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Research Paper

Public Expenditure on Education in India in 2005-06 and 2010-11: A Comparison

Management

KEYWORDS : Public expenditure, education, plan, non-plan, revenue, capital, India

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ABSTRACT

Prioritizing the competing ends for the government treasury is a big challenge for a developing country like India. Poverty eradication, health and other crucial social needs compete with education and create fiscal pressures. But an investment in education is considered inevitable. This research paper compares public expenditure on education in India in 2005-06 and 2010-11. As observed, government spent more on revenue account than capital account. Share of the State and Union territories in public expenditure on education was more than that of the Centre. States/UTs spending were highest for Non-plan expenditure across all categories of public expenditure on education. Spending was almost double in 2010-11 as compared to 2005-06 in absolute terms but the relative shares between categories hardly changed. Share of expenditure on education was highest for elementary education followed by secondary education, university education & higher education, technical education and then adult education.

INTRODUCTION

There are primarily three sources of financing education in India i.e. financing through central government, state government and non-government sector (including parents, non-government organizations, banks, philanthropic contributions and as a part of corporate social responsibility activities amongst others). Government is expected to shoulder the responsibility in providing for education due to the social benefits associated with education. The central and state financing is bifurcated in Revenue account and capital account and Plan and Non-plan expenditure. Expenditures on capital account are incurred for long-term. Capital expenditures are incurred for acquiring fixed assets such as land, building, machinery, equipment and loans & advances. However, routine operational expenditures of the government departments, such as subsidies, salaries, interest, etc. incurred by the government are referred to as revenue expenditure. They are largely not associated with acquisition of assets. Plan expenditure refers to the expenditure devoted towards the funding of the plans by the government. On the other hand, non-plan expenditure refers to the expenditures other than those devoted for the plans of government. Plan and non-plan expenditure are incurred on capital and revenue accounts.

The objective of this paper is to analyze in detail the contributions made by the Central and the State governments towards expenditure on education in 2005-06 and 2010-11 and observe the changes thereby. The selected years were chosen due to the availability of comparable data. Data for actual expenditure, revised estimates of budgeted expenditure and budgeted estimates were available, but for the purpose of analysis the data related to actual expenditure incurred was only considered. Henceforth State would refer to State and Union territories combined for further analysis.

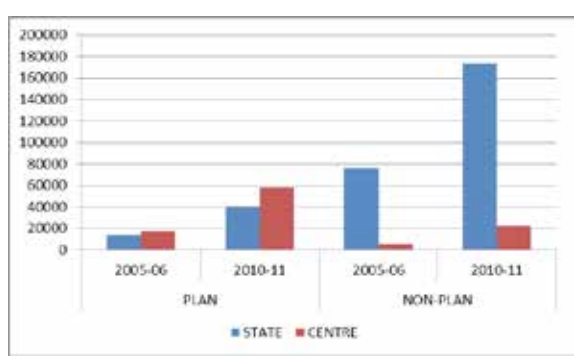
CAPITAL AND REVENUE EXPENDITURE ON EDUCATION

In absolute terms the budgeted expenditure on education and other departments by Central and State governments in 2005-06 accounted for INR 1,14,389 crores out of which the expenditure on revenue account was about INR 1,13,229 crores (98.99%), on capital account was about INR 1,143 crores (1%) and on loans and advances was about INR 17 crores (0.01%). Similarly for 2010-11 the total expenditure accounted for INR 2,97,311 crores out of which the expenditure on revenue account was about INR 2,93,478 crores (98.71%), on capital account was about INR 3,776 crores (1.27%) and on loans and advances was about INR 57 crores (0.02%). While the absolute budgeted expenditure on education almost increased 2.5 times over the period of five years, the relative share of revenue account, capital account and loans and advances almost remained same. There was just a shift of 0.27% from revenue to capital account. It was further observed that the entire contribution on capital account came from the States with no share at all from the Centre in 2010-11. As can be observed the share of revenue account left almost negligible share for capital account and loans and advances from the total expenditure. Since capital expenditures are incurred on procurement of fixed assets, the data indicated that lesser expenditure was incurred in acquiring land, building, machinery and equipment. Growth in education would be difficult if it was not duly supported by a growth in acquisition of assets. It can also be observed that the contribution for expenditure on salaries, subsidies and interest payments through revenue account was high.

