Transformational Management Review
(Transform. Manag. Rev.)

Vol.01, Issue No.02, July-December, 2026
pp.279-296
E-ISSN: 3139-5813

Article Type: Policy Perspectives of Practitioners

Public Funding of Higher Education in India: Issues and Implications

Received: 23/01/2026
Accepted: 21/05/2026
Published: 27/07/2026

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Abstract

The National Education Policy (NEP) 2020 committed to a significant enhancement of public funding for higher education in India, pledging to raise educational investment to 6% of GDP. This paper critically examines whether that commitment has translated into reality. Drawing on data from Economic Surveys, the Analysis of Budgeted Expenditure published by the Ministry of Education, and University Grants Commission annual reports covering the period 2010–11 to 2023–24, the study presents a comprehensive picture of public funding trends across central and state governments. The findings reveal a deeply concerning decline: overall expenditure on education by education departments fell from 3.1% of GDP in 2010–11 to 2.7% in 2023–24, while public expenditure specifically on higher education dropped from 0.86% to 0.63% of GDP between 2010–11 and 2020–21. State government spending on higher education declined sharply, while per-student expenditure grew at a negligible rate insufficient to offset inflation or rising enrolment. The paper examines the structural shifts in funding mechanisms—from grants in aid to performance-linked and loan-based models and their implications for equity, access, and excellence. It concludes that the widening gap between policy rhetoric and fiscal reality risks accelerating the de facto privatisation of public higher education in India.

Keywords: Public Funding, Higher Education in India, National Education Policy 2020, Education Expenditure, Equity and Access

Introduction

The National Education Policy (NEP, 2020), which has entered into its sixth year in July 2025, promised a complete overhaul of the higher education system to deliver high-quality education with equity and inclusion. To this end, it proposed moving towards making higher education institutions (HEIs) multidisciplinary and large-sized and empowering them through faculty and institutional autonomy. Alongside revamping the admission process, curricula, pedagogy, examination, and evaluation to enhance student experiences, it reaffirmed the importance of maintaining integrity in institutions. This would be ensured by making faculty and leadership appointments strictly on the basis of merit. NEP also advocated reforming their governance by subjecting them to highly qualified independent governing boards with academic and administrative autonomy. It propounded the idea of 'light but tight' regulation by a single regulator for all of higher education, including professional education (GOI, 2020, p31).

The policy affirmed that the accomplishment of these goals, along with the agenda of expansion, equity, excellence and technology integration, will necessitate massive enhancement in public funding for higher education. Accordingly, the NEP 2020 committed to 'significantly raising educational investment'. It stated that there was no better investment in society's future than high-quality education and lamented that the public spending on education was far lower than the recommended level of 6% of GDP, as envisaged by the 1968 policy, reiterated in the Policy of 1986, and reaffirmed in the 1992 review of the policy. The planners bemoaned that the current public expenditure on education in India, by the Centre and the states combined, hovered around 4.43% of the country's GDP. They also noted that only about 10% of total government expenditure was allocated to education. It further underscored that the public expenditure on education must reach 6% of the GDP at the earliest and become 20% of the total public expenditure over the next 10 years (GOI, 2020, p.58).

Highlighting that 'education is a public service and that access to quality education must be considered a 'basic right of every child', the NEP 2020 advocated for a significant boost in investment to establish a robust and dynamic public education system (NEP, 2020, p. 4). Emphasising higher education, the policy envisions 'increased access, equity, and inclusion through greater opportunities for outstanding public education' (NEP, 2020, p. 34). It also guarantees that the autonomy of public institutions will be supported by adequate public funding support (NEP 2020, pp. 34–35). The policy also raised concern that the public expenditure fell short of the envisioned goal of 6% of the GDP, a target initially set in the 1968 policy, reiterated in the 1986 policy and reaffirmed during the review of 1992 (NEP, 2020, p. 60).

Given this context, it was a sight for sore eyes that NEP 2020 advocated a significant rise in public expenditure. It assured collaboration between the centre and the state to increase investment in

the sector, aiming to achieve the target of 6% of GDP at the earliest opportunity (NEP 2020, p. 61). Expanding on the rationale, the NEP 2020 highlighted that this level of public funding was 'extremely critical for achieving the high-quality and equitable public education system that is truly needed for India's future economic, social, cultural, intellectual progress and growth' (NEP 2020, p. 61).

