

## Trends and contemporary provisions in Government Spending on Elementary Education in India: Inquiry on Insufficiency of Funds

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### **Abstract:**

*The socio economic landscape of the country is rapidly changing. The Ministry of Human Resource Development is conscious about changing scenario and has been taking the steps to mitigate the adverse impact of growing 'exclusive-ism ' within the society, which would not be in the best interest of the future generation. This study has explored government financing of education in India and across the states of the country. Economic reform has certainly affected public expenditure on social sector in general and that on education sector in particular. The study concluded that state real per capita income, is found to significantly enhance educational expenditure at the aggregate level. Moreover, contrary to general perceptions, education expenditure at all levels has been significantly lower after liberalization in comparison with the pre-economic reform era. The paper examines the level, trends, growth and intra-sectoral allocation of Public expenditure on education. Finding indicates that quantum of expenditure on education has increased significantly since 2001, But still the actual amount of money spend on education sector is less than the required amount. The paper explores the trends of public expenditure on primary, secondary, higher education and technical education. Analysis shows that percentage share of State government has decline and the share of central government has increased.*

**Key words:** public expenditure, elementary education, education policy, economic reform.

### **I. Introduction**

The conception of economic development in modern era is more comprehensive which includes basic necessities of life, education, health, employment and equity in the distribution of income and wealth with economic growth. The focus of the economists of developing economies has been increasingly shifting towards embarking on a twin policy of achieving economic growth with human development. It is felt that economic growth alone is not enough to generate sustainable development because the impact not often percolates down to the weakest section of the society. India has made impressive economic development in the last few decades on the basis of GDP growth but the position of India in world human development index is quite disappointing. The country is also home to more than a third of the global poor which creates unique challenges

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for the integrated education movement in India.

Education is essential for all and is a fundamental right to the all round development of a child. So the sustainable and more inclusive growth is the main objective of twelfth plan in the country. The new development paradigm of inclusive growth cannot be met by incremental increases in individual programme alone. If empowerment through education is to be the way forward then considerable financial resources need to be expended on the educational sector (at least 6% that has been a long standing recommendation). Hence, policy-makers in India, since independence, have placed an overriding importance on the provision of basic social services like education, health and nutrition to all sections of society and induced substantial increase in social expenditure (Singh2015).

Among the different levels of education, primary education has been found to yield the highest social rates of return, especially in developing countries. In recent years, there has been increased focus on achieving universal primary education in developing countries like India. By promoting basic literacy and numeracy, primary education provides the foundation for secondary and tertiary education, allowing for a more knowledgeable and productive labor force. Primary education has a direct and positive impact on future earnings and farmer productivity, and bestows significant health and poverty alleviation benefits. India has an average literacy level of just 61% and the largest absolute number of primary school age children out of school.

Poor people facing credit market constraints incur higher private costs of sending their children to school; they can't afford to educate their children unless schooling is subsidized. Thus, government funding of primary education is crucial and necessary for greater nationwide enrollment. As universal primary education was made a fundamental right in 2003, the Indian government provides free primary schooling through its flagship program for the universalization of primary education, *Sarva Shiksha Abhiyan*. However, the question is, does public stipulation of primary education actually improve enrollment rates and learning outcomes? The objective of the paper is to provide comprehensive assessment of the expenditure incurred both by Central and State Government on education.

With this background, the paper discusses trends of public expenditure and government policies on education in India particularly in primary education. The paper is organized into six main sections. Section two reviews briefly the existing literature on governmental spending and educational outcomes with introduction in section one. Section three describes the education policies of the government in the pre and post economic reform period and a brief overview of the Indian education system. Patterns of education expenditure by central and state governments are elucidated in the Section four, which shows that there is considerable heterogeneity in expenditure pattern across states. Section five explains insufficiency of funds in India for elementary education and section six concludes and offers policy suggestions for the future.

