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An Analysis of Public Expenditure on Education in India

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Abstract

In the present paper, an attempt has been made to examine the level, trends, growth and intra-Sectoral allocation of Public expenditure on education. Taking period from 2001-02 to 2014-15, we have analysed the expenditure on education at various levels, in aggregate as well as separately for the centre and the state's government. The paper explores the trends on planned and non-planned expenditure on education. The analysis shows that percentage share of State government expenditure on education has declined and the share of the central government has increased. The share of public expenditure on education has been less than 5 percent as a proportion of GDP. Finally, we have suggested that the government (centre and state) should focus on education from the quality point of view along with budget allocations in order to enhance human resource development in the country.

Keywords: Public Expenditure, Economic Growth, Education

Introduction

Education is considered as an important component of the social sector. Expenditure on education is considered as an investment because it acts as an input for the human capital. It raises the level of skill and therefore productivity of worker and thus contributes to economic growth and development of the country. Availability of financial resources is an important determinant for expansion and qualitative improvement of the educational sector. Initially, education was the responsibility of individual states, but in 1976 it became the joint responsibility of both the Central and state governments to maintain quantity, quality, access and equity in education. In India, it is widely accepted that there is an acute shortage of resources in the education sector. As education is an all-pervasive development activity, besides being a non-profit enterprise, it should be given special treatment. Equity, efficiency and diversity are the three major goals that should guide the educational planners. Both the immediate outcomes and long-range effects of education would form the basis for financing education in an optimal manner.

Sources of finance

There are various sources of financing education - Public sector, i.e. expenditure incurred by the central government, state governments and UTs, and local bodies (Zila Parishads, Municipalities, Panchayats) and private sector, i.e. non-governmental agencies, corporate investment and individual household spending also contribute significantly.

Financing of Education in India

In India, over the last three decades, there have been major changes in the level of financing of Education. Several committees and commissions were appointed from time to time to deal with issues related to educational finance. The education policy was shaped primarily by the Kothari Commission (1966) and the National Education Policy (1968). The Kothari Commission recommended that Public expenditure on education should reach the level of 6 percent of GDP by 1986. National education policy 1968 also recommended that as soon as possible Investment in education to be gradually increased to reach a level of six percent of national income. It was resolved in the National educational policy of 1986; to increase the

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investment in education will be stepped up so that more than six percent of national income is allocated from eighth plan onwards. Saikia committee (1996) stressed on the need for an expenditure of 6 percent of GNP on education with 50 percent of it earmarked for primary/elementary sector. In the national common Minimum programme of the UPA government, it was decided that public spending on education will be raised to 6 percent of the GDP and half amount being spent on primary and secondary sectors. With this background, the present study tries to analyse public financing of education in India and the level and composition of expenditure on the education sector.

Review of Literature

There are several studies which focus on expenditure on education in India. Some of them are:

Tilak (1986) provides an estimation that the public expenditure on education constitutes about 3.6% of GNP (a remarkable increase from 1.2% in 1950-51), it is much less than what it should be, as recommended by the Kothari Commission. As a proportion of total plan expenditure, expenditure on education declined from 7.9% in the first five-year plan to 2.6% in the sixth five-year plan.

Jandhyala (2006) in his paper "On Allocating 6 Percent of GDP to Education" found that investment in the education of less than targeted 6 percent of GDP is regarded as one of the main reasons for failure in realising our educational goals and targets. He arrives at the conclusion that if there is a political will, reaching the goal of 6 percent of GDP is a not an impossible task.

Anuradha and Tanuka (2008) in their working paper "Public Expenditure on Education in India, Recent Trends and Outcomes" found that the share of public expenditure on education has been less than 4 percent as a proportion of GDP. Public expenditure on education in current prices has been growing at the rate of 13.4 percent per annum for the period 1990-91 to 2003-04. The rate of growth has slowed down in the current decade. Their study indicates that expenditure, when measured at constant prices, shows a much lower growth rate of only 6.5 percent for the same period. The analysis also finds that the central government has been playing an increasingly important role in state education finance.

Tasleem (2016) in her paper on the title "Trends, Growth and Changing Patterns of Public Expenditure on Education in India" mentioned that the combined public expenditure incurred by both central and state government on education has been around three to four percent of GDP Since 2001.

These are the some of the studies which provide valuable inputs to this paper. After reviewing various literature we can say that no major work seems to exist which links the Educational achievement in India with the level of

expenditure incurred by our government. Therefore, this study tries to fill the gap in the existing literature.

Objectives of the Study

The following are the objectives of the present study:

1. To analyse the trends and volume of educational expenditure by Centre and states governments in India.
2. To study the changing Patterns of public expenditure on education.

