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## **Public Expenditure on Education in India: An Analytical Review**

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### **Abstract**

This paper makes an attempt to investigate the level of public expenditure on education as well as its trends, growth, and intra-Sectoral allocation in order to determine how much money is spent on what. We looked at the expenditure on education at various levels throughout the period 2001-02 to 2014-15, both in aggregate and separately for the federal government and each state government. It examines how education spending, both planned and unplanned, has changed throughout time. Findings from the analysis show that there has been a drop in state government spending on education and an increase in central government spending on education. There has been less than 5% of overall government spending on education, as measured by GDP. Last but not least, we've recommended that the government (at both the national and state levels) place a high value on education's quality while also expanding financial support for human resource development.

**Keywords:** Public Expenditure, Education, Financial Allocations, Development etc.



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## **Introduction**

In general, education is seen as a vital social sector component. An investment in education is viewed as such since it serves as a source of input for the building of long-term value in human capital. As a result, workers' productivity rises, contributing to the growth and development of the country's economy as a whole. The educational sector's ability to grow and improve in quality depends heavily on the availability of financial resources. In the past, education was the sole responsibility of the states. However, in 1976, the federal and state governments joined forces to ensure that educational opportunities for all people remained plentiful, high-quality, easily accessible, and equitable. There is widespread agreement in India that education suffers from a chronic lack of resources, particularly in rural areas. Aside from the fact that it is a non-profit endeavour, education merits special attention due to its role as a development activity that affects everyone. Education planners should keep in mind the importance of equity, efficiency, and diversity when making decisions. The most effective way to fund education would be based on the immediate as well as the long-term effects of education.

## **Sources of finance**

The funding of education in India is heavily influenced by non-governmental organisations, corporate investment, and the spending of individual households. Spending by federal, state, and local governments as well as non-profit organisations is included in the public sector (Zila Parishads, Municipalities and Panchayats).

## **Financing of Education in India**

Over the last three decades, there has been a significant shift in the amount of money spent on higher education in the United States. Numerous committees and commissions have been formed to study education finance and financing over the years; the subject has been discussed by many of them. The Kothari Commission, which was established in 1966, and the National Education Policy, which was established in 1970, affected Indian education policy. (1968). According to the results of the Kothari Commission, a goal of 6 percent of GDP for educational expenses was established in 1986, and it should be realised by 1990, according to the commission's



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recommendations. Also advocated was a gradual increase in education spending until it reached six percent of national revenue as soon as practicable in 1968, with the goal of reaching six percent by the year 2000. Policy on Education in the United States Specifically, the National Educational Policy of 1986 stated that more than six percent of national income would be given to education from the ninth plan onward, and this goal was met. According to the Saikia Committee (1996), 6 percent of gross national product (GNP) should be devoted to education, with half of that amount going to primary and elementary institutions. National Common Minimum Policy of the United Progressive Alliance (UPA) government specified that public expenditure on education would be increased to 6 percent of GDP, with half of this amount dedicated to primary and secondary sectors. Accordingly, the current study will provide an overview of public education financing in India, including the amount and composition of education expenditure.

### **Literature Review**

There have been a number of studies conducted in India that have looked at the expenditure on education. Some of them are as follows:

It is estimated that public investment in education accounts for approximately 3.6 percent of gross national product (a significant rise from 1.2 percent in 1950-51), however this figure is significantly lower than the Kothari Commission's proposal of 5 percent. As a proportion of total plan spending, education expenditures declined from 7.9 percent in the first five-year plan to 2.6 percent in the sixth five-year plan over the course of the plan's lifespan. Investing less than the desired 6% of GDP in education is seen as a major reason for our educational goals and targets not being met, according to Jandhyala (2006) in his article "On Allocating 6% of GDP to Education." If there is political will, he concludes that obtaining the objective of 6% GDP is not difficult.

It was observed in a working paper by Anuradha and Tanuka (2008), "Public Expenditure on Education in India," that the share of public expenditure on education was less than 4% as a percentage of GDP. For the period 1990-91 to 2003-04, public education expenditure in current



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prices grew at a pace of 13.4 percent per year. The current decade has seen a decrease in growth. According to their findings, spending grew at a far lower rate of 6.5% over the same time period when assessed at constant prices. A growing role for the federal government in funding public education is also revealed by the study.

According to Tasleem (2016), who wrote a study titled "Trends, Growth and Changing Patterns of Public Expenditure on Education in India," national and state governments in India have spent between three and four percent of GDP on education since 2001.

These are only a few of the papers that have contributed to this paper in a significant way. After evaluating a wide range of literature, we have concluded that no major work appears to exist that establishes a link between educational success in India and the degree of spending expended by our government. For this reason, this study attempts to close a gap in the existing literature.

### **Objectives**

There are some objective for this research, which are as follows:

1. To examine the patterns and volume of educational expenditure by the Indian government at the national and state levels.
2. The second objective is to investigate the shifting patterns of public investment on education.

### **Methodology of the study**

Over the period 2001-02 to 2014-15, we gathered data on total education expenditure, which was then converted into primary data based on secondary data. The data on expenditure on education is derived from the fiscal analysis of the Indian government, which was collected by the Ministry of Human Resource Development of the Government of India. Descriptive statistics were employed to analyse the data, and they were quite effective.

### **Expenditure on education by the federal government and state governments**

The federal government, state governments, municipal governments, and the private sector are all major funding sources in the field of education. The central focus of this article is on public



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expenditure on education by the federal government and state governments. Table 1 shows the entire budgetary expenditure on education, as well as the respective shares borne by the Centre and the States.

