures with industrial/engineering/commercial concerns in the private sector.
- (v) Donations from philanthropists.
- (vi) Expansion of the Self-financing Scheme.
- (vii) Progressive enhancement of tuition, admission, registration and examination fees and other charges, etc.
- (viii) Realisation of full user-charges from the student.
- (ix) Raising student/teacher ratio and bringing down the teacher/auxiliary staff ratio.
- (x) Merging/closing/down-sizing of departments which have lost their utility or where duplication of activities is found; and:
- (xi) Economy and control of expenditure.

Universities have increased the rates of all types of fee and user charges and raised their income, reasonably. Simultaneously, universities have also generated funds through the Self-financing Scheme. The universities raised Rs. 140 million in 1995-96 in the first year of self-financing, which has increased in 1999-2000 to Rs.303 million, i.e., a 116% increase (See Annex I). The income generated through this scheme has enabled

universities to reduce their dependence on the public exchequer to some extent. This has also led to greater peace at the campuses and created a friendly learning atmosphere. In the case of low tuition fee, there is no pressure on students to complete education, and they linger on by postponing examinations.

The Self-financing Scheme was introduced in 1994 and implemented in universities by creating additional seats. The universities in Balochistan (except Balochistan UET, Khuzdar) and AJK (with the exception of a few disciplines) did not opt for it. The main source of self-generated income of the universities is from the students' tuition fee and other such charges, but this is grossly inadequate. Consequently, another opportunity of generating funds through admissions on self-financing basis was made available to them. Funds generated through this scheme are being utilized on research and other necessary requirements of universities.

The maximum utilization of seats under this scheme has been found in engineering and agriculture universities. In other general universities, a substantial clientele has been attracted towards business administration, pharmacy, economics, physics, chemistry, computer science and biological sciences.

#### **Self-Financing Scheme Fee Rates**

The rates of fee charged from students admitted under the Self-financing Scheme in various universities range from Rs. 25,000/- to Rs. 75,000/- in general universities, Rs.50,000/- to Rs.100,000/- in agriculture universities and Rs. 200,000/- to Rs.250,000/- in

engineering universities. For the MBA, the fee is around Rs.100,000/- and in the National College of Arts, the fee is Rs.200,000/-.

#### **Merits of Self-financing Scheme**

- a. The Self-Financing scheme is essential to sustain the ever increasing expenditure of universities and to overcome the mounting deficits in their budgets.
- b. Generation of additional funds by universities through this scheme will obviate their total dependence on government grant. It will strengthen the universities' financial position, which ultimately will enable them to flourish and promote their quality of teaching and research.
- c. The scheme has helped universities to sponsor and increase their research and academic pursuits.
- d. It has provided opportunities to those students who can afford it, and off-set the financial burden from those who do not have the capacity to pay under this scheme. Besides that, it also enables students in getting admission in the discipline of their interest, for which they are otherwise eligible but could not get a seat in general admission.
- e. This scheme has created an awareness among regular students of the fact that their study expenses are largely subsidized.

- f. Services of faculty members and facilities of libraries and laboratories are fully utilized because of the increased number of students, both from general admission and the Self-financing Scheme.
- g. Since the introduction of the Self-finance Scheme in universities, there is peace on campus and no student unrest has been experienced. It has brought in an element of responsibility and responsiveness on the part of students. It has improved generally the quality of Higher Education.
- h. Through the scheme, universities are able to provide more scholarships to poorer and needy students.
- i. By and large, the faculty has received substantial sums of money as a further source of income, and it has improved their economic condition.

Currently, about 18% of university level enrolment is in private universities. It is, therefore, presumed that roughly 18% of the financial load has been passed on to the private sector. If encouragement is given to the private sector in the field of Higher Education, as has been recommended in the policy, it is hoped that by the year 2010, about 50% of the projected enrolment would be in private universities.

The self-generation of funds by the University Sector currently is about 48% of the total recurring budgets of universities. It is envisaged that this percentage will rise to 60% of the total budget of the University Sector by the year 2010. Currently the total budget of public universities is 4.7 billion rupees. Out of this, the current self-generation of funds from fees and self-financing scheme is Rs.2.2 billion.

The general financial health of universities has improved, as shown in the table in annex II.

