



An Analysis of Public Finance on Education Sector in India

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ABSTRACT

Indian education system is in the mode of massification. Paucity of Finance and quality crunching education sector is a policy discourse today. Joint responsibility of central and state governments for educational development came into existence with the recommendation of Kothari Commission (1976). But, even after many decades, we have not achieved the targeted level of education. This study focuses to examine the trend and pattern of expenditure of central, state and union territories governments on education sector of India. In addition to that paper tries to study the budgetary provision for the education sector by the central government under different five year plans in India. This study is based on secondary data collected mainly from Ministry of Human Resource Development, GoI. The assessment years for the study are from 2000-01 to 2018-19. The study found that due to the policy impact of decentralisation the role and responsibility for financing education in the hand of centre declined and state increased after 2001. The study also reveals that government funding on primary education has become top priority over the years in relation to secondary, higher and technical education. The combined public expenditure incurred by both central and state governments on education hovering around three to four percent of GDP since 2001. There is a need to increase spending on India's education sector beyond six percent of Gross Domestic Product and per capita expenditure on education should also grow.

Keywords: *Public expenditure; Education; GDP; Budgetary outlay; Five Year Plans.*

1.0 Introduction

Economist considers development of education as the precondition for socio-economic equity, poverty reduction, unemployment eradication, intergenerational transformation of income and wealth and overall economic growth.

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In the framework of classical economist, education is an investment but in Keynesian analysis, it is consumption. Education is considered as silent weapon to change the socio-economic structure. India is being considered as largest growing economy in one hand and for the mass young human resources in other in international level. Putting skill, knowledge in the mass young population for efficient production in the economic activities is the key to enhance India's socio-economic growth in relation to global perspective. Therefore, ensuring access to quality education for all is needed for the mean time. Education is essential for all and is a fundamental right to the all-round holistic development of a child. Education, particularly elementary education in India is considered as a public good, and higher education is considered as merit good/semi-public good. UNESCO World Conference on Higher Education in Paris 1999 defines higher education as a public good and in 2015 the concept changed by UNESCO to a global common good (Tilak 2018). Financial resource spend by the government on any sector indicates the priority for that sector. Expenditure on education is considered as investment on human capital; it raises the level of skill and therefore productivity of worker and thus contributes to economic growth and development of the country. Education enhances one's claim to a good quality life 'entailed in the concept of capabilities (Unterhalter 2003). The long term economic impact of education for a nation is increasing the magnitude of tax collection (Tilak 2005) and also gross national product by improving productivity of labour force (Varghese et al. 2017). As the education and the future returns are positively correlated and in a democratic developing country like India, government should intervene in the funding and administering activity of public institutions (Schultz 1988 and Psacharopoulos 1994). When the public intervention is not there, it is quite difficult for backward class to enter to the market for education (Psacharopoulos 1994). Loury (1981) says when the financial market fails to provide education facilities, it not only creates failure in educational attainment but also intergenerational mobility is less and poverty and deprivation continues from generation to generation. Chattopadhyay (2007) explains financing for higher education has been influenced with the policy changes in fiscal arena particularly the Fiscal Responsibility and Budget Management Act has some negative impact on higher education financing in 21st century.

In neo-liberalisation era, there are number of schemes for the development of education at all level. Schemes like Infrastructural Development in Minority Institutions (IDMI), Mid-Day-Meal Scheme, District Education Revitalisation Programme (DERP), Sarva Shiksha Abhiyan at primary level, Information and Communication Technology (ICT) in schools for secondary education, incentives to girls for secondary education, vocationalisation of secondary education, and so many for other level of education have

been implemented and all these programmes are operated by government. Thus study of allocation of financial resources to education system is worth mentioning. Again it is widely accepted that availability, accessibility and utilisation of resources are primary determinants for any sectoral development. In addition to that for the quality, equity, and inclusion of education to a large segment of population, financial resource is one of the most important determinants.

