

NOTE:

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*Working Draft: for discussion*

**FUNDING AND COSTS IN OPEN AND DISTANCE EDUCATION: A CASE  
STUDY OF INDIA**

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**The Dimension and Growth**

In India, the institutions offering higher education through open and distance education can be broadly classified into three categories, namely, the national open university, the state open universities (SOUs) and the correspondence course institutions (CCIs) (or distance education institutions (DEIs)). The CCIs/DEIs are established by the conventional universities, the SOUs by the respective state governments and the national open university by the government of India. In the year 2003 there are 86 CCIs/DEIs, 10 SOUs and one national open university. The Tenth Five Year plan (2002-07) proposals envisages of having a state open university in every major state.

Open and distance education is considered as a cost-effective mode of imparting higher education. In India, the share of open and distance education to the total enrolment in the higher education was 9% in the year 1985. This has increased to 22% in the year 2003. The Tenth five-year plan envisages that this will increase to 30% by the end of 2000-07.

The IGNOU was established in September 1985. In 1986-87 it started offering academic programmes. In that year 2 programmes consisting of 9 courses are made offered to 4381 students through 4 regional centres and 27 study centres. There is a significant growth since then. This can be reflected from the fact that in 2003-04 there are 88 programmes consisting of 820 courses, 334315 students, 30 regional centres and 1098 study centres. In addition there are 18 regional centres maintained by the Army, Navy and Air Force to serve the students from these agencies. Also, there are 26 overseas study centres catering the needs of the students from 26 countries in the gulf region, Indian ocean rim, South East Asia, South Asia and Africa. A range of programmes is offered leading to certificate,

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diploma, degree (undergraduate and post graduate) and Ph.D. The range of programmes include conventional programmes like B.A/B.Com./B.Sc, Information Technology, Engineering, medicine education, management, mass communication, rural development, women empowerment, environmental studies, mass communication, etc. Table 1 shows the growth and size of some these parameters in respect of IGNOU from 1986-87 to 2003-04.

Through the Act of Parliament, IGNOU has dual role to play. In addition to its own programmes, the IGNOU is responsible for promotion distance education in the country. IGNOU does the promotion activities through three of its organs: (a) Distance Education Council (DEC), (b) Staff Training and Research Institute of Distance Education (STRIDE), and (c) Electronic Media Production Centre (EMPC). The DEC is the apex body responsible for promotion, maintenance of standards and coordination of open and distance learning activities in the country. The STRIDE is the nodal agency for training and research in distance education in India. It is entrusted with the responsibility of staff development, research, and system development in distance education. The EMPC has been the 'hub' of many initiatives in the area of Information and Communication Technologies (ICTs) especially the use of electronic media in distance education in India.

Table 1: The Size and Growth of IGNOU

Year	No. of Programmes	No. of Courses	Students Registered	Regional Centres	Study Centres
1986-87	2	9	4381	4	27
1987-88	5	30	16811	8	95
1988-89	7	61	42324	12	120
1989-90	9	119	48281	13	133
1990-91	11	165	52376	16	170
1991-92	14	253	62375	16	201
1992-93	20	299	75666	16	220
1993-94	24	333	84200	16	229
1994-95	31	372	91398	16	244
1995-96	37	425	130228	17	255
1996-97	38	482	162645	19	315
1997-98	39	486	163394	20	346
1998-99	47	553	172548	21	376
1999-2000	50	604	196650	22	521
2000-01	62	673	304681	28	633
2001-02	74		301724	29	777
2002-03	78	815	316547	30	1081
2003-04	88	820	334315	30*	1098**

Note: \* In addition there are 18 regional centres recognised by Army, Navy and Air Force

\*\* In addition there are 26 overseas study centres

At present there are 10 state open universities established by the respective state governments. BRAOU was the first state open university established in 1982 and the latest addition is TNOU in 2002. The range of programmes offered by these SOUs varies from one university to the other. The number of students also varies very widely from 1260 in BAOU to 137326 in MPBOU. Like IGNOU many of the SOUs follow a three tier system, namely, headquarters, regional centres and study centres in delivering academic programmes. Some of the SOUs have two tier system, namely, headquarters and study centres. Table 2 explains the range and size of the some significant parameters with reference to the year 2002-03.

