Analysis of cost and Benefits of education – case study of Tamil Nadu

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Abstract: In India, education is on the concurrent list and management of educational institutions becomes responsibility of both the union and state governments. Presence of private institutions has made education costlier and not affordable to a large number of persons. In their quest for better job opportunities, even the less affluent puts their wards in private unaided institutions. Cost of education is calculated on the fee that the student pays, while benefits are directly related to employability. Relationship between cost and benefit seems to be mismatched and details are analyzed in this paper.

Keywords: Cost, benefit, stake holders, employability.

I. Introduction

From the last decade of the 20th century, more and more corporate educational institutions have been started in the state of Tamil Nadu (and also on many parts of India). From nursery schools to engineering colleges and private universities, more corporate players have started new institutions, and their goal, as in the case of any corporate business, is to provide what the consumer needs and maximize profits. In the field of education economy, there are innumerable stake holders, (for example the parent, student, and government) who decide what price to be charged (for education at different levels), what should be the compound product to be given to the student (like air conditioned class rooms, buses to ferry students, hostels, play grounds, amenities and ambience). In the process, education becomes a complicated compound product which involves cost and the stake holders are prepared to pay the cost depending on the benefits expected (ranging from knowledge to friends, habits, employability and brands of products).

II. Cost Benefit analysis for School education

In India, education is on the concurrent list of administration, and hence, the Union government and the provincial governments share responsibility of administering and funding education. In Tamil Nadu, there are 34,532 government schools, 8,455 private aided schools and 8,542 private schools which do not get any grant/financial aid from government. Though the number of government schools constitutes 67.02% of the total number of schools in Tamil Nadu, the number of students is 4,763,000 (which is 36.71% of student population in schools in Tamil Nadu). The percentage of private aided schools is 16.41, but they are able to admit nearly 4,405,000 students (which is roughly 33.95% of student population in schools in Tamil Nadu.). Though the number of private unaided schools is much less (16.57%), they are able to admit nearly 3,807,000 (which is roughly 29.34% of student population in schools in Tamil Nadu) [1]. This shows the popularity of private unaided schools compared to the aided and government schools.

In Tamil Nadu, per capita income is ₹ 10,902, as per census data of 2011. Number of persons living Below Poverty Line (BPL category) accounts for 82.63 lacs and assuming that all the children in BPL category are sent to school, because of Sarva Shiksha Abhiyan (SSA) program, the students from BPL category shall be 9.91 lacs (as per national average, children in the age group of <14 constitute 12.1% of population). Looking at income distribution in Tamil Nadu, within the Tamil Nadu median income for rural household is ₹ 22,400 and for urban house hold it is ₹ 51,200[2]. The top 5% of the households in rural get income of ₹ 110,633 and it is ₹ 210,000 in urban. Considering the above facts, it may be inferred that students from Above Poverty Line (APL) category choose to study at private unaided school, paying fees, rather than going to the government/government aided schools.

For a family of four members, with an annual income of less than ₹ 1.1 lacs in rural area and ₹ 2.1 lacs in urban area [3], it is very difficult to send children to schools, paying fees. Family expenses like rent, food, travel, dress, medicines, family functions and religious functions take away almost the entire income of the family. (Of
the total number of children in the schools, namely 135 lacs, around 43.5 lacs children study in unaided schools).
The Tamil Nadu government providing Noon Meal scheme, good number of freebies like books, note books, educational kit, uniforms (at present two sets are given) free bus passes, bi-cycles and laptops, controls the fee structure of private unaided schools. In spite of all these, the private unaided schools are able to attract huge percentage of children. Reasons could be the commercial attraction that the private schools give like Air conditioned Smart class rooms, clean campus, facilities like good labs, and non conventional subjects like, Drawing, swimming, singing, sports, games and good play grounds.