The regulatory and governance reforms envisaged by the NEP 2020 have not happened so far. The multiplicity of the regulatory bodies continues to persist. The single regulatory authority in higher education in the form of one or other variants, including the Higher Education Commission of India (HECI), which has been in the offing for decades, is nowhere in sight. The governance and decision-making of HEIs remain as they were before the notification and implementation of the NEP 2020. Delays in operationalising the recommendations in these regards are, however, understandable. They entailed a complex web of legislative measures which are bound to take time to take shape and concretise. In contrast, enhancing public investment in higher education is much simpler. It only required fine-tuning the priorities in the budget allocation by the centre and the states.

The prolonged pandemic, economic downturn, and financial challenges may have exacerbated the public funding crisis for higher education (Whistle, 2020; Veddar, 2021), but the sector has been suffering from funding constraints for a long time. For over a decade, expenditures on higher education have remained constant, ranging from 1.3% to 1.5% of the government budget (Gandhi, 2022).

It is against this backdrop that the present paper examines the current status of public funding of higher education using multiple authentic data sources. Firstly, it analyses the past 14 years' data culled from the Economic Surveys and Analysis of the Budgeted Expenditure, Demand and Note on Demand for Grants in the Union Budget of the Ministry of Education (MoE), formerly the Ministry of Human Resource Development (MHRD). It presents a macro view of the country's state of higher education funding from 2010–11 to 2023–24. This analysis covers all sub-sectors, including the professional and technical higher education funded by the central and state governments.

Secondly, it analyses the expenditure data on higher education as collated from the Analysis of Budget Expenditure (ABE) published by the Department of Higher Education of the Ministry of Human Resource Development (MHRD), now the Ministry of Education (MoE), for 2010–11 to 2020–21, the latest year for which the document has been published so far. Thirdly, it was realised that the data obtained from the ABE could only explain the status of public funding up to the year in which the NEP 2020 was approved and notified by the government. It would not offer any insight into changes in public expenditure on higher education, so data on grants released

to central and state universities by the University Grants Commission (UGC), as reported in its annual report, was examined. This data was available up to 2022–23 and reflected the central government grants to the state and the central universities. The grants provided to colleges affiliated with the state universities could not be accounted for.

Public Expenditure on Education

Public expenditure on higher education is a subset of public expenditure on education as a whole. It is, therefore, eminent to first have a glimpse of expenditure on the education sector as a whole. It may be noted that education, being in the Constitution's Concurrent List, is funded both by the central and the state governments. Further, the expenditure on education is primarily incurred by the ministry and departments of education of the union and state governments, but at the same time, other government departments also spend some amount on education-related activities.

A glance at the public expenditure by the education departments of the central and state governments does not present an encouraging picture, as it has declined from 3.1% of the GDP in 2010–11 to 2.7% in the budget estimates of 2023–24. In other words, the expenditure on education in 2023–24(BE) was 12.90% lower than in 2010–11. The Compound Annual Growth Rate (CAGR), which smoothens the effect of yearly variations, reveals that the expenditure on education as a percentage of GDP has, over the past 14 years, been declining by 0.98% per year. Following the promulgation of the NEP 2020, the expenditure on education by the centre and the state was expected to rapidly rise. It is disappointing to see a sharper decline in expenditure on education, for the CAGR during the period 2019–20 to 2023–24 indicates an average annual decline of 1.42% (Table 1).

During the same period, the expenditure on education as a percentage of the total government expenditure slid from 11.4% in 2010–11 to 9.2% in 2023–24 (BE), thus recording a decline of 19.30% over the 14-year period under study. Going by the CAGR, the expenditure on education as a percentage of total government expenditure experienced an annual decline of 1.52% during 2010–11 to 2023–24. Post the pronouncement of the NEP 2020, the CAGR, rather than going up, recorded an annual decline of 2.98%. Expenditure on education by the centre and state put together as a percentage of total expenditure on the social sector fell from 46.1% in 2010–11 to 35.3% in 2023–24, registering a decline of 23.43%. This translated into a CAGR of negative 1.89% during 2010–11 to 2023–24 and further to a negative CAGR of 3.64% during 2019–20 to 2023–24. Ubiquitously, the policy pronouncement failed to have the desired effect on the public funding of education (Table 1).