Table 2: The Dimension of State Open Universities (SOUs): 2002-03

SOU	Year of Establishment	No. of Programmes	Range of Programmes	Students Registered	Regional Centres	Study Centres
BRAOU	1982	23	C,D,UG, PG, Ph.D	125225	23	144
VMOU	1987	25	C,D,UG, PG, Ph.D	12036	6	48
NOU	1987	20	C,D,UG, PG	4395		6
YCMOU	1989	78	C,D,UG, PG, Ph.D	110683	8	1450
MPBOU	1995	77	C,D,UG, PG, Ph.D	137326	11	1013
BAOU	1994	11	C,D,UG	1260	2	70
KSOU	1996	56	C,D,UG, PG, Ph.D	32150	6	65
NSOU	1997	5	C,D,UG	2712		47
UPRTOU	1998	41	C,D,UG, PG	2999		34
TNOU*	2002	-	-	-	-	-

Source: Information Base on Open Universities, Distance Education Institutes and Correspondence Courses Institutions, IGNOU, New Delhi, 2003

Table 3: Students Enrolled in IGNOU, SOUs, and CCIs/DEIs

Year	Unit	IGNOU	SOUs	CCIs/DEIs	Total
1997-98	Number	163394	272189	626471	1062054
	%	15.38	25.63	58.99	100.00
1998-99	Number	172548	302114	725781	1200443
	%	14.37	25.17	60.46	100.00
1999-2000	Number	196650	367655	815630	1379935
	%	14.25	26.64	59.11	100.00
2000-01	Number	304681	498382	880200	1683263
	%	18.10	29.61	52.29	100.00
2001-02	Number	301724	618295	963980	1883999
	%	16.02	32.82	51.17	100.00
2002-03	Number	316547	724102	1185898*	2226547
	%	14.22	32.52	53.26	100.00

\* Provisional

Source: Tenth Five Year Plan: Open & Distance Education and IGNOU, Ministry of Human Resource Development, New Delhi, 2003.

At present there are 86 CCIs/DEIs operating in conventional universities. A sizable number of students have enrolled in these institutions. However, their share in the overall

enrolment of open and distance education is gradually declining, although, in absolute terms these institutions still dominate the open universities. The enrolment trends in IGNOU, SOUs and CCIs/DEIs are shown in Table 3. It can be seen from the table that the share of IGNOU in the overall enrolment is stable at around 15%-16% , the enrolment share in SOUs is steadily increasing at the cost of CCIs/DEIs.

### **Funding Patterns**

The pattern and quantum of funding has direct bearing on the quality of academic programmes and effectiveness of delivery of student support services. It also influences the quantum of tuition fee charged to the student thereby deciding the socio-economic profiles of students enrolled for programmes. Like conventional institutions, the open and distance education institutions in India broadly get funds through three sources: (a) Grants from Central/State Government, (b) Fee charged to the student, and (c) Other internal resources including programme specific funding by sponsoring agencies. It is observed that there is a lot of variation among different institutions in the pattern of funding. Before analysing these variations let us look into the very foundations of these institutions.

The IGNOU was established under central act by the government of India. This is the only central university, which receives the funds from the government directly. It follows a balancing budget and the government of India meets the excess of non-plan (maintenance) expenditure over and above the funds generated through internal resources. In addition, the government of India will meet approved plan outlay. As part of the Five Year plans, the university prepares a plan indicating the new activities and likely expenditure for IGNOU and other SOUs and CCIs/DEIs. Once approved, the ministry releases the plan grants annually for the development activities. The following Table provides information on the five-year and annual plan periods:

<b>Plan</b>	<b>Plan Period</b>
Seventh Five-year Plan	1985-86 to 1989-90
Annual Plan	1990-91
Annual Plan	1991-92
Eighth Five year Plan	1992-93 to 1996-97
Ninth Five-year Plan	1997-98 to 2001-02
Tenth Five-year Plan	2002-03 to 2006-07

The IGNOU was started with 100% funding in 1985-86. In the next year it made two academic programmes on offer enrolling 4381 students and generating revenue of Rs. 2.3 million through student fee. In absolute terms, although, over a period of time the

government grants increased slowly but steadily, the share of government has decreased to 16.89% in 2002-03 from 100% in 1985-86. On the other hand, the internal sources of income have increased many folds at a faster rate. From Table 4 it can be seen that by year 2002-03 IGNOU is able to meet 83.11% of its funds from internal sources and the government met only 16.89%.