In Tamilnadu, there had been complaints that the private unaided schools are charging exorbitant rates and exploiting students and stake holders. There have been frequent reports on the press and media that prospective students seeking admissions are asked to pay for construction of school buildings, lab fees, parents’ day and school day celebrations, and were collecting money in every possible way that one can imagine. The Tamil Nadu government appointed a committee headed by Justice Thiru S.R. Singaravelu (2012-2015) to fix fees for the schools. Accordingly, on the basis of certain guide lines, the fee structures of schools have been rationalized. Government and government aided schools are providing education through free education, but the private unaided schools charge tuition fees, lab fees, library fees etc, and along with some donation. Justice Singaravelu committee had recommended for schools in urban area ₹18,150(for the primary school), ₹32,850 (for the middle school), ₹22,450 (for the secondary schools) and ₹26,600 (for the higher secondary schools). For the rural schools, Justice S.R. Singaravelu committee had recommended ₹300 for primary, ₹1,900 for upper primary, ₹400 for secondary and ₹1100 for higher secondary schools [4]. The private schools are able to attract students in spite of the higher cost of education.

The private schools have been asked to teach the same syllabus content as in taught in government schools after the introduction of uniform secondary education (Samacheer kalvi). In spite of that, they attract students because of better ambiance and greater facilities like very good class room, water and toilet, play ground, swimming pool and computer lab.

Looking at the school results (as released on 9th May 2014) aided and government school students have done far better than the students of unaided schools. Students have been paying high cost for their education in unaided schools, apparently not reaping the benefits at an optimal level. Of the total number of the students who have appeared for plus two examinations in Tamil Nadu, 3.3 lacs were boys and 4.14 lacs were girls. Large number of students have secured 200 out of 200 in Mathematics, physics, Chemistry and Commerce [5]. They are equally divided between government, government aided and private unaided schools. Even in the corporation schools which are not preferred by the students fared well. If pass the examination and marks in plus two are considered as yardstick of benefits of education, the conclusion is that the high cost bearing students of private unaided schools have not gone any higher benefits.

### III. Cost Benefit Analysis for College Education

In India, the federal set up in administration is more evident on higher education. There are State universities, and central universities apart from Deemed to be universities and Institutes of Excellence. The colleges and Universities are administered, regulated and controlled by various central government agencies like the University Grants Commission (UGC), All India Council for Technical Education (AICTE) and Ministry of Human Resource Development (MHRD). These regulatory bodies are help to maintain the quality of the colleges’ education by sending inspection teams.

The state governments also have an important role to play in the administration of higher education. The state government has the right to appoint Vice Chancellors of the State Universities, teaching and non teaching staff of government and government aided colleges and Universities. Salary for all of them is met by state exchequer.

There are private unaided colleges and universities, for whom no grant is received from UGC, AICTE or the State government. The self financing institutions are expected to manage their expenses from their own funds. The State government does not interfere in the appointment of staff of the unaided institutions, but there are general guide lines which all institutions are to follow.

As per data available in 2013, in Tamil Nadu, there are 62 government Arts and Sciences Colleges, 133 government-aided Arts and Sciences Colleges and 438 unaided private Arts and Sciences Colleges. Among the total number of Arts colleges in Tamil Nadu, 155,898 are enrolled in government colleges, 355,953 students are enrolled in government aided colleges and 372,664 are enrolled in unaided institutions. Per college enrollment of students in government institutions work out to 2,514, for government aided institutions it is 2,676 and for unaided private institutions, the ratio is 850[6].

In Tamil Nadu, the government and government aided Arts and Science colleges are providing the free education for the students (there is no fee for the students) under EVR Nagammai Scheme. And the private unaided Arts and Science colleges are receiving the fee from the students on the basis of the course (G.O.Ms.No.187) [7]. The Private unaided Arts and Science College taught same syllabus of the course but cost
of the education is based on demand for seats in colleges, which varies from ₹ 2000/- for B.A. courses to ₹ 5,000 for B. Sc and ₹ 9000 for B.Com.

The government and government aided colleges charge lower fees for their courses (in government institutions, in many cases, no fee is charged) and they are more popular and are able to attract more number of students. On the other hand, the unaided arts and science colleges attract much less number of students, than the government and aided institutions; reasons could be that the cost of studying at unaided colleges is much higher. The aided institutions are able to fair well because of Project Genesis Training Programme and job fairs conducted by them.

IV. Salary of Arts and Science College Graduates

The graduation of Arts and Science students can get placement at government. However, they can get salary ₹ 242,400 per annum \(^8\). On the other hand if they get placement at private companies or industry, they are unable to get even ₹ one lac per year.