### **Demerits of the Self-finance Scheme**

There are also arguments against the Self-finance Scheme, which cannot be dismissed as simply agitational or political. In Pakistan where the majority of people are living below the poverty line, it is difficult to make both ends meet. Also, the phenomenon of large families makes it difficult for parents to afford the education of children. This is aggravated when there is no safety net available for the poor section of society. The introduction of the scheme is against the principles and values of equity and justice. It means Higher Education, which is highly subsidized by the government, is available to only those who can afford it, and not to those who are able to pursue by ability. It is a reflection of the ability to pay, and nothing else.

### **Conclusion**

The overall state of the economy of the country, financial constraints, demographic trends and globalisation are some of the important factors which have constrained the funding aspect of universities and put serious challenges to them to adapt to the changing world. It is now obvious that universities will get less and less funding from the government, and that universities have to generate and find alternative sources of funding, to offer places to increasing numbers of students and improve the quality of education.

### References

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7. University Grants Commission of Pakistan. Financial Position of Public Sector Universities 1995-2000. University Grants Commission. Islamabad. 2000.

**Annex I****INCOME GENERATED FROM SELF-FINANCING SCHEME <sup>(1)</sup>****Rs. in million**

S.No.	University	1995-96	1999-2000
1	University of Karachi, Karachi	2.400	8.770
2	NED Univ. of Engg & Tech., Karachi	10.000	8.426
3	Sindh Agriculture Univ., Tandojam	0.000	13.800
4	University of Sindh, Jamshoro	4.500	13.456
5	Shah Abdul Latif University, Khairpur	2.023	15.861
6	Mehran Univ. of Engg. & Tech., Jamshoro	8.000	6.500
7	Univ. of Engg. & Tech., Nawabshah	0.300	9.000
8	University of the Punjab, Lahore	0.000	26.117
9	Univ. of Engg. & Tech., Lahore	45.750	32.860
10	Univ. of Engg. & Tech., Taxila	5.200	8.280
11	Univ. of Agriculture, Faisalabad	4.850	42.213
12	B.Z. University, Multan	4.020	18.710
13	Islamia Univ., Bahawalpur	20.786	4.202
14	Univ. of Arid Agri., Rawalpindi	0.000	0.000
15	University of Peshawar, Peshawar	0.000	11.111
16	Univ. of Engg. & Tech., Peshawar	12.500	3.000
17	Univ. of Agriculture, Peshawar	5.245	19.460
18	Gomal University, D.I. Khan	3.025	5.000
19	Univ. of Balochistan, Quetta	0.000	0.000
20	Univ. of Engg. & Tech., Khuzdar	1.291	2.615
21	Quaid-i-Azam University, Islamabad	11.016	16.067
22	Allama Iqbal Open Univ., Islamabad	0.000	0.000
23	International Islamic Univ., Islamabad	0.000	18.904
24	AJK Univ., Muzaffarabad	0.000	19.364
	<b>Total:</b>	<b>140.606</b>	<b>303.716</b>
	<i>%age increase in 1999-2000 over 1995-96</i>		<b>116%</b>

# Financial Position of Universities: 1995 – 2000

## SUMMARY <sup>(1)</sup>

Rs. in  
Million

Particulars	Year	Income										Expenditure			Deficit (-) Surplus
		Government Grants					Own Sources					Pay & Allow	Other Heads	Total Expend	
		Govt. Grant	Supp Grant.	Grant from Provinces	Research Grant	Total Govt Grant.	Own Sources Fee etc.	Self - Finance Scheme	Total own Sources	Grand Total Receipt	%age of Own Income				
All Universities	1995-96	1853.331	10.000	19.701	29.000	1912.032	998.579	140.606	1139.185	3051.217	37.3	1994.730	1057.524	3052.254	-1.037
All Universities	1996-97	2046.453	30.000	8.213	12.650	2097.316	1095.201	203.902	1299.103	3396.419	38.2	2112.753	1214.923	3327.676	68.743
All Universities	1997-98	2212.917	25.000	32.696	42.000	2312.613	1368.612	169.218	1537.830	3850.443	39.9	2213.086	1437.703	3650.789	199.654
All Universities	1998-99	2119.673	0.000	21.674	72.700	2214.047	1744.888	300.663	2045.551	4259.598	48.0	2298.479	1818.638	4117.117	142.481
All Universities	1999-2000	2269.546	134.176	22.680	41.500	2467.902	1963.015	303.716	2266.731	4734.633	47.9	2583.912	1991.758	4575.670	158.963