Table 4 Patten of Funding: IGNOU

S.No.	Year	Govt. Grants		Internal Sources (Fees etc.)		Total	
		Rs. in Millions	%	Rs. in millions	%	Rs. in Millions	%
1	1985-86	29.3	100.00			29.3	100.00
2	1986-87	75.0	97.02	2.3	2.98	77.3	100.00
3	1987-88	42.0	90.52	4.4	9.48	46.4	100.00
4	1988-89	110.0	86.61	17.0	13.39	127.0	100.00
5	1989-90	177.0	86.47	27.7	13.53	204.7	100.00
6	1990-91	133.7	80.11	33.2	19.89	166.9	100.00
7	1991-92	120.0	67.95	56.6	32.05	176.6	100.00
8	1992-93	170.3	71.58	67.6	28.42	237.9	100.00
9	1993-94	176.4	66.49	88.9	33.51	265.3	100.00
10	1994-95	177.4	55.21	143.9	44.79	321.3	100.00
11	1995-96	178.4	45.18	216.5	54.82	394.9	100.00
12	1996-97	220.3	33.20	443.3	66.80	663.6	100.00
13	1997-98	165.2	32.22	347.5	67.78	512.7	100.00
14	1998-99	278.9	35.89	498.1	64.11	777.0	100.00
15	1999-2000	355.0	30.64	803.7	69.36	1158.7	100.00
16	2000-01	457.5	27.65	1197.1	72.35	1654.6	100.00
17	2001-02	540.6	27.71	1410.2	72.29	1950.8	100.00
18	2002-03	313.4	16.89	1542.0	83.11	1855.4	100.00

As explained earlier, IGNOU receives two types of grants from the government: (a) plan grants targeted for developmental activities, and (b) non-plan grants for the maintenance of existing activities. The year-wise grants provided by the government under plan and non-plan heads are shown in Table 5. The entire expenditure on the establishment of the university till 1989-90 was provided under plan. From Table 8 it can be seen that the university has incurred Rs. 83.1 million as recurring expenditure in the year 1989-90. The government treated this as non-plan (maintenance) grant for the year 1990-91 and released Rs. 83.6 million as non-plan grant and treated non-plan grants and plan grants separately.

From the year 1990-91, although, the annual plan grants have increased steadily in absolute terms the non-plan grants remained stagnant over the period. For the last few years the non-plan grant decreased significantly and for the year 2002-03 the university has not received any non-plan grants. This is because of the funds generated by the

university internally through student fees etc. The entire income generated through internal sources is treated as non-plan income. From Tables 4 and 8 it can be seen that there is a surplus income through internal sources over the non-plan expenditure. This may work as a negative incentive for the university in future.

Table 5: Plan and Non-Plan Grants Received from Government: IGNOU

S.No.	Year	Plan Grants		Non-Plan Grants		Total	
		Rs. in Millions	%	Rs. in Millions	%	Rs.in millions	%
1	1985-86	29.3	100.00			29.3	100.00
2	1986-87	75.0	100.00			75.0	100.00
3	1987-88	42.0	100.00			42.0	100.00
4	1988-89	110.0	100.00			110.0	100.00
5	1989-90	177.0	100.00			177.0	100.00
6	1990-91	50.1	37.47	83.6	62.53	133.7	100.00
7	1991-92	65.0	54.17	55.0	45.83	120.0	100.00
8	1992-93	95.0	55.78	75.3	44.22	170.3	100.00
9	1993-94	100.0	56.69	76.4	43.31	176.4	100.00
10	1994-95	99.5	56.09	77.9	43.91	177.4	100.00
11	1995-96	127.0	71.19	51.4	28.81	178.4	100.00
12	1996-97	153.6	69.72	66.7	30.28	220.3	100.00
13	1997-98	106.9	64.71	58.3	35.29	165.2	100.00
14	1998-99	200.0	71.71	78.9	28.29	278.9	100.00
15	1999-2000	300.0	84.51	55.0	15.49	355.0	100.00
16	2000-01	420.0	91.80	37.5	8.20	457.5	100.00
17	2001-02	525.6	97.23	15.0	2.77	540.6	100.00
18	2002-03	313.4	100.00	0.0	0.00	313.4	100.00

The respective state governments largely fund the SOUs at the time of their establishment. In general, the sources of funds are similar to that of IGNOU except that the government funding is from the respective state government. In addition, as part of the distance education promotional role, the DEC also provides developmental funds to the SOUs and CCIs/DEIs for infrastructure, institutional reforms, academic improvement, staff development and training, student support services, computerisation and networking of institutions and improvement of quality education.

For example, Table 6 explains the sources of funds for two SOUs, namely, BRAOU (for the years 2001-02 and 2002-03) and YCMOU (for the year 2002-03). It can be seen from the Table that BRAOU receives 18% to 19% of the total funds from the state government in the form of non-plan grants. For the year 2001-02 BRAOU has received 2% of the funds from DEC thus accounting for 20% from government sources. The rest 80% of the funds comes from internal sources mainly in the form of student fee. The case of YCMOU is more or less wholly dependent on the internal sources (98% of funds) for the year 2001-02.

