

The Policy for Financial Sustainability in Higher Education: Post 18th Amendment Scenario

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HIGHLIGHTS

Proposes a comprehensive framework to make public sector universities financially sustainable by reducing reliance on government funding and diversifying revenue streams.

Draws on global best practices – endowments, research commercialization, and industry partnerships – to guide policy reforms in Pakistan’s higher education.

Recommends a phased implementation plan with strategic investments for long-term institutional autonomy and resilience.



1. Introduction

Since the 18th Constitutional Amendment of 2010 in Pakistan, a third tier government has been established, bestowing the provincial governments with several key responsibilities from the federal level, among them education. This decentralization sought to enhance resource allocation and governance, but it also paradoxically imposed financial burdens on public sector higher education institutions (HEIs). Faced with dwindling federal funding and shaky provincial support, universities are now contending with deep budget deficits, withheld wages and operational shortfalls. Over 60% of public sector universities are suffering from financial crisis in Pakistan (HEC, 2022), which has been declining in the academic quality, research output, and infrastructure. Rising inflation, surging student enrollment, and few if any alternative sources of revenue compound this crisis.

This policy paper aims to provide a comprehensive framework for public sector HEIs in Pakistan to attain financial sustainability through a decline in their dependence on government funding. The aims include uncovering the underlying factors behind the financial instability; reviewing global best practices for revenue generation; and presenting actionable recommendations suited to the realities

of Pakistan. This paper attempts to be a response to these problems in making public sector universities sustainable in the long run so as to contribute to national development.

2. Background and Context

The financial problems of public sector universities in Pakistan are a direct result of the country's history of neglecting higher education. In the past few decades, higher education has witnessed unprecedented growth in demand, as evidenced by an increase in the total number of students enrolled in universities from 276,274 in the 2001-02 academic year to more than 1.8 million in 2021-22 (Higher Education Commission [HEC], 2022). However, the funding has not increased in proportion to this growth. Public sector universities which serve the majority of students, are highly dependent on government grants, which account for around 70–80% of their budgets. The other funding comes from tuition, which is usually set low enough that all students, regardless of socioeconomic background, can attend.

Passed in 2010, the 18th Amendment transferred higher education to the provinces under the Constitution of Pakistan, giving them more autonomy with respect to management and funding of universities. This decentralization aimed to enhance governance and resource allocation but inadvertently led to imbalances in funding between provinces. Rich provinces such as Punjab and Sindh can allocate additional funds to their universities, whereas the relatively under-developed Baluchistan and Khyber Pakhtunkhwa find it challenging even to fund the existing demands of their institutions (Government of Pakistan, 2010). And this uneven allocation of the world's resources exacerbates the financial fragility of the universities in the poorer regions of the country.

The overall situation has been made worse by economic challenges in Pakistan, such as inflation, increasing operational costs, and contradicting demands on public financing. For example, in 2022-23, the budget provision for Higher Education was a mere 0.2% of GDP, as against the global average of 1.5% (World Bank, 2022). This chronic underfunding has resulted in a range of issues, such as crumbling infrastructure, stale curricula, and dwindling research funding. The HEC (2022) Report indicates that there is a 60% deficit available at the public sector universities of Pakistan; a number of public sector universities are unable to pay salaries and utility bills on time.

Education and research have also been hit by the financial crisis. None of the Pakistan universities even made it to the top 500 of the QS World University Rankings 2023 — on a par with every other aspect of our failing state, and we know what that looks like. This is because of limited investment in research and development, which has been less than 0.3% of the GDP (UNESCO, 2022). Furthermore, the absence of tempting pay packages has snowballed into a brain drain, as qualified academics migrate to greener pastures, moving away from India.

2.1 Key Stakeholders and Their Interests

Students: As the primary stakeholders, students have a keen interest in the quality and affordability of higher education. But they are also squeezed by fee increases and constrained access to scholarships.

Faculty and Staff: University faculty and staff may not always be engaged with and retire from a job that provides stability, competitive pay, and avenues for advancement. Disruptive financial conditions have direct implications for their morale and productivity.

University Management System: Both the federal and provincial governments fund public sector Universities. Although they strive to advance education, they must also weigh other competing priorities like healthcare, infrastructure, and defense. The private sector Benefits from a competent, informed workforce. They are interested in engagement with universities but need strong incentives to engage.

National governments: Institutions such as the World Bank and UNESCO contribute to the promotion of higher education reform and offer financing to support the development of capacity initiatives.

Civil Society – Non-governmental organizations and advocacy groups contribute to ensuring equitable access to education

3. Problem Statement

The 18th Constitutional Amendment (2010) has caused financial sustainability problems for public sector higher education institutions (HEIs) in Pakistan due to decreased government funding. According to HEC (2022), more than 60% of public universities are struggling 38% of the total budget deficit; but they cannot lubricate basic three cogs of academia; salary; infrastructure maintenance; and research grants. Today, this financial crisis has the academic quality, research output and institutional capacity to decrease and the future of higher education in the country is threatened. For instance, one of Pakistan's largest universities, University of Punjab, reported a shortfall of PKR 1.5 billion in 2022, and had to suspend research projects and delay faculty promotion.

