

## Public Expenditure on Education in India: Recent Trends

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### ABSTRACT

*The present paper is an attempt to highlight the trends of public expenditure on education. The paper explore the trends in public expenditure incurred by State and Central government, trends in Planned and Non planned expenditure, revenue and Capital expenditure and trends in intra sect oral allocation of public expenditure. Findings shows that percentage share of State government expenditure in total expenditure on education has declined and percentage share of central government has increased. Some Trends has also been found in Planned and Non planned expenditure, share of former has increased and of later has declined. No major trends have been found on Revenue and capital account expenditure. Capital account expenditure is meager amount of the total expenditure. Some important trends have been found in inter sect- oral allocation of public expenditure, the percentage share of elementary and primary education in total public spending on education has declined and percentage share of technical and higher education has increased significantly.*

**Keywords:** *Public expenditure, education, budget, revenue account, capital account.*

### Introduction

Education is public good, it is included in the concurrent list of Indian constitution in 1976, both Central and state government has the responsibility to maintain quantity, quality, access and equity in education. State government is the main source of financing education. 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. Some studies shows that countries spend large money on education grow at faster rate than compared with countries spends less on education. Availability of financial resources is important determinants for quantitive expansion and qualitative improvement of educational sector. Our education system has severely starved of funds. It requires huge flow of funds for its quantative expansion, qualitatively improvement and for universal access.

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Sources of Financing education. There are several sources of financing education like Public sector which includes Central, State and Union Territories government, and local bodies. In addition to government, Non governmental agencies, corporate investment and individual household spending also contribute significantly. But the roles of the government still remain pervasive and important. The focus in this paper has been essentially on public expenditure on education by the central and the state government. The state has lion share with more than one third in the total expenditure.

Financial Requirement of Education Sector. The government has constituted different commissions and appointed various committees to estimate the financial requirement of educational sector. The education commission 1964-66 popularly known as kothari commission made a detailed analysis of financial requirement of educational sector, and recommended that we should increase the proportion of GDP spends on education to 6 percent by 1985-86. Among other recommendation this recommendation was accepted by the government and it was decided to rise the spending on education to 6 percent of GDP by 1986. National education policy 1968 also recommended that investment on education should increase gradually to six percent of national income as soon as possible. It was resolved in the National educational policy of 1986, to increase the investment on education so as to reach the level of 6 percent of national income. Saikia committee 1996 stressed on the need for an expenditure of six percent of GDP on education with 50 percent of it earmarked for the primary sector. In The 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 that will be in the phased manner. In India the target of spending six percent of GDP on education has never been achieved. The government spends less than 4 percent of GDP on education.

### **Review of Literature**

There have been several studies on expenditure on education in recent times which provide valuable inputs to this paper. Important among them are:-

D Anuradha and E Tanuka (2008) in their working paper found that public expenditure on education in current prices has been growing at the compound annual growth rate (CAGR) of per cent per annum for the period 1990-91 to 2003-04, the rate of growth has slowed down in the present decade. Moreover their study indicates that expenditure at constant prices shows a much lower CAGR of only 6.5 percent for the same period. Their findings show that public expenditure on education has been less than 4 per cent. There have been major changes in the composition and modalities of expenditure on education. The analysis finds that the centre has been playing an increasingly important role in state education finance.

B Jandhyala and G Tilak (2006) in their paper title "On Allocating 6 Percent of GDP to Education" found that under investment in education is regarded as one

of the main reasons for failure in realizing our educational goals and targets. They conclude that allocation to education can be increased by reallocation resources from other sources or by raising more resources from the common pool of government funds or by both.

### **Objective of the Study**

The objectives of the paper is to provide comprehensive assessment of the expenditure incurred both Central and State Government on education, The primary focus of the study is on the following objectives:-

- To know the amount of money spent by Central and State government on education
- To find the trends and growth of public expenditure on education.
- To know the changing patterns of public expenditure at different components.
- To find the level and trends in the intra sect oral allocation of public on education.

### **Methodology**

The Study covers the period 2000-01 to 2013-14 and primarily base on secondary data collected from Budgetary Analysis of Govt. expenditure (Ministry of Human Resource Development Government of India). Data is also obtained from University Grant Commission (UGC) annual reports. The research tools and concepts used for the study include percentage, growth rate, percentage share etc.

### **Trends in Public Expenditure on Education**

Centre, State and Union Territories government are the main sources of financing education sectors, with State government has lion share. The total nominal expenditure on education has increased five times since 2001. The total nominal expenditure on education has been growing at annual average growth rate of 14.5 percent since 2001. During the last one and half decade some major trends have been found in public expenditure on education, the share of state government in total expenditure has declines from 88 % in 2000-01 to 74 % in 2013-14. Percentage Share of Central government in total spending on education has increased significantly from 12 percent in 2000-01 to 26 percent in 2013-14. The percentage of Gross Domestic product spends on education combined by central and state government has increased marginally from 3.40 percent in 2003-04 to 4.44 percent in 2013-14.