With little plan grants at disposal the SOUs may not be able to initiate new activities unless the respective state governments come forward to provide the grants liberally. Secondly, the SOUs may be able to meet their expenditure by increasing the student fee or economising the operational expenditure on student support services and other overheads. This tendency may lead to some problems like if you go on increasing the student fee many prospective students who are not able to pay the fees may not enrol for the programmes. This may defeat the social responsibilities of these universities. On other hand, the operational expenditure cost-cutting measures beyond certain level may grind down the quality of the programmes.

Table 6: Sources Funds: SOUs: BRAOU and YCMOU

Institution	Year	Plan/ Non-Plan	State Government		DEC		Fees and other internal sources		Total	
			Rs in Millions	%	Rs in Millions	%	Rs in Millions	%	Rs in Millions	%
BRAOU	2001-02	Plan			5.0	100.00			5.0	100.00
		Non-Plan	40.5	18.12			183	81.88	223.5	100.00
		Total	40.5	17.72	5.0	2.19	183	80.09	228.5	100.00
	2002-03	Plan								
		Non-Plan	50	19.36			208.2	80.64	258.2	100.00
		Total	50	19.36			208.2	80.64	258.2	100.00
				ICAR						
YCMOU	2001-02	Plan			2.6	100.00			2.6	100.00
		Non-Plan					134.0	100.00	134.0	100.00
		Total			2.6	1.90	134.0	98.10	136.6	100.00

Sources: *Self-Assessment of State Open Universities, DEC, New Delhi*

Budget Estimates: YCMOU, 2003

The funding patterns in the CCIs/DEIs are even worse than that of SOUs. These institutions are established by the conventional universities in order to meet the increasing student demands locally and are expected to meet the expenditure wholly through internal sources. In practice, many of these institutions are considered as money spinning agencies to meet the deficit of the parent organisation. Often the quality of the programmes in terms of student learning material and student support services are not met. For this reason the DEC is providing financial support for development of infrastructure and manpower training. The IGNOU is also encouraging to share the learning materials developed by it. The interested SOU or CCI/DEI can adopt, adapt and/or translate into other modern Indian languages after entering a Memorandum of Understanding (MOU) with IGNOU at a nominal fee. Alternatively, if the enrolment is not too large for a programme concerned institute can buy the required number of copies

of learning material at a discounted price. These initiatives are aimed at improving the quality of programmes offered by the CCIs/DEIs.

### **Expenditure Patterns**

In order to undertake a meaningful analysis of the nature of expenditure and the pattern of funding, it is essential to understand the terms like capital, recurring, plan and non-plan expenditure. Broadly, for the purpose of government funding, the expenditure is classified into two major categories, namely, capital and recurring. These are further classified into plan and non-plan expenditure:

1. **Capital expenditure** is the expenditure spent on the land, buildings, equipment, furniture and other durable assets. These are not used up in the year in which they are acquired. From economist's point of view, in distance education, the learning material developed is used for more than one year. Since the budgets are prepared from the accountant's point of view, the expenditure on learning materials is not part of the capital expenditure.
2. **Recurring expenditure** includes all the expenditure other than capital expenditure spent by an organisation on salary and non-salary operational expenditure.
3. **Plan expenditure** represents all the development expenditure and comprise both capital and recurring expenditure. All the new programmes/courses and activities are normally classified as plan activities and a provision is made in the five-year plan and subsequently annual plans to meet the expenditure on them. The plan expenditure includes both capital and recurring expenditure.
4. **Non-plan expenditure** is used to identify that part of recurring expenditure, which has necessarily to be incurred for sustaining an activity initially undertaken as a developmental effort during a five-year plan period. It is also often referred as committed expenditure or maintenance expenditure. The practice usually followed in determining the non-plan expenditure is to reckon the recurring component of the expenditure involved in a five-year plan activity and classify it as non-plan expenditure at the commencement of subsequent five-year plan. Normally, the non-plan expenditure includes only recurring expenditure and there will be no capital expenditure.

The capital and recurring expenditure incurred by IGNOU from 1985-86 to 2002-03 is presented in Table 7. The building construction activity of IGNOU is broadly divided

into two phases. Due to various internal reasons, it took longer time to complete the phase-I component. Only in the last few years the construction activity has picked up. However, as explained earlier, the expansion of the university is very significant over the years in terms of programmes, courses network of regional and study centres, and student numbers, etc. This is reflected from the fact that the recurring expenditure has increased from a mere Rs. 3 million in 1985-86 to Rs. 1145.2 million in 2002-03. In 2002-03 the revenue expenditure accounted for 92% of the total expenditure where as the capital expenditure was only 8%.