Should we take into account the combined expenditure on education by all the departments of the central and state governments, the expenditure as a percentage of GDP increased from 4.05% in 2010–11 to 4.12% in 2021–22 (BE), the latest year for which the official data is available. This

Table 1: Expenditure on Education-by-Education Department (Centre and State Combined)

Years	Expenditure on Education as a Percentage of		
	GDP (%)	Total Expenditure (%)	Expenditure on Social Services (%)
2010–11	3.1	11.4	46.1
2011–12	3.1	11.4	47.7
2012–13	3.1	11.6	47.5
2013–14	3.1	11.6	46.7
2014–15	2.8	10.8	46.1
2015–16	2.8	10.4	42.8
2016–17	2.8	10.2	41.8
2017–18	2.8	10.7	42.4
2018–19	2.8	10.4	41.2
2019–20	2.9	10.7	42.5
2020–21	2.9	9.1	38.9
2021–22	2.7	9.0	35.8
2022–23 (RE)	2.9	9.2	35.8
2023–24 (BE)	2.7	9.2	35.3
Percentage Change (In 2023–24 over 2010–11)	-12.90%	-19.30%	-23.43%
CAGR (2010–11 to 2023–24)	-0.98%	-1.52%	-1.89%
CAGR (2019–20 to 2023–24)	-1.42%	-2.98%	-3.64%

Source:

1. 2010–11 to 2011–12: Economic Survey 2014–15.
2. 2012–13 to 2013–14: Economic Survey 2017–18, Vol. 2, p. 168.
3. 2014–15 to 2020–21: Economic Survey 2021–22, Chapter 10, Table 1, p. 352.
4. 2021–22 to 2023–24: Economic Survey 2023–24, Chapter 7, p. 210.

translates into a CAGR of 0.14%. What does not augur well is the fact that the total expenditure on education by the central government declined from 1.1% of the GDP in 2010–11 to 1.02%, a fall of about 8.11% over a period of 12 years or an average annual decline of 0.70%. In sharp contrast, the expenditure on education by the education departments of the state governments went up from 2.94% of GDP in 2010–11 to 3.10% in 2021–22, thus recording an increase of 5.44% over the past 12 years. In other words, it increased by 0.44% per annum. Contrary to the common belief that states underperform in education, recent data reveals a more nuanced and varied picture. It indicates that states, in fact, contribute significantly higher funding than the

Union government. This suggests a shift in the responsibility of funding education to the states, contrary to the fact that higher education, being in the concurrent list of the constitution, is a joint responsibility of the union and the state. However, the coordination and maintenance of higher education fall squarely on the union government (Table 2).

Table 2: Public Expenditure on Education By Education and Other Departments (Centre and State Combined) as a Percentage of GDP

Year	By Centre (%)	By State (%)	Total (%)
2010–11	1.11	2.94	4.05
2011–12	1.03	2.95	3.98
2012–13	0.90	2.80	3.70
2013–14	1.00	2.83	3.84
2014–15	1.07	3.00	4.07
2015–16	1.04	3.16	4.20
2016–17	1.09	3.15	4.24
2017–18	0.97	2.90	3.87
2018–19	0.96	2.93	3.90
2019–20	1.01	3.03	4.04
2020–21 (RE)	1.04	3.32	4.36
2021–22 (BE)	1.02	3.10	4.12
Percentage Change (In 2023–24 over 2010–11)	–8.11%	5.44%	1.73%
CAGR (2010–11 to 2023–24)	–0.70%	0.44%	0.14%

Source:

1. GOI (2022), Analysis of Budgeted Expenditure for the year 2017–18 to 2019–20, Table 4, Page 16
2. GOI (2024), Analysis of Budgeted Expenditure for the year 2017–18 to 2020–22, Table 4, Page 16