## II. Literature Review

As pointed out by Tilak (1995), if the state income is low, then very low amount of spending on education will also give the impression that higher proportion of GSDP has been spent on education. States with a higher proportion of population belonging to SC, ST and with higher female to male ratio are any case found to incur significantly lower expenditure on education. Some studies pointed out that concluded that the variable reform displays a negative and significant coefficient irrespective of level of education and from 1999-2002, the share of expenditure on elementary education increased by a little more than four per cent, taking the Centre and the States together (Rani, 2004; Govinda and Biswal, 2006; Chakrabarti and Joglekar 2006). They concluded that state real per capita income, is found to significantly enhance educational expenditure at the aggregate, elementary, secondary and higher levels. Moreover, contrary to general perceptions, education expenditure at all levels has been significantly lower after liberalization in comparison with the pre-economic reform era.

The study of Mukherjee (2007) provides a comprehensive assessment of the allocations made by the Government of India through its budgetary provision in the education sector over the 9th Plan period. The study concluded that India is unique among other developing countries in its use of earmarked taxes for financing public expenditure on education. It is extremely important, therefore, to see whether this increase in expenditure by the union government is 'crowding in' or 'crowding out' expenditure by the states or the private sector. Some studies concluded that, after correcting for its quality and efficiency, spending on education positively affects educational outcomes (Singh, 2015).

## III. Economic Reforms and Change in Educational Policies

The government of India launched a series of economic reform measures in July 1991. These policies had serious implications for social sector, as it led to drastic reduction in public subsidies and development expenditure, particularly on social services. The central government as well as state government expenditure on social sector as a percentage of GDP declined in 1990s.

As envisaged in the National Policy on Education-1986 (revised in 1992), development of education is pursued as a 'meaningful partnership between the Centre and the States'. State Governments also plan and implement programmes of education development keeping in view their specific situations and needs. The goal of Education for All has been high on the agenda of the Government of India since the commencement of development planning since 1951. However substantial progress towards the **Education for All** goals has been made during the past few years. Before 1976, education was the exclusive responsibility of the States While the role and responsibility of the States in education remained largely unchanged, the Union Government accepted a larger responsibility of strengthening the national and integrated character of education. In order to achieve Universalisation of Elementary Education, the Government of India has initiated a number of programmes and projects. It can be noticed that after economic reform, there is prominent change in the policy frame work of the Indian government, specially since 2001

when Sarva Siksha Abhiyan has been initiated:-

#### After Independence and Before reform period:

Year	Policy Framework towards Educational Development
1950	India's constitution is signed; includes part IX, article 45, which guarantees free and compulsory education for all children (regardless of ability level) between the ages of 6-14
1951-68	Constitution Expansion of the formal schooling system. Indian governments shoulder the responsibility for primary education
1968-86	National Policy on Education 1976, GOI and state governments equal responsibility for promoting and managing education.
1986	National Policy on Education 1986 (NPE 1986) adopted.
1987	Several large centrally-assisted schemes/programmes such as 'Operation Blackboard' and the 'scheme for restructuring and reorganization of teacher education' launched
1988	National literacy Mission (NLM) launched

#### After reform

Year	Policy Framework towards Educational Development
1992	National Policy on Education 1986 revised
1994	District Primary Education Programme (DPEP) launched to universalize primary education.
1995	Centrally-assisted National Programme of Nutritional Support to Primary Education, Mid-Day Meal Scheme (MDMS) launched.
1999	A separate Department of School Education and Literacy created within the Ministry of Human Resource Development, Government of India.
2001	(i) <b>Sarva Shiksha Abhiyan</b> , the flagship programme for universalisation of elementary education, launched;(ii) Adoption of the National Policy on Empowerment of Women.
2002	The Constitution (Eighty-sixth Amendment) Act, 2002 inserted Article 21-A in the Constitution of India to provide free and compulsory education for all children in the age group of six to fourteen years as a Fundamental Right;
2003	National Youth Policy, 2003 formulated.
2004	(i) Education Cess introduced for raising financial resources to universalize elementary education; (ii) EDUSAT, a satellite exclusively dedicated to education launched
2005	National Curriculum Framework (NCF-2005) for school education formulated
2009	(i) The Right of Children to Free and Compulsory Education Act, 2009 enacted. The Act makes it incumbent on Governments to provide for free and compulsory education to all children of the age of six to fourteen years. (ii) The National Literacy Mission (NLM) recast with a special focus on female literacy and the "Sakshar Bharat" (Literate India) programme launched as the national adult education programme on 8 September 2009; (iii) The revised National Curriculum Framework for teacher Education formulated; (iv) The <b>Rashtriya Madhyamik Shiksha Abhiyan (RMSA)</b> launched in March 2009, with the vision of making secondary education of good quality available, accessible and affordable to all young persons in the age group 15-16 years; (v) Revised Centrally-sponsored Scheme of <b>Inclusive Education for the Disabled</b> at Secondary Stage approved;
2010	(i) The Right of Children to Free and Compulsory Education (RTE) Act 2009 came into force from 1 April 2010; (ii) The Sarva Shiksha Abhiyan ( <b>SSA</b> ) Framework aligned to RTE Act; (iv) Revised Centrally-Sponsored Scheme of ICT@ Schools approved