Table 7: Pattern of Expenditure: Capital and Recurring: IGNOU

S.No.	Year	Capital		Recurring		Total	
		Rs. in Millions	%	Rs. in millions	%	Rs. in Millions	%
1	1985-86	26.1	89.69	3.0	10.31	29.1	100.00
2	1986-87	19.9	64.82	10.8	35.18	30.7	100.00
3	1987-88	43.1	53.88	36.9	46.13	80.0	100.00
4	1988-89	51.5	40.97	74.2	59.03	125.7	100.00
5	1989-90	100.1	54.64	83.1	45.36	183.2	100.00
6	1990-91	33.7	22.36	117.0	77.64	150.7	100.00
7	1991-92	25.9	14.40	154.0	85.60	179.9	100.00
8	1992-93	30.3	16.81	150.0	83.19	180.3	100.00
9	1993-94	38.0	18.41	168.4	81.59	206.4	100.00
10	1994-95	12.0	4.95	230.6	95.05	242.6	100.00
11	1995-96	19.3	6.50	277.6	93.50	296.9	100.00
12	1996-97	33.2	9.14	330.1	90.86	363.3	100.00
13	1997-98	31.7	6.76	436.9	93.24	468.6	100.00
14	1998-99	40.1	6.43	583.3	93.57	623.4	100.00
15	1999-2000	141.3	14.94	804.2	85.06	945.5	100.00
16	2000-01	109.9	9.82	1009.0	90.18	1118.9	100.00
17	2001-02	255.0	18.25	1142.2	81.75	1397.2	100.00
18	2002-03	101.7	8.16	1145.2	91.84	1246.9	100.00

The plan and non-plan components of expenditure are shown in Table 8. As explained earlier, the entire expenditure in the Seventh Five-year plan from 1985-86 to 1989-90 was considered as plan expenditure. From the beginning of the Annual plan in 1990-91 the expenditure was classified into plan and non-plan components. Except in the years 2001-02 and 2002-03 the Plan expenditure was about 20% of the total expenditure.

Table 8: Plan and Non-Plan Components of Recurring Expenditure: IGNOU

Sl.No.	Year	Plan		Non-Plan		Total	
		Rs in Millions	%	Rs in Millions	%	Rs in Millions	%
1	1985-86	3.0	100.00			3	100.00
2	1986-87	10.8	100.00			10.8	100.00
3	1987-88	36.9	100.00			36.9	100.00
4	1988-89	74.2	100.00			74.2	100.00
5	1989-90	83.1	100.00			83.1	100.00

6	1990-91	13.6	11.62	103.4	88.38	117.0	100.00
7	1991-92	30.1	19.55	123.9	80.45	154.0	100.00
8	1992-93	27.4	18.27	122.6	81.73	150.0	100.00
9	1993-94	33.3	19.77	135.1	80.23	168.4	100.00
10	1994-95	39.5	17.13	191.1	82.87	230.6	100.00
11	1995-96	43.5	15.67	234.1	84.33	277.6	100.00
12	1996-97	95.6	28.96	234.5	71.04	330.1	100.00
13	1997-98	48.9	11.19	388.0	88.81	436.9	100.00
14	1998-99	97.9	16.78	485.4	83.22	583.3	100.00
15	1999-2000	200.1	24.88	604.1	75.12	804.2	100.00
16	2000-01	202.3	20.05	806.7	79.95	1009.0	100.00
17	2001-02	132.7	11.62	1009.5	88.38	1142.2	100.00
18	2002-03	22.8	1.99	1122.4	98.01	1145.2	100.00

As explained earlier, the IGNOU plays an apex body role in terms of promotion of distance education in India. The university through DEC releases grants to the SOUs and CCIs/DEIs. The STRIDE provides work force training and conducts research in distance education where as the EMPC is the 'hub' for electronic media. Table 9 explains the IGNOU's recurring expenditure on promotion of distance education in India. The university started providing developmental grants to the SOUs and CCIs/DEIs in the year 1990-91 with a grant of Rs. 4.5 million. The grant was steadily increasing over the period and reached its peak in the year 2000-01 with Rs.190.3 million. However, the grant was at its lowest in the year 2002-03. One reason for this is since that year was the first year of the Tenth five-year plan there was some delay in granting the approval for the plan by the government of India.