Public Expenditure on Higher Education

Public expenditure on higher education has dropped from a meagre 0.86% of GDP in 2010–11 to an abysmal 0.63% in 2020–21, recording a drastic decline of 27.91% over 11 years. The only solace is that the central government expenditure on higher education shows an increasing trend, as it went up from 0.33% of the GDP in 2010–11 to 0.42% in 2020–21. Alarmingly, the expenditure on higher education by the state governments during the same period has declined from 0.53% to 0.20% of GDP. This shows that the lion's share of the education budget is devoted to school education, distorting the funds directed towards the higher education sector. This must raise alarms about prioritising higher education within the broader economic framework, emphasising the need for renewed attention and a more robust commitment to funding this critical sector. Per Student Public Expenditure on Higher Education

The CAGR from 2010 to 2021 per student expenditure by the centre is a mere 0.58%, whereas the CAGR of the state's spending during the same period is 3.41%, much better than the centre's. States consistently spend more than the centre and contribute more to per–student expenditure. Despite an apparent increase in per–student spending on higher education, the CAGR figures signal a widening gap between government funding and the demands imposed by escalating enrolment in higher education. The growth in public expenditure on higher education seems much slower than the growth rate in enrolment. At the same time, the growth rate has also been much less to compensate for inflation or price rises in the educational input. Higher education has thus been suffering from a double whammy (Table 3).

Table 3: Public Expenditure on Higher Education By Education and Other Departments (Centre and State Combined) as a Percentage of GDP

Years	**Higher Education Sector**		
	Centre (%)	**State (%)**	**Total (%)**
2010–11	0.33	0.53	0.86
2011–12	0.23	0.42	0.64
2012–13	0.19	0.44	0.53
2013–14	0.23	0.44	0.67
2014–15	0.18	0.38	0.57
2015–16	0.19	0.40	0.59
2016–17	0.18	0.38	0.57
2017–18	0.16	0.33	0.49
2018–19	0.38	0.15	0.53
2019–20	0.37	0.18	0.55
2020–21 (RE)	0.40	0.16	0.57
2021–22 (BE)	0.36	0.17	0.52
Percentage Change (In 2023–24 over 2010–11)	9.09%	–67.92%	–39.53%
CAGR (201011 to 2023–24)	0.73%	–9.04%	–4.11%

Source:

1. GOI (2022), Analysis of Budgeted Expenditure for the year 2017–18 to 2019–20, Table 4, Page 16

The COVID–19 pandemic may have hit the GDP growth and job creation but has not adversely impacted the receipts of the union government. The revenue receipt of the union government went up nearly three times from Rs. 7.51 lakh crores in 2011–12 to 22.04 lakh crores in 2022–23 (BE). Expenditure on higher education as a percentage of the union government's total revenue receipts, revealing a concerning trend of diminishing public funding. However, spending on higher education showed a CAGR of 6.35 from 2011–12 to 2022–23. However, when assessed

against the total revenue receipts from the union government, the percentage dropped from 2.60% in 2011–12 to 1.85% in 2022–23. Likewise, expenditure as a percentage of total receipts declined from 1.49% in 2011–12 to 1.04% in 2022–23. This is further emphasised by negative CAGRs of –2.77% and –3.00%. This decline in the proportional allocation of funds raises red flags about the government's commitment to higher education (Table 4).

Table 4: Public Expenditure on Higher Education By Education and Other Departments (Centre and State Combined)

Year	Total Expenditure on Higher (Rs in Billions)			Per Student Expenditure Per Student Expenditure		
	Centre (%)	State (%)	Total (%)	Centre (%)	State (%)	Total (%)
2010–11	24.164	38.490	62.654	8.787	13.996	22.783
2011–12	19.056	34.845	53.901	6.526	11.933	18.459
2012–13	18.811	43.637	62.448	6.229	14.449	20.678
2013–14	26.254	48.958	75.212	8.128	15.157	23.285
2014–15	22.944	47.657	70.601	6.709	13.935	20.644
2015–16	26.129	55.367	81.496	7.552	16.002	23.554
2016–17	28.185	58.967	87.152	7.895	16.517	24.412
2017–18	27.449	57.127	84.576	7.500	15.609	23.108
2018–19	31.641	67.169	98.810	8.460	17.690	26.420
2019–20 (RE)	37.257	85.179	122.437	9.677	22.124	31.802
2020–21 (BE)	38.780	83.769	122.549	9.367	20.234	29.601
CAGR	4.39%	7.33%	6.29%	0.58%	3.41%	2.41%

Source:

1. Data on expenditure on higher education from Analysis of Budgeted Expenditure for various years.
2. Data on Enrolment in higher education from All India Survey of Higher Education (AISHE) for various years.