Again after 1990s and the new economic policy recommendation of Liberalisation, Privatisation and Globalisation (LPG) has also deeply influenced the Indian education system. Different committees have recommended intervention of new stakeholders for the management and financing of the education system. In the year 2000, Ambini-Birla committee prescribes academic-industry linkage and public private partnership (PPP) to generate additional resources, and CAGE committee prescribes allocation and utilisation of resources through resource collaboration activities and additional resources for secondary education with the target of 0.86 percent by 2019-20 and distribution of total 6 percent of GDP to Primary (3 percent), Secondary (2 percent) and higher (1 percent) respectively. Likewise, for the resource allocation in higher education, Yashpal committee recommends generation of fund through philanthropy, alumni, and other non-governmental resources. The latest committee on financial management and resource allocation named N. R. Narayana Murthy committee recommends corporate sectors participation in higher education for the improvement of efficiency and autonomy. All these changes in policy and realities related to financing education in India are important to discuss. By taking all these into consideration, the study focuses to examine the trend and pattern of expenditure of central, state and union territories governments on education sector of India. In addition to that paper tries to study the budgetary provision for the education sector by the central government under different five year plans in India.

2.0 Data Sources and Methodology

The study is descriptive in nature. The assessment years for the study are from 2000-01 to 2018-19. For analysing the trends and changing patterns and for highlighting allocation of public expenditure in plan and non-plan head in aggregate as well as separately for the central and the state governments, data were collected from Analysis of Budgeted Expenditure on Education, Ministry of Human Resource Development, GoI. In addition to that other data were collected from CBGA, New Delhi, Economic Survey, GoI, Planning Commission, GoI and Union Budget, Ministry of Finance, GoI. Simple descriptive statistical tools like percentage, average, growth rate etc were used for the analysis and the results were portrayed with the help of tables and graphs.

3.0 Public Expenditure on Education in India

Components of public expenditure on any sector are divided as plan and non-plan expenditure, revenue and capital expenditure. Plan expenditure refers to the expenditure, which is meant for the programmes, schemes that are planned for annual and five year plans. Plan expenditure is mainly incurred on the creation of assets. Likewise, non-plan expenditure is incurred on operating and maintaining existing infrastructure. Another classification of public expenditure is expenditure on capital account and revenue account. Capital expenditure is developmental in nature and made for the development of the society and economy. The grants under revenue account made for giving salaries to public service holders etc. In India bulk of resources spent on education are on revenue account and small amount is spent on capital account. Capital expenditure and loans for education are quite meagre in comparison with the expenditure under revenue account.

Mainstreaming the disadvantaged population to the streamline of education and economic development is the top priority to reduce regional disparity and balanced regional development. Like many countries, in India, the financing of education also depends on the government/public funding. The following analysis discusses about the financial flow to the education sector by different governments namely central, state and union territory.

4.0 Composition of Central and State Expenditure on Education

In the Indian education system, financing education is a state action and that mainly depends upon centre, state and union territory governments. The share of state government is much more than the central government in financing education. Table 1 clarifies that total expenditure on education by centre and state governments have increased over the years. Expenditure on education by centre increased from Rs. 10,195 crores in the year 2000-01 to Rs. 1,24,118 crores in 2013-14. Similarly, state expenditure on education also increased from Rs. 72,290 crores to Rs. 3,47,897 crores in the year 2013-14. The total expenditure of both centre and state have increased from Rs. 82,486 crores in 2000-0 to Rs. 4,72,011 crores in the year 2013-14. After 2001 and the implementation of Sarva Shiksha Abhiyan crores of rupees have been allocated for the educational development. There are number of schemes for elementary, secondary and higher education implemented for the educational reforms in India.