Added to that headache are rising inflation, students flooding enrollment—not to mention there are few alternative revenue streams available. Public sector HEIs in Pakistan earn no more than 10 percent of their revenue from sources other than the government, including fees, research grants and industry partnerships). Such a heavy dependence upon state funding is not sustainable — especially since the passage of the 18th Amendment, provincial governments cannot provide sufficient budgetary support to universities. If it works out, universities are compelled to reduce essential expenses, resulting in a decrease in educational standards and a brain drain of skilled teaching staff. We must take urgent action to address this crisis for the following reasons:

Deteriorating Academic Standards: Due to budgetary limitations, there has been a decline in the quality of education, with outdated curricula, limited research funding, and inadequate facilities.

Decreased Research Output: The inability of universities to fund their research projects has led to a 40% decrease in research publications since the year 2018 (HEC, 2022).

Brain Drain: Qualified faculty is leaving for better-paying jobs abroad, leaving even fewer academic workers behind.

Economic Consequences: A stagnant higher education system leads to a lower number of skilled graduates emerging from Pakistan, limiting the pace of economic growth and innovation. Without intervention, the financial health of public sector HEIs will continue to deteriorate in the long term and counter Pakistan's socio-economic development. This policy paper aims to contribute to these challenges by proposing practical strategies for financial sustainability.

4. Analysis and Evidence

4.1 Financial Burden Data

That said, this amount has accumulated to PKR 25 billion each year for a public university (HEC, 2022). While 30% of universities may have endowments and other non-government revenue sources, the remainder of universities depends on government grants for >90% of their income. Research output has dropped by 40% since 2018 due to lack of funding, and Pakistan has been listed 50th out of 55 economies in the Global Innovation Index (2023). In 2022, the University of Karachi experienced a shortfall of PKR 1.2 billion, leading to the halt of research grants and discontinuation of faculty development activities (HEC, 2022).

4.2 Overarching Policies and Their Shortcomings

HEC Funding Model: The existing funding model is predominantly reliant on government grants, which are inadequate and erratic. For instance, in 2021-22, in the midst of increased operational costs, federal funding for HEIs was reduced by 15% (HEC, 2022).

Provincial funding: Provincial governments do not have the capacity to fund HEIs adequately, resulting in delays in fund disbursements and budget shortfalls. For example, the governments of Sindh and Khyber Pakhtunkhwa (KP) provinces have failed to provide full funding to the universities, and they are operating in a deficit. **Absence of viabilities to maintain other sources of revenue:** since there is no policy framework, very few universities are incentivized to however maintain alternative revenue sources such as tuition fees, other industry partnerships or commercialization in terms of research.

4.3 Global Best Practices

U.S. Public Universities: Endowments industry partnerships tuition fees cover 60 percent of them A case in point is the University of Michigan that brings in, each year, \$1.5 billion from tuition and research.

UK Universities: Increase At the University of Oxford, for example, more than 40% of its income comes from non-government sources.

Indian HEIs: Monetize online education, alumni contributions, in-partner university alliances India's system of Indian Institute of Technology (IIT) rely more than 30% of its revenue generated from research grant and consultancy services.

4.4 Evidence from Pakistan:

Some universities in Pakistan have initiated alternative revenue strategies. For instance, Lahore University of Management Sciences (LUMS) earns more than 50% of its revenue from tuition and industry partnerships).

4.5 Commercialization of Research:

The National University of Sciences and Technology (NUST) generated PKR 500 million as revenue through several patent outcomes of the research in the year 2022 (HEC, 2022).

5. Policy Options and Recommendations

The subsequent policy options aim to confront the financial sustainability crisis of public sector higher education institutions (HEIs) in Pakistan. Governments can invest in national and local public universities to develop more sustainable public universities with independent revenue streams. Some of these approaches are:

5.1 Grants and Contracts for Research: Government agencies, private foundations, and corporations offer research grants that universities can apply for. For many institutions, especially those with active research programs, this is a major source of revenue. Industry Partnerships for Research Projects Can Provide Funding

5.2 Endowment Funds: Universities receive donations from alumni, philanthropists, and corporations to build or expand endowment funds. Such funds can be endowment, and the income can be utilized for scholarships, faculty positions, and infrastructure. Alumni networks play a key role in stimulating endowment fundraising.

5.3 Tuition Fees: While on the expenses side tuition fees are usually the largest revenue source, universities can promote innovative initiatives (whether that is online education, executive education, or international students initiatives) to attract/keep more students and keep introducing revenue streams. Providing specialized, high-demand programs can also assist in attracting greater numbers of paying students.