It is all the more worrisome that the public expenditure on higher education by the union government, as a percentage of its total expenditure across all sectors of the economy, has had an oscillating trend. In 2010–11, it stood at 1.29% to dip to 0.96% in 2011–12. Since then, it showed a rising trend to touch 1.62% in 2017–18. Since then, the public expenditure on higher education as a percentage of total expenditure declined to reach 0.74%, though it once again rose to 1.25% in 2023–24 (Table 5). On a per–student basis, the UGC's expenditure on higher education increased by only Rs. 824 over 10 years. The CAGR for the corresponding period is a meagre 2.28%, which may not be enough to compensate for inflation during that period (Table 6).

Table 5: Expenditure Higher Education in Union Budget As per Demand for Grant of MHRD/MoE in relation to Union Government Receipts

Year	Expenditure on HE (Rs. In Billion)	Revenue Receipts (Rs. In Billion)	Total Receipt (Rs. In Billion)	Expenditure on Higher Education as a Percentage of	
				Revenue Receipts (%)	Total Receipts (%)
2011–12	19.505	751.437	1,307.225	2.60	1.49
2012–13	20.423	879.232	1,374.419	2.32	1.49
2013–14	24.465	1,014.724	1,552.772	2.41	1.58
2014–15	23.152	1,101.473	1,585.921	2.10	1.46
2015–16	25.439	1,195.025	1,792.099	2.13	1.42
2016–17	29.026	1,374.203	1,984.089	2.11	1.46
2017–18	33.614	1,435.233	2,137.882	2.34	1.57
2018–19	31.904	1,552.916	2,316.434	2.05	1.38
2019–20	36.916	1,684.060	2,681.360	2.19	1.38
2020–21	32.378	1,633.918	3,517.025	1.98	0.92
2021–22 (RE)	36.032	2,078.935	3,595.813	1.73	1.00
2022–23 (BE)	40.828	2,204.422	3,944.157	1.85	1.04
CAGR	6.35%	9.38%	9.64%	-2.77%	-3.00%

Source:

1. Data on expenditure on higher education from Analysis of Budgeted Expenditure for various years.
2. Data on Revenue and Total Receipts from the Union Budgets of respective years.

Issues and Challenges

This immediate context aside, higher education funding has undergone noticeable changes. Today, it is funded differently in India and globally (Leif'ner, 2003). Higher education policy planners and funding agencies have lately been busy devising new principles, practices, and modes of financing higher education. Given the limited data availability, such exercises have been conducted through trials and tribulations. Socioeconomic, demographic, and political compulsions often guide them. At times, the changes in this regard also appear accidental rather than the product of well–thought–out considerations.

Generally speaking, the public provisioning of higher education continues to be the mainstay in most countries, including India (Blaug & Woodhall, 1978; Tilak, 2018). The government's financing of higher education seems to be moving away from the time–tested grants–in–aid system that funded HEIs based on their needs and demands to newer approaches like block grants, performance–linked grants, and loans. In some countries, the higher education sector is

dominated by private players. Present–day India is no exception, as is evident from data provided by each subsequent edition of the All India Survey of Higher Education – AISHE (GOI, 2022).

Not only has the government funding for higher education been declining, but it is also being increasingly linked to the performance of the HEIs. Although performance–based funding, which focuses on the outcome of campus activities rather than being based on input or process (Shin, 2010), has been around the block for quite some time, it is relatively new to the Indian context. This funding mode intends to incentivise institutions to improve their efficiency. It is also expected to foster greater autonomy and accountability (Nisar, 2015; Shin, 2010). In India, the funding agencies are now looking at a tiered structure for financing the universities (Sharma, 2021). The Institutions of Eminence (IoEs) scheme can be cited as the most prominent living example of performance–linked grants.

