

## Funding of Distance Education : A Case Study of an Open University

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Funding Policies pertaining to distance education institutions in India are very complex. They have to be determined and rationalised after a careful study of a number of criteria. In order to make use of the limited available funds maximally, various aspects of costing and the issues related to quality of programmes need to be considered. Srinivasacharyulu and Ramaiah present a case study of B.R. Ambedkar Open University. We thought it would initiate useful debate on the theme which at the moment attracts the attention of many distance education institutions in the country.

### ABSTRACT

Distance Education is considered an effective mode of education for democratisation of higher education in the developing countries. In this context the pattern of funding of distance education institutions has relevance to understand the societal and the individual contributions to the system. The pattern of funding to a great extent influences the nature of the academic programmes and the nature of the learners. The self-financing institutions are more prone to respond to market demands. The State funding institutions have more maneuverability to respond to social demands.

The present study examines:

- 1) the pattern of funding over a period of last ten years, i.e., 1982-1992 and its implications to academic programmes and the nature of learners profile;
- 2) the criteria for determining the student fees;
- 3) the criteria for financial assistance from State government;
- 4) the criteria for the development grant from UGC/IGNOU

### INTRODUCTION

Distance Education is considered an effective mode of education for democratisation of higher education in third world countries. The demands of large numbers for higher education in third world countries can be met only through distance mode. In India the Distance Education institutions accounted for about 11.5% of the enrolment in higher education. During the present Eighth Five Year Plan, this is likely to increase to about 16.5% i.e., an additional four lakh students are expected to be enrolled in the Open University System.

Dr. B.R. Ambedkar Open University (AOU) (formerly known as Andhra Pradesh Open University), the first

Open University in India, was established in August, 1982. The Open University celebrated its decennial in 1992. The University offers 207 courses at certificate, undergraduate and postgraduate levels. An analysis of student enrolment reveals that about 70% of the enrolled students in undergraduate programmes are from non-formal stream, about 30% are women and about 50% of the students are from socially deprived sections of the society. In the Indian context the most socially deprived sections are referred to as Scheduled Castes and Scheduled Tribes.

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### THE PATTERN OF FUNDING

The University is mainly getting funds through three resources i.e., 1) Student's tuition fee. 2) Grants from State Government and 3) Development grants from University Grants Commission/Distance Education Council IGNOU. From Table 1, it would be clear that while the categories of receipts, i.e., State Grant, UGC Grant, fees paid by the students and other miscellaneous receipts, are taken as income of the university, while the items of expenditure i.e., Administration and direction (including salaries and capital expenditure (analysis at the rate of 5% per annum), Course Materials, Audio Video programmes, Library, Study Centres and Examinations are added to get

the expenditure of the University. The fee per student and the cost per student are calculated and found that much of the financial burden of the University is borne increasingly by the students year after year in the form of higher tuition and other fees to some extent due to increased student enrolment. Moreover, it can be seen, surprisingly that the recurring state grant received by the AOU has been reducing over the years.

A close look at the entries in the table reveals that a student fee sustains a major portion of the expenditure incurred. Looking at the yearly averages over the 10 years period we arrive at the following figures:

#### YEARLY AVERAGE EXPENDITURE

|   |         |
|---|---------|
| Yearly average expenditure ('00,000 Rs.)    | 291.70  |
| Yearly average fee receipts ('00,000 Rs.)   | 226.60  |
| Yearly average Govt. Grants ('00,000 Rs.)   | 94.10   |
| Yearly average student strength             | 37,400  |
| Yearly average expenditure per student      | Rs. 780 |
| Yearly average fee income per student       | Rs. 606 |
| Yearly average Government Grant per student | Rs. 251 |