Over the preceding fifteen years, there have been a number of noteworthy developments in the financing of education that have been noted. According to the most recent available data, the share of state government expenditures in overall spending has declined from 82.32 percent in 2001-02 to 75.64 percent in fiscal year 2002-2003. Percentage The central government's proportion of GDP has increased considerably, rising from 17.67 percent in 2001-02 to 24.35 percent in 2014-15, a major rise over the previous year. According to our research, the percentage of GDP spent on education by both the national and state governments has been increasing over time.. The federal government's percentage of GDP spent on education climbed from 0.65 percent in 2001-02 to 1.20 percent in 2014-15, representing a more than double rise in just a decade. In recent years, state governments have spent a smaller fraction of their gross domestic product (GDP) than they have received. The state's contribution has decreased from 3.03 percent in the fiscal year 2001-02 to 2.53 percent in the fiscal year 2007-08, after which it has increased to 3.32 percent in the fiscal year 2014-15, after which it has decreased to 2.53 percent in the fiscal year 2007-08, after which it has increased to 3.32 percent in the fiscal year 2014-15.

Although the state government's portion has dropped, it still accounts for more than a third of the total education budget. While the federal government has raised its proportion of education spending, the private sector's contribution has decreased dramatically during 2001-02.



**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
<b>CAGR</b>	<b>14.46%</b>	--	<b>18.08%</b>	--	<b>15.81%</b>	--	--	--	--

**Distribution of Public Education Expenditure by Plan and Non-Plan**

We will now look at the distribution of public education expenditure by plan and non-plan. Planned and unplanned expenditure on education are crucial to examine since unplanned expenditure indicates the majority of ongoing expenses in the education sector, whereas planned expenditure reflects the majority of new programmes and initiatives initiated by the government.

It is the portion of budgetary expenditure that is intended to support the projects and programmes outlined in the five-year plan, as well as expenditure on unfinished business from the preceding



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plan. The majority of plan expenditure is spent on the creation of assets. Non-plan expenditures are those that are incurred as a result of the operation and maintenance of existing educational infrastructure. After five years have passed, any recurrent components of Plan expenditure on different programmes or projects are reclassified as Non-plan expenditure, which is a category distinct from Plan expenditure. The amount of money spent outside of the plan is likely to rise steadily over time.

Education expenditures totaled \$67.33 billion in the fiscal year 2001-02, with planned expenditures accounting for 67.33 percent of total expenditures and unexpected spending accounting for 32.67 percent of total expenditures. The state government spends the lion's share of its funds on things that were not anticipated. In the revenue account, non-planned expenditure accounted for 89.68 percent of the total expenditure, with planned expenditure accounting for the remaining 10.32 percent of the total expenditure. According to the Central government's plans, roughly 76.52 percent of its education spending would be spent in 2014-15; however, just 25.82 percent of the expenditure on education by states and union territories is scheduled for this year. Following the findings of the study, it was discovered that the share of planned spending in overall education expenditure incurred by the Centre, States, and UTs has increased, whilst the amount of non-planned spending has dropped in recent years. Increasing trends have been observed at the state level, with budgeted expenditures increasing from 10.32 percent to 25.82 percent over the last five years, representing an increase in proportion of total spending. State non-planned expenditures are on a declining trend, with the share of non-planned expenditures falling from 89.68 percent in 2001-02 to 74.18 percent in 2014-15, according to the most recent available data. According to the data, both planned and unplanned spending incurred by the central and state governments collectively exhibit some trends as well. The share of planned expenditure has increased over time, rising from 79.67 percent in 2001-02 to 60.59 percent in 2014-15, whereas the share of non-planned expenditure has dropped with time. (For additional information, see Table 2.)



**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

**Allocation of Public Expenditure on Education on an Intra-Sectoral Basis**

In India's intra-Sectoral allocation of public expenditure on education, there have been some significant trends identified. Approximately 45 percent of overall educational expenditures went for elementary and secondary education in 2001-02. Since 2001-02, the share of primary education in total expenditure has fluctuated between 40.1 percent in 2006-07 and 45 percent in 2014-15, with the most recent decrease being in the year 2006-07. The percentage of those who have completed secondary education has similarly showed a downward tendency. Its market share peaked at 27.10 percent in the fiscal year 2003-04, after which it began to decline and eventually fell to 24.31 percent in the fiscal year 2014-15. It is expected that the share of the Tertiary sector in overall expenditure will increase from 10.96 percent in 2007-08 to 24.47



percent in 2008-09. In terms of total educational expenditure, higher education accounts for around 16.16 percent of the total.

**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 shows the inter-sectoral expenditures made by education departments on different sectors within the department for various years in the last decade. During the last fifteen years, the proportions have increased multiple times, as shown in the graph below. Elementary education is expected to get approximately half of total resources over time, with secondary education receiving approximately a third of total resources. The concentration on primary education, combined with education's low ranking in terms of aggregate public expenditure, has slowed the expansion of other areas of education.

**Conclusion**

Public expenditure on education has contributed for less than 5 percent of overall expenditure as measured as a percentage of GDP in recent years. According to the conclusions of the study, the centre has been playing an increasingly important role in the financing of public education in



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recent years. A further point to mention is that education growth in general depends not just on the quantity of money spent on education, but also on how that money is distributed. A developing country like India, which is less developed, has benefited from recent increases in education investment, as demonstrated by this study. It is critical to mobilise resources and increase the efficiency of expenditures in the Education and Training sectors, respectively. All children will be able to properly access and profit from school only when the severity of food security and unemployment-related concerns has been decreased, as well as when some pressing societal issues have been addressed.

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