	2011 The revised Centrally-Sponsored Scheme "Vocationalisation of Higher Secondary Education" approved.
2013	(i) National Early Childhood Care and Education (ECCE) Policy adopted; (ii) The Integrated Child Development Services, the flagship programme of Government of India for ECCE restructured and strengthened
2014	National Youth Policy, 2014 adopted

Source: Report on Education for All -Towards Quality with Equity, 2014, MHRD, Singh, 2015

#### IV. Expenditure by Central and State Governments on Education

The year-wise expenditure on education as percentage of National GDP for States, Centre and Total is presented in the chart below. It may be seen here that total expenditure on education as percentage of GDP was highest (4.14%) in 2000-01 but this level could not be sustained in the following year and comes down to 3.26% in the year 2004-05. After that it again started increasing but at a very slow rate. If we look at the percentage for Centre and States separately, we found that centre's share showing an increasing trend over the years and gone up from 0.51% in 2000-01 to 0.99% in 2014-15, while state's share has declined from 3.63% in the year 2000-01 to 3.06% in 2014-15.

**Table 1: Sectoral Education Expenditure as share of Total Education Expenditure**

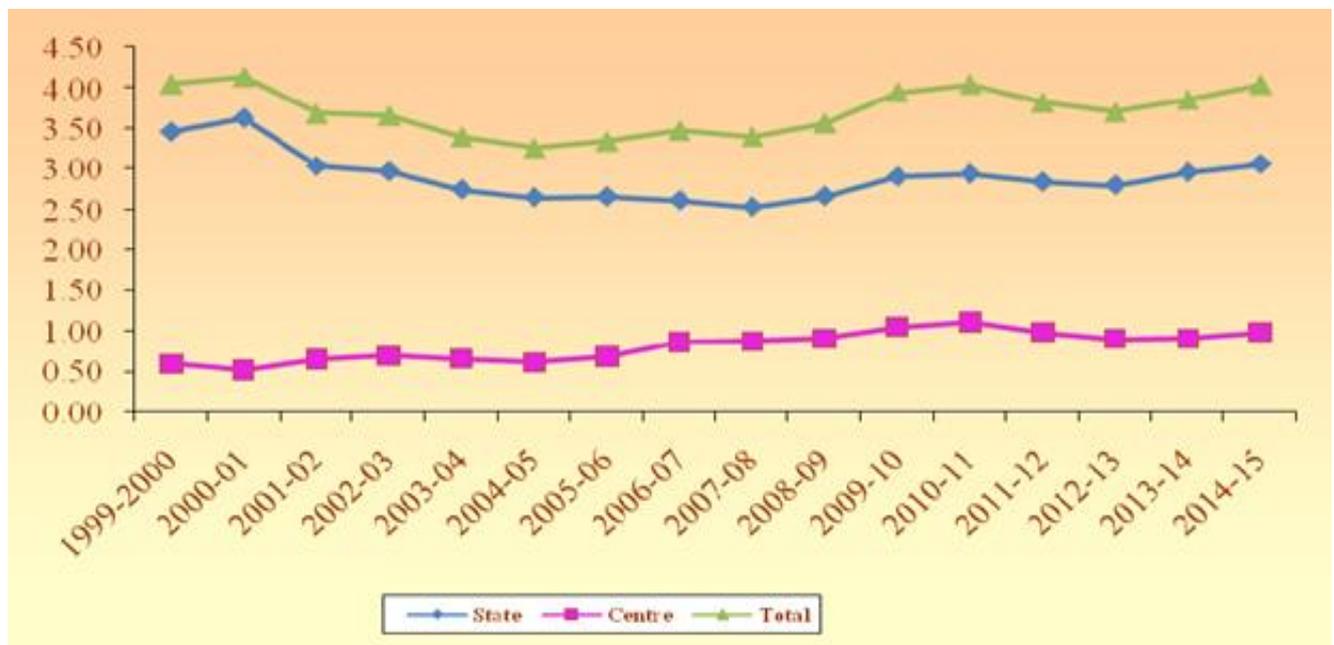
Year	Primary Education Expenditure Share (%)	Secondary Education Expenditure Share (%)	Tertiary Education Expenditure Share (%)
1951-1960	4.43	6.73	20.75
1961-1970	1.7	2.73	60.54
1971-1980	0.4	6.09	71.84
1981-1990	9.56	16.49	60.01
1991-2000	29.6	24.88	33.78
2001-2011	52.89	18.38	21.4