Database and Methodology

We have collected data on total expenditure on education over the period 2001-02 to 2014-15 and primary based on secondary data. Data related to expenditure on education are taken from budgetary analysis of government of India, compiled by Ministry of Human Resource Development, Govt. of India. In order to analyse the data, we have used descriptive statistics.

Expenditure on Education by the Centre and the States Govt:

There are several important sources of education finance – the central government, the state governments, the local bodies and the private sector. The focus of this paper has basically on public expenditure on education by the centre and the states. The total budget expenditure on education and the shares borne by the Centre and States are shown in Table 1.

During the last one and half decade, some major trends have been found in financing education. The share of state government in total expenditure has declined from 82.32 percent in 2001-02 to 75.64 percent in 2014-15. Percentage Share of Central government has increased significantly from 17.67 percent in 2001-02 to 24.35 percent in 2014-15. If we look at the percentage of GDP spend on education for both Centre and States government, we found an increasing trend over the years. The percentage of GDP spend on education by the central government went up from 0.65 percent in 2001-02 to 1.20 percent in 2014-15. The percentage of GDP spent by state government shows a declining trend. State's share has declined from 3.03 percent in the year 2001-02 to 2.53 percent in 2007-08 thereafter it has increased and reached at 3.32 percent in 2014-15.

It is seen (from Table: 1) that the Share of the State government has declined but still, State government contributes more than one-third of total expenditure on education, their share in the total has been declining much after 2001-02, while the Centre's share has increased during the same period.

Table 1: Expenditure on Education by Centre and State Govt. of India (Rs. In crore)

Year	States (1)	AGR (1)	Centre (2)	AGR (2)	Total (1+2)	AGR (1+2)	as% of GDP (1)	as% of GDP (2)	as% of GDP(1+2)
2001-02	65746.19	--	14119.52	--	79865.71	--	3.03	0.65	3.68
2002-03	69350.7	5.5	16156.63	14.4	85507.33	7.10	2.97	0.69	3.66
2003-04	71978.28	3.8	17100.97	5.8	89079.25	4.20	2.74	0.65	3.4
2004-05	78668.14	9.3	18025.96	5.4	96694.10	8.50	2.65	0.61	3.26
2005-06	90018.94	14.4	23209.77	28.8	113228.7	17.10	2.66	0.68	3.34
2006-07	103147.5	14.6	34236.52	47.5	137384.0	21.30	2.61	0.87	3.48
2007-08	115877.9	12.3	39919.37	16.6	155797.3	13.40	2.53	0.87	3.4

2008-09	141091.3	21.8	47977.59	20.2	189068.8	21.40	2.66	0.9	3.56
2009-10	177232.8	25.6	64023.23	33.4	241256.0	27.60	2.9	1.05	3.95
2010-11	212817.5	20.1	80660.73	26.0	293478.2	21.60	2.94	1.11	4.05
2011-12	261492.8	22.9	89652.98	11.1	351145.8	19.60	3.12	1.07	4.18
2012-13	294013.2	12.4	109223.3	21.8	408421.7	16.30	3.13	1.16	4.29
2013-14	347893.3	18.3	124118.2	13.6	465142.8	13.90	3.26	1.18	4.44
2014-15	380440.0	9.4	122489.3	-1.3	502929.4	8.10	3.32	1.2	4.52
CAGR	14.46%	--	18.08%	--	15.81%	--	--	--	--

Source: Ministry of Human Resource Development (MHRD), Govt. of India- various issues.

Plan and Non-Plan Expenditure on Education

We next take a look at the Plan and Non-plan distribution of public expenditure on education. It is important to look at the trends of Planned and Non Planned expenditure on education because Non-plan expenditure largely reflects the recurring expenses in the education sector while the Plan expenditure reflects new schemes and projects started by the government.

Planned expenditure is that part of budgetary expenditure which is meant for finance the schemes and programmes

framed under five years plan or expenditure on unfinished task of the previous plan. Plan expenditure is mainly on the creation of assets. Non-plan expenditure is the expenditure on operating and maintaining existing educational infrastructure. So at the end of a five-year plan, the recurring parts of Plan expenditure on different programmes or schemes become part of Non-plan expenditure. Non-plan expenditure is expected to increase steadily over the years.

Table 2: Plan and Non-plan Expenditure on Education

Year	Centre		State		Total	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
2001-02	67.33	32.67	10.32	89.68	20.33	79.67
2002-03	69.43	30.57	11.65	88.35	21.19	78.81
2003-04	70.68	29.32	12.02	87.98	22.82	77.18
2004-05	71.43	28.57	12.45	87.55	23.88	76.55
2005-06	76.97	23.03	15.32	84.68	27.92	71.08
2006-07	81.04	18.94	16.48	83.52	32.52	67.48
2007-08	82.42	17.58	16.71	83.28	33.55	66.45
2008-09	79.67	20.33	16.47	83.53	32.51	67.49
2009-10	74.19	25.81	16.56	83.48	31.86	68.14
2010-11	80.22	19.78	20.54	79.46	35.92	64.08
2011-12	73.40	26.6	24.28	75.72	36.7	63.30
2012-13	73.33	26.67	23.52	76.48	37.0	63.00
2013-14	74.41	25.59	25.23	74.77	38.34	61.66
2014-15	76.52	23.48	25.82	74.18	39.41	60.59

Source: MHRD, Govt. of India- various issues.