Table 9: Pattern of Recurring Expenditure on IGNOU Maintained Institutions and Grants to SOUs and CCIs/DEIs

S.No	Year	Unit	Grants to	DEC	STRIDE	EMPC	Total
			SOUs/CCIs/DEIs	Rs. in Millions	Rs. in Millions	Rs. in millions	Rs. in Millions
1	1990-91	Rs in Millions (%)	4.5 (100.00)				4.5 (100.00)
2	1991-92	Rs in Millions (%)					
3	1992-93	Rs in Millions (%)	5.4 (100.00)				5.4 (100.00)
4	1993-94	Rs in Millions (%)	6.0 (100.00)				6.0 (100.00)
5	1994-95	Rs in Millions (%)	6.0 (78.95)	0.5 (6.58)	1.1 (14.47)		7.6 (100.00)
6	1995-96	Rs in Millions (%)	11.6 (83.45)	0.7 (5.04)	1.6 (11.51)		13.9 (100.00)
7	1996-97	Rs in Millions (%)	21.0 (57.38)	1.8 (4.92)	1.9 (5.19)	11.9 (32.51)	36.6 (100.00)

8	1997-98	Rs in Millions (%)	29.9 (56.20)	1.80 (3.38)	2.2 (4.14)	19.3 (36.28)	53.2 (100.00)
9	1998-99	Rs in Millions (%)	46.7 (59.95)	2.1 (2.70)	3.6 (4.62)	25.5 (32.73)	77.9 (100.00)
10	1999-2000	Rs in Millions (%)	141.1 (79.72)	3.2 (1.81)	5.0 (2.82)	27.7 (15.65)	177.0 (100.00)
11	2000-01	Rs in Millions (%)	190.3 (79.32)	2.7 (1.13)	5.5 (2.29)	41.4 (17.26)	239.9 (100.00)
12	2001-02	Rs in Millions (%)	110.8 (70.53)	2.6 (1.65)	5.3 (3.37)	38.4 (24.44)	157.1 (100.00)
13	2002-03	Rs in Millions (%)	2.6 (6.25)	2.8 (6.73)	5.2 (12.50)	31.0 (74.52)	41.6 (100.00)

Table 10 shows the share of capital expenditure on EMPC activities. This is because in recent years with positive initiatives on the part of ministry of human resource development and IGNOU, the EMPC is expanding the scope of universities media activities through dedicated educational T.V. and F.M. Radio channels. The expansion includes digitalisation of production and transmission facilities, setting up of 40 radio stations for FM broadcast serving the local communities for educational and social development, and has a bouquet of six channels, which cater diversified needs.

Table 10: Pattern of Capital Expenditure on IGNOU Maintained EMPC

S.No.	Year	EMPC		Total: IGNOU	
		Rs. in millions	%	Rs. in Millions	%
1	1996-97	7.2	21.69	33.2	100.00
2	1997-98	1.9	5.99	31.7	100.00
3	1998-99			40.1	100.00
4	1999-2000	10.4	7.36	141.3	100.00
5	2000-01	34.8	31.67	109.9	100.00
6	2001-02	191.7	75.18	255.0	100.00
7	2002-03	88.4	86.92	101.7	100.00

From its inception, the IGNOU has been pursuing a cautious approach to its staffing pattern. The university is appointing a bare minimum of permanent staff as its core supplemented by part-time staff in terms of consultants, course writers, counsellors and staffing the study centre activities. Therefore, the salary component was only around 25% of the total recurring expenditure from 1990-91 to 2000-01. In years 2001-02 and 2002-03, this further declined to 20% and 18% respectively. Table 11 explains the salary and non-salary components recurring expenditure.

Table 11: Salary Component of Recurring Expenditure: IGNOU

Sl.No.	Year	Salary: Full time*		Salary:Part time**		Other than Salary		Total***	
		Rs in Millions	%	Rs in Millions	%	Rs in Millions	%	Rs in Millions	%
1	1990-91	29.7	26.40	8.6	7.64	74.2	65.96	112.5	100.00
2	1991-92	36.7	23.83	12.5	8.12	104.8	68.05	154.0	100.00
3	1992-93	43.0	29.74	9.8	6.78	91.8	63.49	144.6	100.00
4	1993-94	50.7	31.22	9.9	6.10	101.8	62.68	162.4	100.00
5	1994-95	56.5	25.34	9.7	4.35	156.8	70.31	223.0	100.00
6	1995-96	67.6	25.64	15.1	5.73	181.0	68.64	263.7	100.00
7	1996-97	81.5	27.98	15.2	5.22	194.6	66.80	291.3	100.00
8	1997-98	110.7	29.06	19.0	4.99	251.2	65.95	380.9	100.00
9	1998-99	143.7	29.07	22.5	4.55	328.1	66.38	494.3	100.00
10	1999-2000	169.7	27.48	29.1	4.71	418.7	67.81	617.5	100.00
11	2000-01	181.8	24.76	31.8	4.33	520.7	70.91	734.3	100.00
12	2001-02	193.4	19.63	54.3	5.51	737.4	74.86	985.1	100.00
13	2002-03	202.7	18.37	59.1	5.36	841.8	76.28	1103.6	100.00

Note: \* includes consultants

\*\* includes daily rated staff

\*\*\* excludes IGNOU maintained institutions (DEC, STRIDE & EMPC)

### Costs and Cost Structure

IGNOU is a time-tested viable and cost-effective system, which can provide quality education to large sections of population. According to a study (Pillai, C.R. and Naidu, C.G.: 1997), it was established that the per student unit cost of IGNOU was only 42% as compared with the conventional university colleges. The per student unit costs over a period of time are shown in Table 12.