Table 1: The pattern of funding and expenditure at BRAOU over a period of ten years (1983-84 to 1992-93)

| Particulars  | 83-84        | 84-85         | 85-86         | 86-87         | 87-88         | 88-89         | 89-90         | 90-91         | 91-92         | 92-93         |
|--|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>A. Income ('00,000 Rs.)</b>                     |              |               |               |               |               |               |               |               |               |               |
| (i) State Government Grants                        |              | 107.00        | 150.00        | 52.50         | 75.13         | 70.39         | 125.64        | 95.40         | 118.00        | 146.80        |
| (ii) UGC/IGNOU Grants                              |              | —             | —             | 10.00         | 23.00         | 7.45          | 3.00          | 11.00         | 17.00         | 23.00         |
| (iii) Fee Receipts                                 | 33.94        | 87.52         | 156.11        | 23.50         | 268.11        | 221.61        | 225.83        | 314.61        | 338.32        | 416.22        |
| (iv) Other Misc. Receipts                          | 5.92         | 6.45          | 12.44         | 17.44         | 3.78          | 5.72          | 15.00         | 8.49          | 10.53         |               |
| <b>Total Receipts</b>                              | <b>33.94</b> | <b>200.44</b> | <b>312.56</b> | <b>278.29</b> | <b>383.68</b> | <b>303.27</b> | <b>357.19</b> | <b>428.09</b> | <b>481.81</b> | <b>596.55</b> |
| <b>B. Expenditure ('00,000 Rs.)</b>                |              |               |               |               |               |               |               |               |               |               |
| (i) Administration & Direction                     | 12.82        | 61.98         | 69.21         | 83.84         | 79.09         | 134.06        | 136.21        | 111.00        | 156.74        | 125.33        |
| (ii) Course Material                               | 7.80         | 57.29         | 49.06         | 46.06         | 29.01         | 25.46         | 75.00         | 96.1          | 147.78        | 164.23        |
| (iii) Audio-Video                                  | —            | 15.19         | 26.81         | 26.46         | 10.29         | 12.78         | 4.74          | 3.09          | 7.00          | 16.14         |
| (iv) Library                                       | 1.00         | 12.38         | 13.74         | 11.65         | 10.83         | 6.01          | 9.33          | 7.74          | 6.09          | 9.82          |
| (v) Study Centres                                  | 10.68        | 16.66         | 30.69         | 56.21         | 46.31         | 66.61         | 55.34         | 105.60        | 116.24        | 154.10        |
| (vi) Examinations                                  | 1.67         | 9.81          | 14.80         | 31.00         | 28.42         | 42.68         | 39.65         | 50.15         | 66.15         | 84.84         |
| <b>Total Expenditure</b>                           | <b>33.97</b> | <b>173.31</b> | <b>204.31</b> | <b>255.31</b> | <b>203.95</b> | <b>287.60</b> | <b>320.27</b> | <b>373.68</b> | <b>500.97</b> | <b>563.46</b> |
| <b>C. Total student strength</b>                   | <b>6,321</b> | <b>25,485</b> | <b>34,109</b> | <b>46,629</b> | <b>36,454</b> | <b>32,957</b> | <b>34,183</b> | <b>45,041</b> | <b>52,803</b> | <b>60,000</b> |
| <b>D. Average expenditure per student (in Rs.)</b> | <b>537</b>   | <b>680</b>    | <b>599</b>    | <b>547</b>    | <b>560</b>    | <b>972</b>    | <b>937</b>    | <b>830</b>    | <b>947</b>    | <b>939</b>    |
| <b>E. Average fee receipts per student</b>         | <b>536</b>   | <b>343</b>    | <b>458</b>    | <b>436</b>    | <b>735</b>    | <b>673</b>    | <b>660</b>    | <b>698</b>    | <b>641</b>    | <b>694</b>    |
| <b>F. Average grant per student (in Rs.)</b>       | <b>—</b>     | <b>420</b>    | <b>440</b>    | <b>113</b>    | <b>206</b>    | <b>214</b>    | <b>368</b>    | <b>212</b>    | <b>223</b>    | <b>245</b>    |

The State grant is totally inadequate, keeping in view the fact that the University provided Distance Education facilities to nearly 60,000 students in 1992-93. As a result, all the financial burden of the University is being transferred to the students in the form of higher tuition and other fees. The experience of AOU reveals that though it has reached a stage to be financially self-supporting, still if high quality is to be maintained in consonance with the demand by providing better infrastructural facilities and student support services, such as more Study Centres, production of updated and revised course material and audio and video lessons, better counselling facilities etc., greater allocation of grants by the government becomes inescapable.