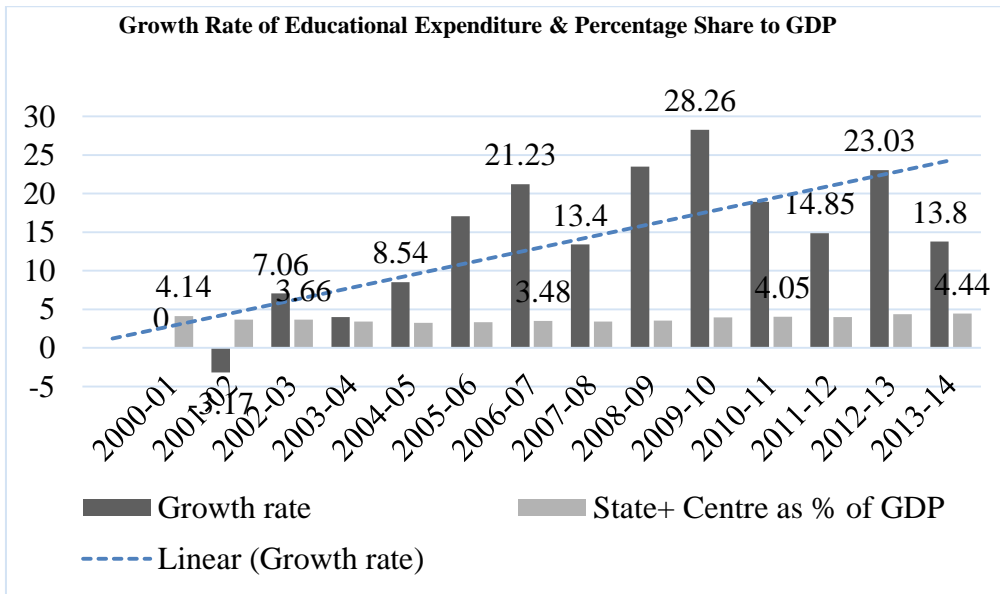
Table 1: Public Expenditure on Education (Rupees in Crores)

Years	Expenditure on Education		Total
	Centre	State	
2000-01	10195	72290	82486
2001-02	14119	65746	79865
2002-03	16156	69350	85506
2003-04	17101	71798	89079
2004-05	18026	78668	96694
2005-06	23209	90019	113228
2006-07	34236	103148	137384
2007-08	39919	115878	155797
2008-09	48728	143667	192395
2009-10	54146	188636	246782
2010-11	80661	212817	293478
2011-12	86074	251008	337082
2012-13	103312	311426	414738
2013-14	124118	347893	472011

Source: Analysis of Budgeted Expenditure on Education, Various Issues. MHRD, GoI

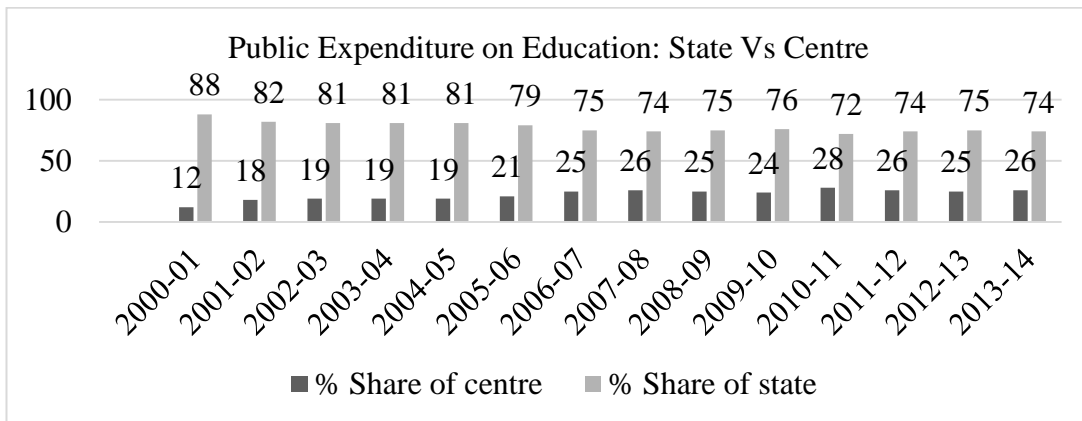
If we will discuss about the growth rate of educational expenditure, it will show an increasing trend over the years. Figure 1 below describes about the growth rate of educational expenditure and the percentage share to GDP over the years. There has been an increasing trend in growth rate of expenditure on education in India. In the year 2001-02 the growth rate was negative, but it increased to 21.3 percent in the year 2006-07 and later decreased to 13.4 percent in next year. The highest growth rate of educational expenditure found to be 28.26 in the year 2009-10, in 2013-14 according to budgeted data growth rate of educational expenditure was 13.8 percent. Likewise, the share of educational expenditure in the year 2000-01 was 4.14 percent which was decreased in the year 2002-03 to 3.66 percent. In the year 2013-14 the share of education expenditure to GDP increases to 4.44 which is still low in comparison to western countries 5 percent to 6.5 percent on an average. Some of the funds also allocated under education for all (2000) for striking educational achievement in a mission mode. Under EFA, the government of India has taken several steps for development of childhood care and education, universal primary education, equal access to all for the skill development and lifelong learning and so on.

