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SPANS ON ECONOMIC REFORMS ON EDUCATION

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Abstract:

This paper reflects the economic reforms in the major field of financing education. The adverse macroeconomic conditions which initiated the economic reforms in many developing countries. At the same time, the potential contributions of households are limited by the current financing arrangements. During the recent period of economic reforms, the process of Liberalisation, Privatisation and Globalisation (LPG) is found to have significant implications for the growth of the social sector. The research analysing alternative mixes of public and private financing of education does not suggest any theory of optimum mix of these resources of financing. This paper is modest attempt to present some policy options in context of economic reforms for developing countries. It is specially affected during COVID-19.

Keywords: *Economic Reform, Fiscal Resources, LPG*

Introduction:

Education is an economically and socially productive investment. The concept of education being a function of state has recent origin, both in the western and eastern. In many developing countries, education is financed and provided predominantly by the state. The expansion of education depends on fiscal resources. In the early period a major economic crisis surfaced in many developing countries. As a result the govt of various developing economies have followed a policy of macroeconomic stabilisation and have introduced certain structural reforms. The policy of sustainable fiscal position through reduction in the fiscal deficit-GDP ratio to be brought about by containing public expenditure seems to be the only way-out.

The conditions of macroeconomic which initiated the economic reforms in many developing countries envisage short term stabilization and long term structural adjustment policies and would

definitely result in cuts in public financing for education. At the same time, the potential contributions of households are limited by the current financing arrangements. There are some studies revealed that, the per capita household expenditure on education in developing countries has not shown any significant increase. There are number of times, the arrangements of financing result in the misallocation of public spending on education. There is evidence, derived from various studies that returns to primary education are higher than returns to secondary education

Significance:

There are many educationists have informed that the role of state in education because externality effects of education are significant. Social benefits are far greater than benefits perceived by different individuals time to time. The private markets fail to provide optimum education relative to its social merits. Secondly, to ensure equality of opportunity in education, state funding of education becomes necessary. Thirdly, education is subject to technical economics of scale and it is more convenient for government than private individuals to provide it. But the adverse macroeconomic conditions and the new economic policy indicate containment of public expenditure in most of the developing countries.

Education systems are simply performing as needed; not as economies demand and not as parents' desire. Yet it's important to celebrate and recognize the success of countries that have made significant advances. Every sector is reforming to meet the changing demands of the global economy. Except one, Education remains a predominantly public service. This is fine except that it means that this is also mainly public-provided, public-financed and regulated. No public service agency is expected of education. Education systems are not providing workers with the skills necessary to compete in today's job markets in most countries.

As the recent data show, there is an urgent need for education system improvements in most countries. This obvious in low performing countries, as well as in middle income countries trying to catch up. But it is also true for high performers because the nature of the economy is changing and with it so too are the demands for skills propelled by what the World Economic Forum has coined as the Fourth Industrial Revolution. Not only education outcomes poor in many countries, but the gaps are high and increasing. This is now being reflected in increasing returns to schooling and rising income inequality. Education systems are simply not performing as needed; not as economic demand and not as parents' desire.

Policy Issues of Concern:

Various policy issues and options have been suggested by various academicians. Here, we discuss some of the options that can be widely used by developing countries:

- (i) Recovering the public costs of higher education and allocating the state spending on the basis of social returns hierarchy;

- (ii) Establishing a credit market for education, especially higher education, and
- (iii) Encouraging the growth of private schools as well as decentralizing the management of public education.

Recovering Public Costs and Reallocating Resources:

Where students receive tuition free higher education or pay partial tuition fee, an important step would be to charge tuition fee to receive at least part of the cost of providing higher education. The concept of tuition fee and partial tuition fee should be confined to low income students. These charges would bring in substantial income without reducing enrolments. A similar policy with less horizon of implementation could be introduced at the secondary level too.

But this concept cannot be brought in at primary level. The role of government has to be vital. Two reasons for state action are the imperfections of the capital market and the belief that there is social benefit from education not captured by the student. The first of these would suggest loans to parents as the appropriate remedy, but there are two difficulties. First, the education is of primary benefit to the child, who cannot enter into a legally binding contract to repay. Secondly, the child can have only a limited influence over educational choices made by those related to social benefits, then the form of subsidization and state financing becomes more appropriate.

Credit Market in Education:

With the fiscal containment especially visible in higher education, it would be feasible to give greater role to private sector in financing with the introduction of widely available student loans and a limited number of selective scholarships. The available loans would enable the student to finance the current education against future income. Thus the problem for lower income students would also be solved and education would not be limited to applicants with necessary funds at the time of enrolment. Along with this, the government could provide scholarships to low income students to finance tuition as well as living expenses.

The concept of education is not much popular in the developing countries. No doubt, the fiscal constraints will bring this concept to light during the course of time. In implementation of these schemes, the collection costs are likely to be high, at least initially and default rates may be too large for financial institutions to absorb without prohibitive interest charge, the provision of government guarantee becomes necessary. The extent of this scheme at secondary level is complex because the cost recovery is difficult. In this way, the state can meet the required investment in education.

Decentralization and Privatisation in Management:

In the administration of primary and secondary schools, the govt seek a highly centralized management and restrict the operation of trust and private schools in development countries. Complex centralization implies an excessive amount of bureaucratic delay in making decisions and it

also entails, probably incapacity to take proper account of changes in local needs and desired practices. The levied restrictions range from outright prohibition to strict control over fees, curricular, teachers' qualification and salaries. Among these restrictions, some of the restrictions like fees etc need to be relaxed and some need to be continued to control fraudulent operators and to maintain the standard as well as efficiency. Some academicians oppose decentralization on the ground that, "decentralization destroys the capacity of the central government to direct local authorities to meet long range national needs for training personnel. It prevents progressive administration from imposing high standards of public morality and efficiency on backward local authorities." But this cannot be thought of largely with adverse macroeconomic conditions. If competition increases, better educational services are available, the costs fall, leading to wider choices of schools for parent and students. This in turn increases the efficiency of the school.

To make all these policies more effective, the following issues should be taken into account:

1. The current major sources of inefficiency in the education, in terms of provision and financing and an analysis of various ways to eradicate it through various policies.
2. Various possibilities for recovering costs. The willingness of the household to pay for education along with the magnitude of extra revenue,
3. The extent of improvement in efficiency and equity through various policies.

Conclusions:

Thus we find that these policy options in context of economic reforms do not suggest complete implementation of various policies at one go. In fact, in view of the present stage of development in the country, there is a strong case for increasing the public outlay for higher education instead of contemplating any cut back in its amount. Any reversal of the constitutionally committed State policy of education in India will not only harm the interest of education but it will retard the development process of the country. The suggested reforms need to be carried gradually in different phases. The time period of each phase may vary from one to other developing country according to its social, political and economic conditions.

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