**Table 1: Public Expenditure on education since 2000-01 (Rs Crores)**

Years	Expenditure Education Centre	On State	Total	Growth Rate	% Share of Centre	% Share of State	State as % of GDP	State+ Centre As % of GDP
2000-01	10195	72290	82486	—	12	88	3.63	4.14
2001-02	14119	65746	79865	-3.17	18	82	3.03	3.68
2002-03	16156	69350	85506	7.06	19	81	2.97	3.66
2003-04	17101	71798	89079	4.01	19	81	2.74	3.40
2004-05	18026	78668	96694	8.54	19	81	2.65	3.26
2005-06	23209	90019	113228	17.09	21	79	2.66	3.34
2006-07	34236	103148	137384	21.23	25	75	2.61	3.48
2007-08	39919	115878	155797	13.40	26	74	2.53	3.40
2008-9	48728	143667	192395	23.49	25	75	2.66	3.56
2009-10	54146	188636	246782	28.26	24	76	2.90	3.95
2010-11	80661	212817	293478	18.92	28	72	2.94	4.05
2011-12	86074	251008	337082	14.85	26	74	2.95	3.98
2012-13	103312	311426	414738	23.03	25	75	3.25	4.35
2013-14	124118	347893	472011	13.80	26	74	3.26	4.44

Source: Ministry of Human Resources Govt. of India. (Budgetary Analysis) Various Issues.

### **Trends in Planned and Non Planned Expenditure**

Public expenditure on any sector are classified into planned and Non-planned expenditure, Revenue and capital expenditure. Planned expenditure in that part of budgetary expenditure which is meant for finance the schemes and programmes framed under annual and five years plans or expenditure on unfinished task of the previous plan. Plan expenditure in 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 program me or schemes become part of Non plan expenditure. Non plan expenditure is expected to increase steadily over the years. Another classification of public expenditure is expenditure on Capital account and Revenue account. Former is expenditure on creation of assets and it is Developmental in nature. Whereas the later is expenditure on normal running of the system it includes the expenditure on salaries etc. Bulk of resources spend on education in India are on Revenue account and small amount is spend on capital account. Capital expenditure and loans for education are quite meager in comparison with the expenditure under Revenue. The share of capital expenditure in total

expenditure has been remained less than one percent of total expenditure. It does not mean that government is not spending money on the creation of assets. The reason behind this is that the total grant in aid provided for creation of assets booked under revenue account and not on capital account. It is important to look at the trends of Planned and Non Planned expenditure on education. This is because, as already mentioned, 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

**Table 2: Share of Plan and Non Plan Expenditure on Education (Revenue Account)**

Years	Centre		State		Total Centre and State	
	Plan	Non-plan	Plan	Non- Plan	Plan	Non Plan
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	26.60	24.28	75.72	36.70	63.30
2012-13	73.33	26.67	23.52	76.48	37.00	63.00
2013-14	74.41	25.59	25.23	74.77	38.34	61.66

*Source:* Calculated from “Analysis of Budgeted Expenditure on Education”, Ministry of Human Resource Development, Govt. of India, various issues.

During 2012-13 Central governments total expenditure on education consists of 84.11% on planned and remaining 14.89 % 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 83.60 percent the remaining 16.40 percent is the share of plan expenditure. About 82.72% of the Central government expenditure on education is under plan whereas in case of States/UTs it is only 21.03 % in the year 2013-14. Some trends have been observed on plan and Non plan expenditure, the share of planned expenditure in the total expenditure on education incurred by Centre, State and UTs has increased where as the share of Non- plan expenditure has declined. At State level the planned expenditure has shown increasing trends, its share has gone up from 12.45 percent in 2004-05 to 25.23 percent in 2013-14. The share of state’s Non planned expenditure shows a declining trend, its share has decline from 87.75 percent in 2004-05 to 74.77 in 2013-14. 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 decline from 76.55 percent in 2004-05 to 61.66 percent in 2013-14.

Trends in intra sector allocation of public expenditure. Table-3 below highlights the trends in intra sector allocation of public expenditure. Major trends have been found in the intra-sector allocation of public expenditure. The share of elementary education in total expenditure was 50.91 percent 2001, its share in total expenditure has marginally decline to 44.59 percent in 2013-14. The percentage share of secondary education has also shown declining trends, its share has reached at maximum level of 34.95 percent in the year 2003-04, thereafter it started declining and become 24.86 percent in 2013-14. Share of university and higher education in total expenditure increased from 11.34 percent in 2001-02 to 15.29 percent in 2013-14. Government spend less than one percent of GDP on higher education, this has seriously hampered the quality of higher education in India. Important trends have been found in the public expenditure on technical education. The share of technical education in total expenditure has increased significantly from 2.32% in 2001 to percent to 15 percent in 2013-14.

**Table 3: Intra Sector Allocation of Public Expenditure on Education in India since 2001-02**

Years	Elementary Sector	Secondary Sector	University and higher education	Technical Education	Others sector Including adult, etc.
2001-02	50.91	33.80	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	25.80	19.31	7.96	0.89
2006-07	45.17	23.27	19.30	11.98	0.28
2007-08	44.62	22.98	24.47	7.67	0.26
2008-09	42.47	24.24	24.30	8.79	0.20
2009-10	39.63	25.87	23.59	8.91	2.00
2010-11	42.09	24.31	21.34	11.95	0.31
2011-12	44.66	25.62	16.14	13.28	0.30
2012-13	45.21	25.19	14.70	14.62	0.28
2013-14	44.59	24.86	15.29	14.95	0.31

*Sources:-* Calculated from "Analysis of Budgeted Expenditure on Education", Ministry of Human resource development Govt. of India various issues,

### Conclusion

Public spending on education has been growing since 2001 and reached at 4.4 percent of the gross Domestic product which is very less than the minimum six percent of Gross Domestic product suggested by various commissions and committees. Public spending on education very low compared with advanced countries like USA (6.4%), New Zealand (6.9%), Norway (6.5%) and United Kingdom (6.3%). Per capita expenditure on education in India is one of the lowest in the world. Shortage of funds acts as obstacles in quantitative expansion and qualitative improvement in education. There is need to increase spending on education beyond six percent of Gross Domestic Product.

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