Figure 1: Growth Rate of Educational Expenditure & Percentage Share to GDP



Source: Analysis of Budgeted Expenditure on Education, Various Issues. MHRD, GoI

Figure 2: Share of Public Expenditure on Education between State and Centre



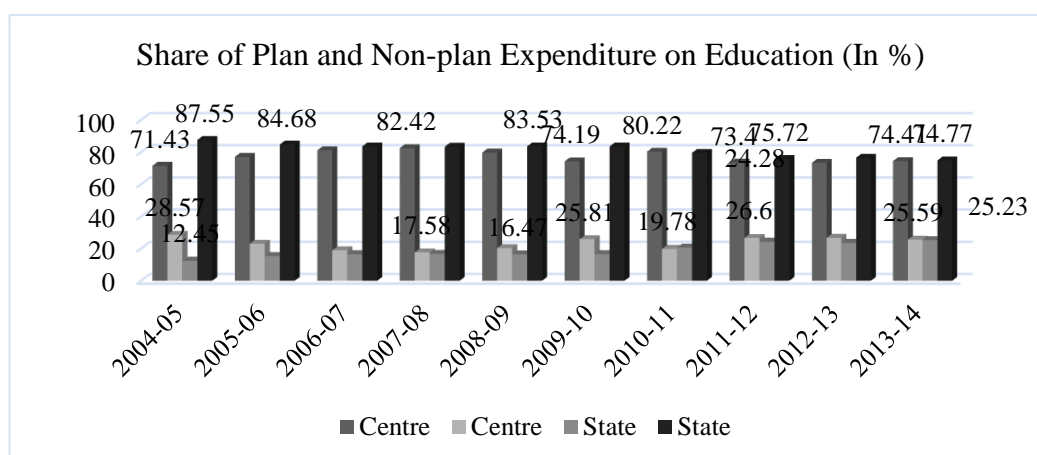
Source: Analysis of Budgeted Expenditure on Education, Various Issues. MHRD, GoI

Figure 2 reflects that share of state government to total expenditure on education has declined over the years in relation to centre. In the FY 2000-01 the state share to the education expenditure was 88% which was decreased to 74% in 2013-14. In contrary the

share of central government has increased in the same period but the proportion of centre to total expenditure on education is comparatively very less than the state.

Figure 3 shows that during 2004-05 the central government total expenditure on education was consist of 71.43% as plan and remaining 28.57% as non-plan expenditure. Whereas, the state government has spent a bulk of its expenditure i.e. 87.55 percent on non-plan categories and the remaining 12.45 percent on plan categories. Further it is observed that in 2013-14 non-plan expenditure of central govt. was only 25.59% while it was 74.77% for the states and union territories. On the other hand plan expenditure of centre was 74.41 percent which was higher than the state plan expenditure in 2013-14 i.e. 25.23 percent.