PLAN AND NON-PLAN EXPENDITURE

While plan and non-plan expenditure were also incurred on capital account, the amount being comparatively meager, plan and non-plan expenditure on revenue account only had been analyzed. The total budgeted Plan and Non-plan expenditure on education by education and other departments on revenue account were INR 1,13,229crores in 2005-06 and INR 2,93,478crores in 2010-11 as suggested in the previous section. In 2005-06 Plan expenditure accounted for 27.9% and Non-plan expenditure accounted for 72.1% of the total budgeted expenditure on revenue account. Similarly in 2010-11 Plan expenditure accounted for 33.2% and Non-plan expenditure accounted for 66.8% of the total budgeted expenditure on revenue account. Therefore over a period of five years about 5% of the share of Non-plan expenditure was shifted to Plan expenditure.

Figure 1: Budgeted Plan and Non Plan Expenditure on Revenue account for Center and State for 2005-06 and 2010-11



Source: MHRD (2008, 2014)

For 2005-06 and 2010-11 the Plan expenditure comparatively was more for the Center and Non-plan expenditure was more for the State. Across the total budgeted Plan and Non-plan revenue expenditure the highest share was of Non-plan expenditure by States. The Non-plan expenditure by States accounted for 67% of the

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total revenue expenditure in 2005-06 and 59% in 2010-11 respectively as observed in figure 1.

Hence it can be concluded that the budgeted expenditure on education was incurred most on the revenue account and of the revenue account the contribution of the non-plan expenditure by the State was highest.

EXPENDITURE ON EDUCATION AS PERCENTAGE OF GDP

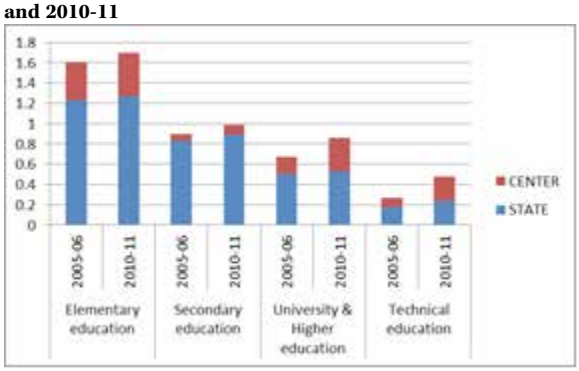
Expenditure on education as a percentage of GDP is a globally accepted criterion which is widely used for internationally comparing the financing of education. The public expenditure on education as a percentage of GDP for Center and State combined accounted for 3.46% in 2005-06 and 4.05% in 2010-11. Figure 2 depicts public expenditure on various sectors of education as a percentage of GDP namely elementary, secondary, university & higher, technical education. Expenditure on Adult education was nominal and so had not been included. Public expenditure included the expenditure incurred by education department and other departments and ministries respectively for various sectors.

India being a developing nation highest public expenditure on education as a percentage of GDP was incurred on elementary education in 2005-06 (1.61) and in 2010-11 (1.7). It was followed by expenditure on secondary education, university and higher education and technical education for 2005-06 as well as 2010-11.

In comparison with 2005-06 public expenditure on education as a percentage of GDP was incurred more in 2010-11 for various sectors of education. Expenditure on education as a percentage of GDP by states was highest for elementary education followed by secondary education, university & higher education and technical education for 2005-06 and 2010-11. But the expenditure on education as a percentage of GDP by Centre was highest for elementary education, and was followed by university and higher education, technical education instead of secondary education, which got the least share. Compared to 2005-06 in 2010-11 the commitment by the Centre increased for university & higher education and technical education with lesser share for secondary education. The contribution by the Centre almost doubled for university and higher education and more than doubled for technical education. For secondary education there was a fall in the share of public expenditure on education as a percentage of GDP from 0.7% to 0.1% from 2005-06 to 2010-11.

It can be further observed that the contribution of state for all levels of education was more than that by the Centre for both the years 2005-06 to 2010-11 as can be observed in figure 3.

Figure 3: Sector-wise share of State and Centre in Public expenditure on education as a percentage of GDP for 2005-06 and 2010-11



Source: MHRD (2008, 2014)

While not much change could be observed in the share of State and Centre as a percentage of GDP in 2005-06 and 2010-11 for elementary and secondary education, a dramatic rise in the share of the Centre as compared to State could be observed for university & higher education and technical education for the same period.