### STUDENT FEE

The University has fixed Rs. 510/- per year as the fee for the Undergraduate Programmes. The science students pay an additional fee of Rs. 150/- per subject in an year for the science practicals. Because of restricted admission procedure, the students in science programmes are fewer in number when compared to those in B.A. Programmes. It is often argued that because of financial non-feasibility only those programmes are to be introduced and maintained in an Open University whose income equals the expenditure incurred on them.

### STUDENT'S PRIVATE COST IN DISTANCE EDUCATION

Private costs are of two types — direct or recorded private costs. Costs of books, stationary, transport to the Study Centre besides fee and funds paid to the institutions are of the first type. Opportunity cost of students' time or foregone earnings are of the second type. The opportunity cost of students' time is a notional concept since it is presumed that a student has engaged himself or herself in studies instead of earning income from some gainful employment. That lost income is regarded as foregone income of student and hence it is his or her opportunity cost of time that is devoted to studies. It is treated as private cost in the literature of economics of education. It is generally contended that opportunity cost is of less significance in developing countries for reasons of mounting unemployment among the educated class.

It is pertinent to note here that the University has not enhanced the student fees of Undergraduate students which remains same as was fixed 10 years ago. The steep rise in cost of paper, printing charges, remuneration to counsellors, ranks of students, maintenance of equipment and conduct of examinations are to be tremendous pressures on the University Finance. The University, in order to save on administrative expenditures, has to either dilute the services that are envisaging for student support or reduce the use of audio and visual equipments.

At the time of its inception (1983), the student fee was

fixed at the rate of Rs. 510/- per annum. After a decade in 1993 it has been enhanced to Rs. 700/- per annum. This fee is determined on the basis of expenditure on stationary and printing charges in addition to the expenditure towards remuneration to the counsellors, and accommodation. For the last ten years, the printing and stationary charges and remuneration to the counsellors have been increased considerably as the State Government insists on the self-sufficiency of Open Universities, but there is no subsidy in the student fees, though there is fee exemption to the Backward Communities like Scheduled Castes and Scheduled Tribes.

Besides, provision of full time Coordinators and a mechanism for constant monitoring of the counselling activity and the conduct of examinations in the study centres involve extra financial commitment which the University cannot afford as per the existing income expenditure balancing, unless the Government Grants are increased or the student fee is considerably enhanced.

### THE CRITERIA FOR FINANCING ASSISTANCE FROM STATE GOVERNMENT

It is time that the State Government and other funding agencies come to the rescue of this University by extending generous financing to ease the dependence of income from student fee for sustaining the academic and financial development of the University to fulfill its mandate.

It is desirable that pattern of Grants-in-Aid should be devised in such a way that it promotes stimulation, strengthens the base and encourages innovative practices in education. Therefore there is an urgent need to reduce the gap of differences in educational inputs—qualified teachers, physical facilities, provision of various types of curricula both in general education and technical education. Study Centres in the Rural and tribal areas should be provided full ingredients of inputs so that they should become sound and strong in finance as well as in maintaining high educational standards.

Access to general education has been possible as a result of open door policy. The level of private costs by type of courses with respect to the students of the Open University have also been examined (Rao 1992). It is found that so far as quality of cost is concerned the subsidisation policy in general education has definitely helped the backward castes i.e., scheduled castes and scheduled tribes. Educational planners in developing countries are constantly faced with the problems of allocating resources to education and between the different types of education, in order to maximising society's goals. Contrary to popular belief that the returns to education of the backward castes would be low, as they come from a relatively poor socio-economic background, it is established that education is an investment, an investment that pays i.e. both the marginal and average rates of return to the education of the backward castes were found to be above the corresponding rates for the non-backward castes



(Tilak 1987). It provides an economic rationale in support of arguments for allocation of more resources for the education of the weaker sections.