Figure 3: Share of Plan and Non-Plan Expenditure by Centre and State



Source: Analysis of Budgeted Expenditure on Education, Various Issues. MHRD, GoI

Table 2 clearly reflects that the budgetary outlay of union government has increased over the years but the proportion of outlay for education sector has decreased. In the year 2014-15 the total expenditure on education was Rs. 110.35 thousand crores and decreased to Rs. 79.68 thousand crores in 2017-18 and then increased to Rs 85.01 thousand crores in 2018-19. In contrary the total union budget increased from Rs 1794.89 thousand crores in 2014-15 to Rs 2442.21 thousand crores in 2018-19. The education financial need has been growing day by day due to different time bound necessities in the society but the expenditure from the government seems to be inadequate. It is also observed from the figure that budgetary outlay for education has declined from 6.15 percent in the year 2014-15 to 3.48 percent in 2018-19.

Table 2: Total Budgetary Outlay on Education

(Amount in thousand crores Rupees)

Year	Total Expenditure on Education	Total Union Budget	Share of Education Expenditure in Union Budget (In %)
2014-15	110.35	1794.89	6.15
2015-16	96.64	1777.47	5.44
2016-17	92.66	1978.06	4.68
2017-18	79.68	2146.73	3.71
2018-19	85.01	2442.21	3.48

*Source: Economic Survey 2017-18, GoI & Union Budget 2018-19, GoI***5.0 Inter-Sectoral Allocation of Public Expenditure on Education Sector**

Indian education system comprises of elementary (1st to 8th class), secondary (9th to 12th class), university and higher education, technical education and adult education. The allocation of funds from the government exchequers needs many reasons and priorities. Starting from the Indus valley civilisation period to Vedic period and to present century, primary education has been recognised as top priority for development. But after 1990s and the implementation of District Primary Education Programme (DPEP), Sarva Shiksha Abhiyan (2001) and then Right to Education Act and universalisation of primary education with many objectives compelled the government for huge financial funding.

Table 3 explains the inter-sectoral composition of public expenditure on education in India. It is observed that more importance has been given to elementary education. The share of public expenditure on elementary education in total expenditure on education was 50.91 percent in the year 2001-02 and it declines to 44.59 percent in 2013-14. The percentage share of secondary education has also revealed decreasing trends from 33.8 percent in 2001-02 to 24.86 percent in 2013-14. On the other hand the share of the university and higher education in total public expenditure on education increased from 11.34 percent in 2001-02 to 15.29 percent in 2013-14. The share of technical education in total public expenditure on education has increased significantly from 2.32 percent in 2001-02 to 14.95 percent in 2013-14.

Table 3: Inter-Sectoral Allocation of Public Expenditure on Education in India

Year	Elementary Education	Secondary Education	University and Higher Education	Technical Education	Other Sector Including Adult Education
2001-02	50.91	33.8	11.34	2.32	1.64
2002-03	49.12	34.91	11.95	2.42	1.59
2003-04	49.57	34.95	11.61	2.28	1.59
2004-05	51.45	30.13	11.67	3.82	2.93
2005-06	46.56	25.8	19.31	7.96	0.89
2006-07	45.17	23.27	19.3	11.98	0.28
2007-08	44.62	22.98	24.47	7.67	0.26
2008-09	42.47	24.24	24.3	8.79	0.2
2009-10	39.63	25.87	23.59	8.91	2
2010-11	42.09	24.31	21.34	11.95	0.31
2011-12	44.66	25.62	16.14	13.28	0.3
2012-13	45.21	25.19	14.7	14.62	0.28
2013-14	44.59	24.86	15.29	14.95	0.31

