

Extent of Public Expenditure in Higher Education among major Indian States



Education

KEYWORDS :

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ABSTRACT

Public expenditure in higher education recorded higher growth rate during first five year plans i.e. from 1951 to 1980. With the introduction of new economic policies, public expenditure started to decline in all spheres of social services including higher education. Hence, public expenditure in higher education recorded a lower growth rate during sixth five year plan to ninth five year plan and first two years of tenth five year plan i.e. from 1980 to 2004 as compare to first five year plans. It is matter of utmost shame that there has been regular deceleration of public expenditure in higher education across all states from 1980 to 2004. Among the selected states, Gujarat recorded highest compound annual rate of growth of 21 percent in Public Expenditure in Higher Education during 1950-51 to 1979-80. Contrary to expectation, Bihar recorded highest compound annual rate of growth of 15 percent in Public Expenditure in Higher Education during 1980 to 2004.

Introduction

Education is a basic instrument in all-round development of the country. The developed nations of today attained significant achievements in social and economic development so early due to a huge level of fund allocation on education development whereas, the developing nations are lagging behind in many aspects due to insufficient budget allocation on education. It is now well understood that, on average, countries with higher levels of growth have labour forces with higher levels of formal schooling. With the shift to an information economy, globalization and flexible organizations of production, these arguments are further reinforced. Moreover, arguments that link high levels of education are linked not only to scientifically trained manpower but to higher levels of general education (Carnoy 2006). In the light of these arguments, India is putting emphasis on the growth of education, including higher education. Though India can boast of having the largest system of higher education in terms of the number of institutions, in relative terms, it still lags behind developed and even several developing countries in terms of access. The access to higher and technical education is still abysmally low, around 12 per cent in 2003-04. Obviously, this means almost doubling the access to reach a minimum threshold of 20 per cent (Prakesh, 2007). Higher education is a public good as benefits are largely derived by the society through the knowledge and human capital formation that it generates. It then follows that the primary responsibility of financing higher education rests with the government. It is, however, argued that higher education partly, if not wholly, is a private good as well since the education and skill imparted to an individual entitles him to a future income stream. From this perspective it follows that, in principle, the cost of higher education may be shared by private individual as well, particularly in case where an individual can afford to pay for the cost (Bhushan, 2008). These issues prompt us to discuss the extent of public expenditure in higher education for India and major states.

Methodology

Our data sources are secondary, i.e. Analysis of Budgeted Expenditure for different years issued by the Ministry of Human Resources Development were used. Time period of study is 1950 to 2004. Public Expenditure in Higher Education for India and major states were covered in this paper. Compound annual growth rate were calculated. This paper has been divided into three sections excluding introduction. In the first section, trend of Public Expenditure in Higher Education for center and states is discussed in detail. In the second, section public expenditure across different states is discussed. In the third section, concluding remarks and policy implications are given.

Section I

Public Expenditure in Higher Education for Center and States

Trend of Public Expenditure in Higher Education for center and states is discussed in detail in table number 1. Economic growth alone, it is felt, is not enough to generate sustainable development because the impact seldom percolates down to the bottom most section of the society. Hence, policy-makers in India, since independence, have placed an overriding importance on the provision of basic social services like education. Policy makers of independent India have a socialist bent of mind and they were of the firm opinion that imparting higher education besides elementary education is also a primary responsibility of the state. In such a political scenario public expenditure in higher education recorded high growth rate during first five year plans i.e. from 1951 to 1980. The compound annual rate of growth of central plan and non-plan expenditure during 1951 to 1980 is seventeen percent, while the corresponding compound annual rate of growth of state plan and non-plan expenditure is fifteen percent. When combined expenditure of centre and states were considered this figure comes to fifteen percent. After 1980s minor doses of liberalization, privatization and globalization were injected to overhaul the structural rigidities of economy. With the introduction of new economic policies public expenditure started to decline in all spheres of social services including higher education. Hence, public expenditure in higher education recorded a low growth rate during sixth five year plan to ninth five year plan and first two years of tenth five year plan i.e. from 1980 to 2004. The compound annual rate of growth of central plan and non-plan expenditure during 1980 to 2004 recorded lowest ebb i.e. ten percent. While the corresponding compound annual rate of growth of state plan and non-plan expenditure is eleven percent. Thus, decline in the rate of growth of public expenditure by the centre has been much sharper in comparison to decline in the rate of growth of public expenditure by the state. It is interesting to note that up to 1980 low growth rate of GDP (3.35 percent, 'Hindu growth rate') accompanied high growth rate of public expenditure. But, unfortunately high-growth rate of GDP (5.42%) during 1980 to