During 2001-02, Central governments total expenditure on education consists of 67.33 percent on planned and remaining 32.67 percent on Non-planned expenditure. State government incur bulk of its expenditure on Non-planned. The share of Non-planned expenditure in the total expenditure on revenue account was 89.68 percent and the remaining 10.32 percent is the share of plan expenditure. About 76.52 percent of the Central government expenditure on education is under plan whereas in case of States/UTs it is only 25.82 percent in the year 2014-15. The analysis shows that share of planned expenditure in the total expenditure on education incurred by Centre, State and UTs has increased whereas the share of Non-plan expenditure has declined. At State level, the planned expenditure has shown increasing trends its share has gone up from 10.32 percent to 25.82 percent. The share of state's Non-planned expenditure shows a declining trend its share has declined from 89.68 percent in 2001-02 to 74.18 in 2014-15. Planned and Non-planned expenditure incurred by both central and state government combined also show some trends. The share of planned expenditure has increased and share of Non-planned has declined from 79.67 in 2001-02 to 60.59 percent in 2014-15. (See Table 2)

Intra-Sectoral Allocation of Public Expenditure on Education

Major trends have been found in the intra-Sectoral allocation of public expenditure on education in India. The share of elementary education in total expenditure on education was around 45 percent in 2001-02. Since 2001-02 the share of elementary education in total expenditure has marginally declined in the year 2006-07 to 40.1 percent and again reached to 45 percent in 2014-15. The percentage share of secondary education has also shown declining trends. Its share has reached the maximum level of 27.10 percent in the year 2003-04, thereafter its share started declining and become 24.31 percent in 2014-15. The share of the Tertiary sector in total expenditure increased from 10.96 percent to 24.47 percent in 2007-08 thereafter it starts declining. Presently the share of higher education in total expenditure on education is around 16.16 percent.

Table 3: Intra Sectoral allocation of Public Expenditure on Education in India

Year	Exp. on Primary Sector	AGR Primary Sector	Exp. on Secondary Sector	AGR Secondary Sector	Exp. on Tertiary Sector	AGR Tertiary Sector
2001-02	35597.68	--	20875.11	--	8756.11	--
2002-03	36206.90	1.7%	22957.45	10.0%	9223.74	5.3%
2003-04	37629.91	3.9%	24149.56	5.2%	9278.23	0.6%
2004-05	40586.19	7.9%	24990.48	3.5%	9562.19	3.1%
2005-06	52722.41	29.9%	29220.12	16.9%	21871.95	128.7%
2006-07	62063.31	17.7%	31976.72	9.4%	26516.37	21.2%
2007-08	69526.25	12.0%	35805.94	12.0%	38135.27	43.8%
2008-09	80313.91	15.5%	45831.73	28.0%	45946.21	20.5%
2009-10	100081.8	24.6%	62758.56	36.9%	57225.97	24.5%
2010-11	123550.8	23.4%	71358.36	13.7%	62654.18	9.5%
2011-12	149164.8	20.7%	87988.22	23.3%	53900.98	-14.0%
2012-13	159476.3	6.9%	89938.1	2.2%	62447.76	15.9%
2013-14	207428.6	30.1%	107034.2	19.0%	71139.02	13.9%
2014-15	226702.5	9.3%	122621.3	14.6%	81297.05	14.3%

Source: MHRD, Govt. of India- various issues.

Table 3 gives the Inter-Sectoral expenditure by education departments on different sectors within it for selected years. It shows that the proportions have increased several times over the last fifteen years. Elementary education is seen to increase gradually to receive around half of the total resources, secondary education received around a third. The emphasis on elementary education, together with a low priority of education in aggregate public expenditure, has constrained the growth of other sectors of education.

Conclusion

The share of public expenditure on education has been less than 5 percent as a proportion of GDP. The analysis shows that the centre has been playing an increasingly important role in state education finances. Moreover, education development, in general, depends not only on the quantum but also on the composition of expenditure on education. It indicates that for the less developed country like India, recent changes in education expenditure have improved access. It is crucially important to mobilize resources and to improve the efficiency of spending on Education sectors. It is only when food security and unemployment-related issues have been reduced in intensity, and some urgent social issues are addressed that all children will effectively be able to gain access to, and benefit from education.

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