Table 6: Expenditure on Higher Education as a percentage of Total Expenditure and Expenditure on Education Sector

Years	**Actual Expenditure of the Union Government (Rs. In Billion)**			**Expenditure on HE as a Percentage of Expenditure on:**	
	All Sector	**Education**	**Higher Education**	**All Sector (%)**	**Education (%)**
2010–11	1,197.327	51.904	15.472	1.29	29.81
2011–12	1,304.365	50.658	12.578	0.96	24.83
2012–13	1,410.367	66.055	20.423	1.45	30.92
2013–14	1,441.435	71.059	24.465	1.70	34.43
2014–15	1,663.676	68.875	23.152	1.39	33.62
2015–16	1,790.783	86.657	25.439	1.42	29.36
2016–17	1,975.194	91.673	29.026	1.47	31.66
2017–18	2,141.973	102.615	34.614	1.62	33.73
2018–19	2,315.113	117.032	31.904	1.38	27.26
2019–20	2,686.330	89.437	36.916	1.37	41.28
2020–21	3,509.836	84.219	32.378	0.92	38.45
2021–22	3,793.801	80.352	33.531	0.88	41.73
2022–23	5,239.446	98.567	38.557	0.74	39.12
2023–24	4,443.447	165.267	55.393	1.25	33.52

Recognition of institutions provides substantial grants to institutions recognised as IOEs and enables them to generate revenues using the tag. Before IOE, the UGC had schemes like universities and colleges with potential of excellence, the Department of Special Assistance such as the DSA and Institutes of Advanced Studies (IASE), which provided additional grants for them to develop further and fast.

Block grants to HEIs have now become a thing of the past. They started with much fanfare at

the beginning of this century, promising assured annual grants from the government and thus offering the promise of complete autonomy. HEIs had reservations about the change from the prevalent method of deficit financing (approved expenditure minus) estimated internal revenue, and time tells that they were proven right. The block grants initially covered their payroll bills, including pensions, maintenance, and development. As their expenses skyrocketed due to inflation and implementation of the pay commission and various compliance costs imposed on HEIs, the black grants remained stagnant. As such grants met only a minuscule of HEIs' expenses, they were left high and dry. They were forced to generate resources through various fees, particularly for affiliation, admission and examination. Universities were also compelled to introduce self–financing programmes and self–funded seats in their existing studies programmes. Self–financing and self–funding are euphemisms for full–cost recovery from students.

HEIs have lately been encouraged to create corpus and endowment funds so that the income generated by such funds could take care of the bulk of their expenditure. The idea had a genesis in US universities as early as the 16th century, and the proponents of substantial reduction in public funding for higher education advanced the argument that the Indian HEIs could also mobilise resources for such a corpus. Some higher educational institutions, particularly the IITs, IIMs, and a few deemed universities, have been more successful than most others. However, their efforts over 15 years could not help them generate more than a million dollars (Manickam, 2018). A 2022 guideline issued by the UGC prompted all the central universities to set up endowment funds for the 'purpose of mobilising donations, funds and contributions', but so far, investments in such a corpus are only notional. Experts believe that the learning curve will be steep for the central universities as they lack know–how (Lem, 2023). Industry sponsorships and contributions have provided limited funds to the IITs, IIMs, and select central and state universities. For an overwhelming majority of HEIs, this has remained a pipe dream.

Development grants to universities and colleges have been a significant source for augmenting and strengthening their physical, human, and technological infrastructure. They also took care of HEI's development deficits and considered proposals for starting new programmes, courses and activities. HEIs eagerly looked forward to the commencement of the new 5–year plan to submit their developmental proposals. With the abolition of the Planning Commission or its reincarnation into the National Institution for Transforming India (NITI), the planned development grants are things of the past.