V. Cost Benefit Analysis for Engineering Colleges

Tamil Nadu has the maximum number of engineering colleges for a state. There are 535 engineering colleges in Tamilnadu of which 7 are government engineering colleges, 3 private aided engineering college and the remaining 525 private unaided engineering colleges. Admission to engineering colleges is centralized and done by the Anna University.

The sanctioned intake of the students for 2013 was 254,319 for the 535 engineering colleges. According to data available, nearly 78,188 seats fell vacant in engineering colleges \(^9\). Though 100+ vacancies were there in government engineering colleges, the major chunk of vacancies was from the Unaided engineering colleges.

Lack of campus placement (and low expectation of getting jobs without on campus recruitment), poor facilities in colleges, lack of efficient teachers are generally quoted as reason for the poor intake.

VI. Fee structure in Engineering College

In Tamil Nadu, the government engineering colleges fee is ₹ 7,550 and aided engineering colleges fee is ₹ 8,500, the centralized institutes of engineering colleges by the Anna University have fixed the fee for the different course and quota (Government quota and Management Quota) to the private unaided engineering colleges. For the government quota of Civil and CSE is ₹ 32,500, for Mechanical, EEE, ECE and Information Technology fee is ₹ 40,000 and for Management of Business Administration (MBA) fee is ₹ 25,000.

The Management quota fee levels for the courses are Civil, Mechanical, EEE, ECE, CSE, Information Technology fee is ₹ 62,500 and Management of Business Administration (MBA) fee is ₹ 70,600\(^{10}\).

VII. Salary of Engineering Graduate in Tamil Nadu

The graduate engineers are expected to get salary form the government posting ₹ 4,69,200\(^{11}\) per annum and private companies like Infosys ₹ 366,093, from HCL ₹ 448,910, WIPRO 316,675\(^{12}\) in Tamilnadu, between ₹ 258, 824 to 765,205, they can get bonus ₹ 50 to 101,130\(^{13}\).

VIII. Cost Benefit analysis of Foreign (Higher) education

After completing degree courses in India, students prefer to go to US, UK, Canada, Australia and Singapore for doing Masters. Cost of Masters is highest in US, ranging from ₹ 40 lacs to ₹ 60 lacs. Education in other countries is relatively less costly. But a student getting Masters from US University has higher probability to earn than students from other foreign universities.

IX. Salary of Foreign engineer graduate

The salary of the foreign graduate students get the median of the salary per month is, for Bio medical $ 81,540, for Civil, environmental $ 77,560, for chemical $90,300, for Electrical and computer engineering $84,540, for Geological, Mining $82,870, for Material Sciences $83,120 and Mechanical Engineering $78,160\(^{14}\).

X. Bank Loan for Education

In India, banks have been providing educational loan to students for their higher education. The Indian Banker Association has framed comprehensive education loan scheme to the students, the amount of loan for education in India is ₹ 7.5 lacs ₹ 20 lacs for education outside India. Up to ₹ 4 lacs no collateral security is demanded and rate of interest shall not exceed the Prime Lending Rate (PLR). Above ₹ 4 lacs, rate of interest shall be PLR + 1\%. Normally, the Repayment period is 5 to 7 years, with provision of grace period one year after completion of the studies \(^{15}\).
In State Bank of India (SBI), the rate of interest for loan amount up to ₹ 4 lacs is 13.50 % p.a, the repayment years is up to 10 years, between ₹ 4 lacs to 7.50 lacs 13.75 % p.a. repayment years up to 10 years and above ₹ 7.50 lacs 14.75 % p.a. \[16\].

XI. Conclusion

Cost of education is low in government institutions and government aided institutions, be it school, college or university. In private unaided institutions, fees are higher, because many of the private institutions are run on profit motive. While benefits are almost equal in school and engineering education between aided and private institutions, reason for higher demand for private unaided schools look illogical. In the case of private engineering colleges, demand for better managed institutions is justified on account of employability of students. With very poor employability, future of Arts and science colleges look bleak, in spite of the fact that education is highly affordable in such institutions.

XII. References

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