Source: Dastidar and Chatterji(2015)

The government of India initially focused more on tertiary education and somewhat neglected school education. This was because the government gave relatively more emphasis to industrial sector development compared to that of agriculture from the second five year plan (starting from 1956). As seen in Table 1, average share of tertiary education expenditure in total

education expenditure kept on increasing through the three decades, 1951-1980. At the same time, primary education expenditure share showed a downward trend. The Constitution of India listed education as a state subject (Article 45) and the responsibility of financing school education rested largely on the state governments. However, without the active support of the central government, the target put down by the Indian Constitution of achieving Universal Elementary Education remained an empty rhetoric. In 1976, education was transferred to the concurrent list (joint responsibility of the state and central government) and after the implementation of National Policy on Education in 1986, the share of primary education gradually started to increase in the central budget. Since then, there has been significant quantitative increase in education spending especially at the primary level (from 0.4% of total education spending during 1971-1980 to about 52.89% during 2001-2011

**Chart 1: India's total Public Expenditure on Education as proportion of GDP/GSDP(%)**



Source: Analysis of budget expenditure, 2015

It may be seen here that total expenditure on education as percentage of GDP was highest (4.14%) in 2000-01 but this level could not be sustained in the following year and comes down to 3.26% in the year 2004-05. After that it again started increasing but at a very slow rate. If we look at the percentage for Centre and States separately, we found that centre's share showing an increasing trend over the years and gone up from 0.51% in 2000-01 to 1.16% in 2012-13, while state's share has declined from 3.63% in the year 2000-01 to 3.13% in 2012-13.

However, as a percentage of total GDP, expenditures have actually fallen from 4.13% to 3.24% from 2001 to 2004 and after that it remains constant since 2008-09. Since 2009-10 expenditure on education as a percentage of GDP, increases but in very slow pace followed by state expenditure. It can be clearly seen that expenditure on education as a percentage of GDP by central

government increases slightly since 2006-07. The gap between two lines narrowing continuously and represented opposite movement since 2006-07 (Figure-2). After that both lines move upwards depicted increasing trend in the expenditure on education as a percentage of GDP in the central and state account. Education is a concurrent subject, with states holding the primary responsibility for implementation. State governments thus contribute the majority share of India's education budget. According to GOI estimates for 2009-10, 74% of total education expenditure was incurred by state governments. Public expenditure on education on revenue account increases continuously by central government and state governments, but as indicated by the graph, increase in state governments' expenditure is more than central government expenditure on education in last few years.