The share of State (76.4%) and Centre (23.6%) for elementary education in 2005-06 almost remained stagnant as observed for State (74.7%) and Centre's share (25.3%) in the GDP in 2010-11. Similarly the share of State (92.2%) and Centre (7.8%) for secondary education in 2005-06 was almost the same for State (89.9%) and Centre (10.1%) in 2010-11. Share of Centre for university and higher education in public expenditure as a percentage of GDP increased from 23.9% to 38.4% and that of the States decreased from 76.1% to 61.6%. Likewise the share of Centre for technical education increased from 33.3% to 50% and that of the States decreased from 66.7% to 50% from 2005-06 to 2010-11. Therefore the shift from the Centre to State in the share of university and higher education was to the tune of about 15% and for technical education it was about 17%.

CONCLUSION

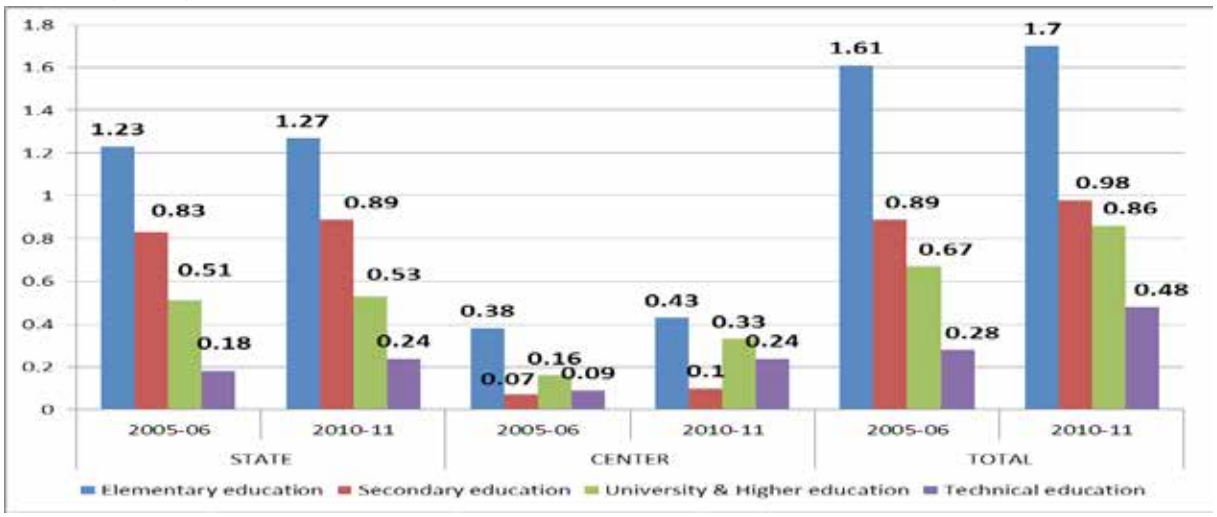
The present scenario calls for serious action in support of financing the higher education access in India. An increased financial commitment both by the central and the state government is warranted. A larger share as a percentage of GDP should be allocated for the expenditure on education to enhance the education opportunities. Higher funds would be required to address the expenditures on revenue account, like that for filling the vacant faculty positions. On the other side, the expenditure on capital account like raising the qualitative learning infrastructure would be obligatory to achieve a higher rate of enrolments.

Access to equitable and qualitative higher education is the need of the hour for a country like India aspiring to excel in the economic growth and development. The commitment from government and private sector towards the investments in developing human capital will determine if the demographic advantage will be a dividend or a liability. Governments today increasingly face the limitations to raise means for various aspects associated with education like the increased demand for access, rising costs, expectations for improvement in infrastructure, increasing the resources and enhancing quality of education. For a developing country like India, it is difficult to assume that government alone would be able to achieve the mammoth task of assuring access to education for the masses. The government through necessary regulatory changes should incentivize philanthropic and alumni contributions by allowing tax rebates on such expenditures by individuals. Income generated through consultancies, research and development and providing training workshops in the area of expertise should be appreciated and encouraged.

Higher efficiencies can be achieved by the allocation of funds on the basis of 'performance based funding'. Increased accountability should be accompanied by increased autonomy to raise funds at the institutional level, with wisdom to assure the opportunity of access to quality education for anyone willing to pursue the same.

Considering the present and future demand for higher education in India, it cannot be denied that financing remains a serious challenge. To achieve this mammoth task, all possible sources of funding will have to be explored to assure a qualitative and equitable access to higher education.

Figure 2: Sector-wise Public expenditure on education as a percentage of GDP for Centre and State / UTs for 2005-06 (Actuals) to 2010-11 (Actuals)



Source: MHRD (2008, 2014)

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