5.4 Commercializing Research and Intellectual Property (IP): They can commercialize research findings by patenting technologies, licensing intellectual property and spinning off start-up companies. To deal with this process, many universities have technology transfer offices.

5.6 Psychedelic Universities: Academic Products or Services • Universities can partner with private companies to co-develop a product or a service.

5.7 Simultaneous Conference Host and Events: Generating income by hosting academic conferences, workshops, and events through registration fees, sponsorships, and partnerships. Moreover this contributes in strengthening the brand of the university and also in building wider international connections.

5.8 Real Estate Development: Universities can build or lease land and buildings for commercial purposes. They lease out underutilized places for workplace, retail, or residential purposes that can generate a steady income stream. On-campus housing for students, faculty, or third-party tenants may serve as an additional revenue source.

5.9 Alumni Engagement and Fundraising: Use strategies like fundraising campaigns from universities targeting alumni and major donors for scholarships, facilities and other projects, Alumni relations offices and the like to leverage alumni networks for continued donations.

5.10 Corporate Partnerships and Sponsorships: Partnering with Corporations for Research Collaboration, Sponsorships, and Internships, Businesses can implement a funding model for specific programs or infrastructure in return for access to talent, research or facilities.

5.11 Public-Private Partnerships (PPP): Establishing PPPs can assist universities in developing and running infrastructure projects — be it student accommodations, sports facilities or research laboratories. The university typically operates the facility while the private partner provides upfront

capital. These arrangements can provide schools diversified income streams without adding pressure on the university's budget.

5.12 Online Learning & Continuing: Education Programs Providing online courses, certifications, and degree programs can also open doors to students from around the world, forming another revenue source. Funds can also come from partnerships with businesses and governments to provide tailored training.

5.13 Merchandising and Branding: Universities can sell branded merchandise, which may include their logo apparel, books and gifts. It serves to generate revenue as well as create school spirit and marketing.

5.14 Social Enterprises and Community Projects: Universities can establish or assist in social enterprises that complement their academic missions. Any profits could be reinvested back into the university and have a positive impact on community organizations.

Through the integration of these strategies, public universities can minimize reliance on conventional funding sources, generating diverse revenue streams that bolster their long-term financial well-being.

6. Steps for Implementation

Short-Term (1-2 years):

In line with this, we will pilot fee models based on income within several universities. Signed Khazaene creation framework with HEC and Chambers of Commerce (for industry-university collaborations) Run alumni engagement campaign at LUMS, NUST and University of Punjab.

Medium-Term (3-5 years):

Tuition fee reforms should be extended to all public sector universities.

Commercialization agencies for research technology transfer

Expand online education programs and e-learning platforms

Long-Term (5+ years):

Goal: Financial independence for half of public universities

Create an attractive and sustainable funding model with multiple steering income vectors.

6.1 Implementation Barriers

Lack of Political Will: You might lack the political will to push through the necessary changes.

Lack of Institutional Capacity: the vast majority of universities lack the administrative and technical know-how to meaningfully implement such policies.

Inconsistent Government Support: Provincial governments may not prioritize funding for higher education.

6.2 Resources Required

Funding: 5 billion PKR enters for pilot initiatives, infrastructure for technology, and for capability-building.

Human Resources: Training for university administrators, faculty, and technical staff.

Legal and Technical Support: Creation of tech transfer offices and legal frameworks for research commercialization.

7. Conclusion

The monetary sustainability of public sector higher education institutions (HEIs) in Pakistan is at a sensitive turning point. The 2010 18th Constitutional Amendment that devolved education to provincial governments is thus a prime reason why higher education is under financial pressure in Pakistan, which has resulted in budget shortfalls, decay of academic standard and research. More than 60% of public universities are financially precarious, unable to meet basic operational costs like salaries, infrastructure maintenance and research grants. This crisis is further exacerbated by rising inflation, increasing student enrollments, and a lack of alternative revenue streams. In response to these challenges, this policy paper proposed a comprehensive framework for sustaining financial sustainability in the public sector HEIs.

I would advise that the implementation is phased as follows: first conduct pilot programs in the short term, scale successful programs in the medium term and implement financial independence for 50 percent of public universities in the long term. Nevertheless, the impact of these approaches will be marred by several challenges such as stakeholder opposition, limited institutional capacity and absence of uniform governmental support. A PKR 5 billion funding for pilot programs, technology infrastructure and training would help overcome some of the challenges listed above. Academic integrity, research productivity, and organizational capability of public sector HEIs in Pakistan largely depend on the continued availability of financial resources within the sector. The proposed policy measures and recommendations can help Pakistan to strengthen the very foundations of its higher education system for long-term sustainability, benefiting the overall national development and economic growth. A comeback will also require getting to grips with the current crisis and securing the future of higher education in the country.

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