**Table 2: Composition of Total Allocation for Education in Different Five Year Plans (%)**

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:** Ministry of Human Resources Govt of India. (Budgetary Analysis) various issues

As table 2 indicates, the bulk of public spending is directed to elementary education, the revenue expenditure on which accounts for more than 40 per cent of all public spending on education. However, even in this area, the current availability is far below need, and there are important issues of poor quality some of which also stem simply from inadequacy of resources. However, it should be noted that this distribution of public spending is unlike many middle-income developing countries which place a larger proportion of public resources on higher and technical education. The public spending on education increased rapidly during the past few years. The salary costs represent between 80-90 percent of non-capital spending on education and increases sharply due to raising salary expenditure due to VI Pay Commission. The remainder of the budget is spent on a variety of schemes such as free textbooks, uniforms, and special schemes for disadvantaged groups. Amongst states that have a high education budget, Uttar Pradesh, Bihar and Andhra Pradesh saw largest increases in allocation. Interestingly, Uttar Pradesh, which did not have a substantial increase in SSA budgets, had the largest increase in state education

expenditure.

In the urge to ensure universal and compulsory primary education (which is an essential goal) the importance of increasing public investment in technical and higher education must not be ignored. The Right to Education Act, implemented since 2010, mandates certain basic norms like pupil-teacher ratio and physical infrastructure. One study has shown that only about 10% of the schools fulfill all the norms. Bringing up the other schools to the RTE standard will demand enormous funds.

#### **V. Insufficiency of Funds:**

It is a matter of common knowledge that primary education acts as a resource for secondary education, which in turn acts as a resource for higher education. Thus, all the three sectors create the final demand for and output of education for the country as a whole. Table 1 shows the composition of the total budgetary spending on education by the Centre and State Governments- through its budgetary provision for the three broad education sub-sectors, viz. elementary, secondary and higher education.

A brief look at the overall composition reveals that the inter-sector allocations have been stagnant over the last few years. In fact, the Government's expenditure in elementary education as a proportion of GDP is declining overtime. According to World Bank studies, primary education also has a direct and positive impact on future earnings and farmer productivity, and bestows significant health and poverty alleviation benefits. The world's second most populous country, India, is in need of those benefits. India has an average literacy level of just 61% and the largest absolute number of primary school age children out of school. The country is also home to more than a third of the global poor. Poor people facing credit market constraints incur higher private costs of sending their children to school; they can't afford to educate their children unless schooling is subsidized.

Thus, government funding of primary education is crucial and necessary for greater nationwide enrollment. As universal primary education was made a fundamental right in 2003, the Indian government provides free primary schooling through its flagship program for the universalization of primary education, *Sarva Shiksha Abhiyan*. However, the question is, does public provision of primary education actually improve enrollment.

#### **VI. Conclusion**

The very low extent of capital spending is worth noting, especially given the very large infrastructure gaps in the country. There are still large numbers of villages and urban settlements without government schools in the approachable vicinity, as noted below. There is also substantial overcrowding in existing schools. Around 18 per cent of rural primary schools still do not have any building, and another 20 per cent function out of only one room, which would clearly affect both the quality and effectiveness of teaching in such schools. The inadequacy of other basic infrastructure (separate toilets for girls and boys, clean drinking water supply, electrical fittings

and fans, etc.) not to mention advanced teaching aids including computers, is also well established not only for many primary schools but also for a substantial proportion of secondary schools and institutions of higher learning. In the initial phases of increased public spending on education, there is therefore a strong case for increased capital expenditure particularly to meet these very obvious requirements. As it is, the India's education system is creaking at the seams, family spending on education is rising, quality is speedily deteriorating, and a quarter of students are dependent on private tuitions for getting through. If the system is starved of cash, it could well be a disaster in the making.

Though enormous economic growth and development has been made during the past decades, the education system in India still faces several challenges as it seeks to further enhance access to and quality of education at all levels of education. Despite of manifold increase in the expenditure of central and state government, relatively higher dropout rates, the slow progress in dropping the number of non literates and unsatisfactory student learning levels continue to cause concern. Gender and regional disparities in literacy rate also continue to persist. The ability to address the challenges facing the education sector and fully implement the planned programmes will depend heavily on resource availability. A key challenge relates to the need for maintaining a level of financial, material and human resources that are required to support both expansion and qualitative improvement of education at all levels and the utilization of the existing/available financial and human resources more efficiently

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