The centrally funded higher, technical, and professional institutions can now access loans from the Higher Education Funding Agency (HEFA), a joint venture of the Canara Bank and the Ministry of Education. Under the HEFA arrangements, some institutions are required to pay only a part of the principal. Some others may have to repay the principal fully. A few others must repay the principal and interest on the loan. HEFA funding can be accessed by the centrally

funded institutions alone. State universities and colleges affiliated with them have, until now, been receiving development funding under the Rashtriya Uchchatar Shiksha Abhiyan (RUSA).

While these funding models signify a changing funding landscape, it is crucial to acknowledge that public funding remains a cornerstone of higher education. The future of higher education financing lies in a harmonious blend of these models, with a profound understanding of their consequences and ensuring excellence and inclusivity for future generations.

The state of Indian higher education is paradoxical at the moment. On one hand, NEP 2020 emphasises the need to allocate 6% of the GDP. On the other hand, the Union Minister of Education (MoE), while replying to a parliamentary debate on the Central Universities (Amendment) Bill in the Lok Sabha on 3 August 2022, suggests that people should abandon the idea of government–funded education (Express, 2022b). The statement strongly supports the General Financial Rules (GFR)–2017, emphasising that all autonomous bodies, new or old, must be encouraged to maximise internal resource generation to attain self–sufficiency (Rule 229) (iv) (Government of India et al., 2017). What makes it even more appalling is that just a week prior, on the occasion of the second anniversary celebration of the NEP, the Union Home Minister reiterated to the nation that the public education system is the cornerstone of a vibrant democratic society (GOI, 2022).

On one hand, significant efforts are underway to enhance equity in higher education. Reservations, fee waivers, and other government scheme benefits are implemented to ensure participation. On the other hand, as HEIs aim towards self–sufficiency, the cost of higher education is skyrocketing. As a result, a bachelor's degree from IIT costs anywhere between 8 and 10 lakh for the general and OBC categories. SC, ST, and PH categories may cost 2–3 lakh (Aditi, 2022). Similarly, depending on their reputation, an MBA could cost between 10 and 23 lakh (Bhalotia, 2024).

On one hand, excellence is positioned at the core of the HEIs. On the other hand, underfunding public institutions and lack of expansion proportionate to the increasing population have resulted in a disorderly surge of private players offering substandard education (Pradhan & Beniwal, 2023; PTI, 2009). It would not be farfetched to say that we are still grappling with the tripartite challenges of expansion, equity, and excellence, as we were after independence in 1947. Indeed, remarkable progress has been made in these spheres, but the challenges remain as relevant as ever. Sometimes good is not good enough. A continued imperative is to expand higher education to attain the target set by the NEP 2020 of 50% GER by 2035. As of now, the GER is 27%. This entails elevating the enrolment from 38.5 million to 73 million over the next 15 years.

The GER for the affluent, social and economic elites has already surpassed 100%; further growth in the higher education sector must be sourced from the disadvantaged and marginalised. However, a concern is that a substantial portion of the expanded capacity may go unutilised. The situation is so grim that more than half of the approved intake capacity of institutions sanctioned

by the All–India Council for Technical Education (AICTE) remains vacant. Lack of quality education coupled with affordability challenges are the culprits identified. Substantial investment in the infrastructure, faculty, and research facilities is a prerequisite to quality and excellence. The shrinking public funding and growing private tendencies in public institutions threaten the triple objective of expansion, equity, and excellence. These three interconnected objectives form a vital triad that shapes the DNA of higher education advancement in a nation, and its core is funding.

What Might be the Fall Out?

Addressing the reeling financial crunch is urgent, and it requires political will. This is no small feat—it would be a miracle. However, it does beg the question: What can be done? With such a severe resource crunch, HEIs must find ways to augment and mobilise additional resources. They must also thoroughly review their systems and processes to identify the scopes of cost reductions and cost savings. They must seek to economise their operating costs by removing redundancies. The guiding principle, however, is that these exercises must not adversely affect the organisation's quality of processes and outputs. The principle assumes far greater significance in organisations producing and distributing merit goods and services of extreme social significance.

Given the above objectives and principles, the institutions of higher education must follow these steps: (a) Take stock of all activities that they have been doing traditionally; (b) Review each of these activities to ascertain whether they can be done away with; (c) Take stock of the procedure and methods of doing each of the activities that they do; (d) Review the laid–down procedure/practices to determine as to whether they can be simplified, fastened, or shortened; (e) Find out alternative ways and means of achieving their objectives that are cost–effective and do not adversely affect the quality and performance.