The level of direct private costs of the present type of courses provided sufficient feedback for conclusion which need elucidation. The demand for higher education — both general and professional is generated largely by the socially deprived and weaker sections of the society. An increase in the private direct costs, apart from the opportunity costs, will affect adversely the demand in higher education which can prove counter-productive. Open door policy, at least for general education in India points to certain positive results of providing equality of opportunity, if not the 'equality of outcome' measured in terms of income, wealth, status, gender, etc., to society.

#### THE CRITERIA FOR THE DEVELOPMENT GRANT FROM UGC/IGNOU

The University Grants Commission (UGC) provided development grants to the University. Last year in 1992, UGC provided Rs. 17 lakhs as development grant. For the present Eighth Five Year Plan Period, Distance Education Council (DEC) has been created by Indira Gandhi National Open University (IGNOU) to provide development grant to the Open Universities in India. The Criteria to provide the development grant to the Open Universities are categorised: They are: 1) Construction of buildings, 2) Installation of Computer Systems and audio/video production facilities, 3) Development and preparation of course material, 4) Projects for research and development, 5) Staff training and development, 6) Participation of academic staff in conferences, workshops, seminars etc. So far DEC has granted Rs. 23 lakhs towards development grant to AOU.

#### CONCLUSION

First the aim of investing should be quality-yield in terms of productive placement of manpower and resources and secondly to attain both providing of equality of opportunities and reduction of inequality of income. This is possible only when the system of higher education is revamped in favour of low income section of society. The intake in professional and science courses is still controlled and regulated; the chances of students from low income group to seek admission in professional and science courses were marginal. Moreover, the incidence of high employment of graduates and post graduates in general education as compared to the professional courses is another crucial consideration for investment decision in

higher education.

Maintenance: Cost to run Study Centres is likely to increase because of the increase in number of Study Centres for the past two years, i.e., 1990 and 1991, though the expenditures of running the Study Centres was less in the initial years. Besides, the implementation of revised scales and the recent recruitment of teaching and non-teaching staff during the same period are going to increase the expenditure on salaries. Moreover, the starting of construction of buildings by AOU, which hitherto located in rented buildings, would also inflate the expenditure till the end of construction.

In view of all these, for the Ambedkar Open University to provide the deprived sections of the society greater access to higher education, it deserves greater allocation of resources—both by the Central and the State Governments.

The majority of unemployed graduates in general education belong to the lower rung of the society. The concept of equality of opportunity (providing equal access irrespective of any socio-cultural adherence) and achieving "society with less inequality of outcome" becomes meaningless. To attain these twin objectives of the concept of equality, it would be necessary to find an alternative approach for meaningful and productive investment in higher education (Garg 1985). But to combat mounting unemployment of graduates and postgraduates of general education, it would be necessary to restructure the courses of general education, so that these courses would be made functional and relevant to productive capacities of the job market. The case of restructuring courses with a vocational bias in general education is further strengthened since it provides for vocational mobility.

Governmental agencies and other funding bodies like UGC and DEC (IGNOU) should extend generous help to Open Universities like Dr. B.R. Ambedkar Open University in subsidising programmes which have social relevance and necessity. Policy makers should now realise that subsidy on higher education, which had hitherto been the monopoly of Conventional Universities should be extended to well meaning programmes in Open Universities as well.

Hence, though the philosophy of an Open University emphasises the culture of sharing of the existing resources without recreating the same resources exclusively for the utilisation of the Open University, there is a need to fund the Open University to create minimal physical and academic resources for rendering optimal services to the student community. Its initial funding is essential so that in the long run the Open University will be able to provide cost-effective student support services.

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