Source: Analysis of Budgeted Expenditure on Education, Various Issues. MHRD, GoI

6.0 Composition of Total Expenditure on Education Under Different Five Year Plans

There has been drastic cut made in resource allocation for social sector services from 24.1 percent in the first five year plan to 18.6 percent in the sixth first five year plan. This is probably indicative of planners' attitude that they 'looked more towards telescopic forward leap than sideways, social concern of welfare, education, health and family planning, employment etc. were kept in mind but not treated as core concerns and basic human infrastructures for development (Dhingira 2014). The small expenditure on social services, especially on education has adverse effect on economic development. Five Year Plan-wise allocations of total expenditure on education reflect the changing pattern in composition of public expenditure on education. From the very First Five Year Plan, priorities have been given to elementary education. The larger share of public expenditure was spent on elementary education. The inter-sectoral allocation in education indicates a decreasing trend of public expenditure in other sub-sectors of education. This tendency continues up to the completion of the tenth five year plan, but from eleventh five year plan and onwards an increase in the percentage allocation of budgetary expenditure is in favour of technical and higher education has been observed.

Table 4: Inter-Sectoral Composition in Total Allocation of Expenditure for Education During Different Five Year Plans (In Percentage)

Plan	Elementary	Secondary	Adult	University	Technical	Others	Total
First Plan	57.6	5.5	0	7.8	14.2	15	100
Second Plan	34.8	18.7	0	17.6	17.9	11	100
Third Plan	34.1	17.5	0	14.8	21.2	12.4	100
Fourth Plan	50.1	0	1.7	25.2	10.5	12.5	100
Fifth Plan	51.7	0	2.1	27.9	9.4	8.9	100
Sixth Plan	32.1	20.4	5.9	21.4	10.4	9.8	100
Seventh Plan	37.3	24	6.2	15.7	14.2	2.6	100
Eighth Plan	47.7	24	5.2	9.6	10.1	3.4	100
Ninth Plan	57.1	21.3	1.7	8.7	8.1	3	100
Tenth Plan	65.6	9.9	2.8	9.5	10.7	1.5	100
Eleventh Plan	46.5	19.8	2.2	15.5	11.1	4.9	100
Twelfth plan	48.5	20.8	2.1	14.8	11.3	2.5	100

Source: Annual Report of Planning Commission 2002-03 & 2008-09 and Annual Report of CBGA 2011-12

Since the commencement of first five year plan 1951-52, the education sector has remained the priority sector of the central as well as the state governments. But within the education sector, priorities have been changing. In the first five year plan, top priority was given to elementary education, keeping the secondary education at the back burner. This situation changed during the second and third five year plans, when the higher education and technical education got importance. The pattern of public expenditure remained almost same during fourth, fifth, sixth and seventh Five Year Plans. The primary education again came into prominence during eighth, ninth, tenth and eleventh Five Year Plans because of high spending on programmes like the mid-day meal scheme. On the other hand to ensure universal and compulsory primary education the importance of public expenditure in technical and higher education must not be ignored. According to the Right to Education Act-2010, the basic norms like pupil-teacher ratio and physical infrastructure must be full filled.

7.0 Conclusion and Suggestions

The study found that though after 2001, the public expenditure for education sector has been growing, but still the amount is not sufficient. Due to the policy impact of decentralisation the role and responsibility for financing education in the hand of

centre declined and state increased after 2001. The study also reveals that government funding on primary education has become top priority over the years in relation to secondary, higher and technical education. India is the second largest country in the world in population, having the world's largest school going age population. But per capita expenditure on education in India is one of the lowest in the world. The combined public expenditure incurred by both central and state governments on education hovering around three to four percent of GDP since 2001, whereas some advanced countries spending more than six percent of GDP on education like the United Kingdom (6.3%), USA (6.4%), Norway (6.5%) and New Zealand (6.9%). Shortage of funds acts as obstacles in quantitative expansion and qualitative improvement in education. There is a need to increase spending on India's education sector beyond six percent of Gross Domestic Product and per capita expenditure on education should also grow.

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