Theoretically, a number of ways could be cited to suggest universities to mobilise resources from elsewhere. Considering the illustrious history and extensive alumni network associated with government institutions like AMU, JMI, BHU, etc., the outlook for endowment funds appears mighty fine. We need to realise that managing an endowment fund is as much of an art as a science, which requires skills that may not be abundantly at the disposal of public institutions. HEIs should seriously contemplate enlisting the services of professional fund managers who are experts in endowment management and can help foster beneficial alliances between HEIs and stakeholders.

They may be advised to resort to income–contingent loans, which have recently gained traction as a popular financing solution. The salient merit of ICL over traditional educational loans is that it safeguards individuals from poor labour market outcomes. This feat is achieved by mandating loan payments when income exceeds a certain threshold. This removes the risk of

heavy repayment burdens for those from low–income backgrounds and diminishes the impact of risk aversion on the decision to participate (Chapman, 2006). The use of ICL has already proved to be vastly superior to traditional time–based loan payments. In countries like England, New Zealand, Australia, and Hungary, loan payment obligations can never exceed 9%, 12%, 10%, and 6% of their monthly income, resulting in no defaulters. In contrast, in the United States, sometimes people are left with nothing to live on post–payment (Chapman & Dearden, 2023). The same could be implemented in India, especially in the premiere institutions like IITs, IIMs, IIITs, etc.

They may consider public–private partnerships (PPPs), which may include various forms of partnership, like infrastructure development, service delivery arrangements, or joint ventures. This setup allows private participation in the financing, construction, operation, or management of educational facilities. The partnership aims to get the best of both worlds and create a win–win situation. Infrastructure can be built via the BOT model (Build–Operate–Transfer). Private entities could build and operate buildings, hostels, and other infrastructure and transfer the asset to the university once the cost has been recovered. Crafting an intricate and detailed policy framework is essential to prevent exploitation by private entities. The absence of such a structure may lead to dire consequences and render the entire effort counterproductive.

Universities may be sermonised that pennies saved could lead to millions of pounds of accumulated funds. They should therefore sort to cost–cutting. They could review spending patterns to enhance self–sustainability; universities can critically review their spending patterns and adopt strategic financial management. This involves optimising operational costs, identifying areas for efficiency improvements, and implementing transparent budgeting practices. By conducting thorough financial audits and performance assessments, universities can pinpoint redundant expenditures and redirect funds towards essential academic and infrastructural needs.

They could leverage technology to alleviate financial burden: technology offers many possibilities. Transforming traditional paradigms opens doors where knowledge can reach no bounds. Universities could focus on upskilling online courses that working professionals require. Platforms like Udemy and Coursera have attracted people to these refresher or upskilling programmes. Technology can also be leveraged to engage with alums and prospective donors.

In conclusion, financial constraints confronting HEIs require a nuanced and multifaceted approach. Due to eroding funding in the higher education sector, exploring other avenues and implementing measures to enhance financial sustainability is paramount. We must strive to maintain equilibrium between fiscal responsibilities and uphold educational standards at the same time. As we survive these trying times, let us remember the words of John F. Kennedy, ‘Efforts and courage are not enough without purpose and direction’. Let excellence be our compass and purpose in our pursuit

of financial sustainability. Despite such concerted efforts, HEIs can adapt and thrive, ensuring the continued delivery of quality education despite the financial constraints.

Yet, at the end of the day, none of the above would materialise for practical consideration. The universities and HEIs would continue to suffer from underinvestment and see their human capital dwindling and physical infrastructure crumbling. Faced with the hardship, they would ultimately be introducing self–financing programmes and raising fees from students and would thus end up charging close to what the self–financing institutions charge their students. We would thus see the privatisation of public HEIs.

Conflict of Interest

The authors declare no conflict of interest.

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How to Cite?

Qamar, F. & Khan, S. A. (2026). Public Funding of Higher Education in India: Issues and Implications. *Transformational Management Review*, 01(02), 279-296.