For the purpose of cost analysis, the totals costs (excluding the capital costs) are divided into three subsystems: (a) design, development, production and maintenance of courses, (b) student support services, and (c) overheads. With each of these subsystems a number of cost inducing activities are associated. For example, the activities associated with the design, development, production and maintenance of courses are: salary paid to the faculty and support staff, meetings of course experts/writers, course writing/editing/revision, preparation of graphs/diagrams/charts, preparation of camera ready copies, preparation of audio/video scripts; printing of course materials, production of audio/video programmes/ duplication of audio/video cassettes. Similarly, the costs on the delivery of programmes include: the registration of students, distribution of materials, provision of access to study centres, counselling, assignments, term-end examination and

maintenance of student records. The overheads subsystem includes activities like general management and administration, finance and accounts and estate management.

From Table 12 it can be seen that the share of costs on development, production and maintenance of courses accounted for about 30% where as the remaining costs are shared by student support services and overheads.

Table 12: IGNOU Cost Structure

Sl. No.	Cost Structure	Total Cost (Rs. in Millions)	Cost per Student (Rs.)	Percentage to Total
	<i>In 1989-90</i>			
1	Design, development, production and maintenance of courses	21.5	525.12	30.57
2	Delivery of programmes	23.1	563.19	32.79
3	Overheads	25.8	629.39	36.64
Total		70.4	1717.70	100.00
	<i>In 1993-94</i>			
1	Design, development, production and maintenance of courses	51.7	724.20	30.64
2	Delivery of programmes	60.0	840.75	35.58
3	Overheads	57.0	798.35	33.78
Total		168.7	2363.30	100.00
	<i>In 2002-03</i>			
1	Design, development, production and maintenance of courses			
2	Delivery of programmes			
3	Overheads			
Total				

### **Planning Financial Resource Allocations**

In IGNOU, at the time of planning a new course/programme, the course/programme coordinator is expected to prepare the details of the likely costs on broad activities like development and production, delivery and overheads. This will help the university to prepare the budget and make sure the adequate funds available. This will also help in deciding the fees that will be charged to the student.

As mentioned earlier, IGNOU is a government funding university. However, it is always encouraged to generate sufficient funds through internal sources to meet the expenditure. Although, there is no uniform policy across the programmes, generally, it is encouraged to seek funding from industry/concerned ministries/other organisations for the development and production of learning material, which are considered as fixed costs. Similarly, the delivery costs are expected to be met from student fees and the rest can be

subsidised through government funds and other internal sources. On the other hand, if the new programme is likely to be high demand oriented then the university develops the programme on its own and recovers the full cost through the fees charged to the student. The following is an example of worksheet for computing the delivery costs of a programme and arriving at the student fee if the university decides to charge the student only the delivery costs of the programme:

### **Delivery Costs of a Programme**

**Programme:** Post Graduate Diploma in Participatory Management of Displacement, Resettlement and Rehabilitation

Number of students expected to enrol: 150

Month and Year of Estimation: March 2004

S.No.	Cost Item	Cost (Rs.)
<b>Course Material</b>		
1.	Printing of printed material @ <i>Rs. 16 per Block x 30 Blocks x 150 students</i>	72,000
2.	Despatch of printed material (Postal charges) (on the assumption that the material (say 30 Blocks) will be sent in three packets) @ Rs.	27,000
3.	Cost of two CDs @ <i>Rs. 20 per CD x 2 CDs x 150 students</i>	6,000
4.	Making copies of two CDs @ <i>Rs. 10 per CD x 2 CDs x 150 students</i>	3,000
5.	Despatch of two CDs (by courier service) to the students @ <i>Rs. 25 per packet x 150 students</i>	3,750
<b>Project Work</b>		
6.	Payment to supervisors for Project Work @ <i>Rs.300 x 150 students</i>	45,000
7.	Payment to project evaluators @ <i>Rs.300 x 150 students</i>	45,000
8.	Despatch of Project Work to the evaluators @ <i>Rs. 50 x 150 students</i>	7,500
<b>Online Counselling</b>		
9.	Payment to counsellors (E-counselling) in five groups of 30 students in each group @ <i>Rs. 500 x 5 groups x 8 courses</i>	20,000
10.	Evaluation of two online assignments per course @ <i>Rs.30 x 2 assignments per course x 7 courses x 150 students</i>	63,000
11.	Website maintenance cost: space required 1 GB @ <i>Rs.50,000 for 1 GB space</i>	50,000
12.	Website maintenance cost: Web Manager: one person @ <i>Rs. 10,000 per month x 1 person x 12 months</i>	1,20,000
<b>Teleconferencing/Telecasting</b>		
13.	One hour Teleconferencing: Payment to EMPC @ <i>Rs. 5,000 (for IGNOU programmes) per hour.</i>	5,000
14.	One hour Teleconferencing: Payment to Experts @ <i>Rs. 500 per expert x 2 experts</i>	1,000
15.	Telecasting (total 4 hours 30 minutes) @ <i>Rs. 5,000 per half-hour x 9 half-hours</i>	45,000
<b>Term-end Examination</b>		
16.	Paper setting @ <i>Rs. 500 per set x 2 sets per course x 7 courses</i>	7,000

17.	Evaluation of term-end examination papers @ <i>Rs.15 per paper x 7 papers x 150 students</i>	15,750
18.	Despatch of Grade Cards @ <i>Rs.30 x 150 students</i>	4,500
19.	<b>Total (1 to 18) Cost</b>	<b>540,500</b>
20.	<b>Overheads @25% of the above total cost (this includes overheads in student admission, material production and distribution, evaluation, and study centres)</b>	<b>135,125</b>
21.	<b>Grand Total Delivery Cost (19+20)</b>	<b>675,625</b>

Programme delivery cost per student =  $\frac{675,625}{150} = \text{Rs.}4504$  or say *Rs.4500*

Fees likely to be charged per student = *Rs. 5,000*

### **Pricing Decisions**

The pricing decisions are more of an art rather than a science. In industry, the pricing decisions stem from the ability to read the market conditions and the experience in dealing with the customers and products. In distance education, a number of factors may affect the policy decisions on the pricing of programmes. Generally, it is believed that the education is a social sector and therefore the social concerns such as legal and ethical should be considered at the time of taking decisions on pricing of programmes. In any case a good beginning would be to develop a cost based pricing showing the likely costs of each of the costing subsystem explained earlier.

In distance education, the various costs are categorised into two broad types, namely, fixed costs and variable costs. Fixed costs are those that do not vary with the number of enrolments. On the other hand the variable costs are those that vary directly with the number of enrolments.

The per student unit costs can be worked out for various projected enrolments. In order to recover the full cost, we may fix the per student price of the programme equal to the per student cost. If the demand elasticity for the programme is not significant then we may increase the price of the programme over and above the cost. On the other hand, if the demand elasticity is significant or the price of the programme has to be fixed on the social considerations rather than economic considerations we may fix the price at an acceptable level below the cost. Then the subsidy has to be met either funding agencies or by cross-subsidising from other economically viable programmes.

IGNOU generally follows a dynamic policy in determining the price of programmes. For the programmes where the demand is very high, professional and employment oriented, and/or the target student population is already employed the fees is fixed slightly at a

higher level. For the conventional programmes and where the demand is not very high the student fee is fixed at relatively low level. The bottom line is at least recover the delivery costs of the programmes through student fee.

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### Glossary of Acronyms

BAOU	Dr. Babasaheb Ambedkar Open University, Ahmedabad, India
BRAOU	Dr. B.R. Ambedkar Open University, Hyderabad, India
C	Certificate
CCI	Correspondence Course Institution
D	Diploma
DEC	Distance Education Council
DEI	Distance Education Institution
EMPC	Electronic Media Production Centre
ICAR	Indian Council of Agricultural Research
IGNOU	Indira Gandhi National Open University, New Delhi, India
KSOU	Karnataka State Open University, Mysore, India
MPBOU	Madhya Pradesh Bhoj Open University, Bhopal, India
NOU	Nalandha Open University, Patna, India
NSOU	Netaji Subhas Open University, Kolkata, India
PG	Post Graduate
SOU	State Open University
STRIDE	Staff Training and Research in Distance Education
TNOU	Tamilnadu State Open University, Chennai, India
UG	Undergraduate
UGC	University Grants commission
UPRTOU	U.P. Rajashri Tandon Open University, Allahabad, India
VMOU	Vardhaman Mahaveer Open University, Kota, . India
YCMOU	Yashwanrao Chavan Maharashtra Open University, Nashik, India