Table 1: Trend of Public Expenditure in Higher Education

	1951-52 to 1979-80	1980-81 to 2003-04
Total State and UT	15	11
Central Total	17	10
Grand Total	15	11
G D P	3.35	5.42

Source: UGC report on Higher Education in India (2008)

2004 witnessed lower growth rate of public expenditure of higher education. This clearly indicates that there is complete change in the mindset and priorities after the introduction of new economic policies.

Section II

Public Expenditure Across States

Deceleration of Public Expenditure has been uniform across all states. It is matter of utmost shame that there has been regular deceleration of public expenditure in higher education across all states. This clearly indicates that not only central government but on an average all states are running away from their responsibilities. Tamilnadu recorded compound Annual Rate of Growth of 12 percent in Public Expenditure in Higher Education during 1950-51 to 1979-80. But this growth rate slipped to just 1 percent during 1980-2004 period. Tamilnadu is such a state which observed maximum change in growth rate (11 percent) of public expenditure from 1950-80 to 1980-2004. Among the selected states, Gujarat recorded highest compound Annual Rate of Growth of 21 percent in Public Expenditure in Higher Education during 1950-51 to 1979-80. But this growth rate slipped to just 11 percent during 1980-2004 period. This is the second highest deceleration (10 percent) in growth rate of public expenditure in higher education during above mentioned period. It may be easily inferred that states which are highly industrialized and with high per capita income (Gujarat and Tamilnadu,) showing the highest deceleration in growth rate of public expenditure on higher education. After Tamilnadu and Gujarat, Karnataka is the third state which recorded the highest deceleration in growth rate of public expenditure on higher education. Bihar is second state after Gujarat, as per as growth rate of public expenditure on higher education is concerned during 1950-51 to 1979-80. Bihar recorded compound annual rate of growth of 18 percent in Public Expenditure in Higher Education during 1950-51 to 1979-80. But, Bihar recorded highest compound annual rate of growth of 15 percent in Public Expenditure in Higher Education during 1980 to 2004. Assam ranked second (12 percent) and Andhra Pradesh, Gujarat, Himachal and Kerala ranked third (11 percent) and Karnataka, Punjab, Orissa, Maharashtra ranked fourth (10 percent) as per as growth rate of public expenditure on higher education is concerned during 1981 to 2004.

Table 2: Compound Annual Rate of Growth (CARG) in Public Expenditure in Higher Education

State	1951-52 to 1979-80	1980-81 to 2003-04	Changes in Two Phases
Andhra	16	11	5
Assam	15	12	3
Bihar	18	15	3
Gujarat	21	11	10
Himachal	13	11	2
Karnataka	17	10	7
Kerala	15	11	4
M P	12	10	2
Maharashtra	14	10	4
Orissa	17	10	7
Punjab	14	10	4
Rajasthan	15	10	5
Tamilnadu	12	1	11
U P	14	10	4
West Bengal	15	10	5

Source: UGC report on Higher Education, (2008)

Section III

Concluding Remarks and Policy Implication

Public expenditure in higher education recorded high growth rate during first five year plans i.e. from 1951 to 1980. With the introduction of new economic policies public expenditure started to decline in all spheres of social services including higher education. Hence, public expenditure in higher education recorded a low growth rate during sixth five year plan to ninth five year plan and first two years of tenth five year plan i.e. from 1980 to 2004. It is matter of utmost shame that there has been regular deceleration of public expenditure in higher education across all states. Tamilnadu is such a state which observed

maximum change in growth rate (11 percent) of public expenditure from 1950-80 to 1980-2004. Bihar recorded highest compound annual rate of growth of 15 percent in Public Expenditure in Higher Education during 1980 to 2004.

Public expenditure on higher education should be increased to desired target of 6 per cent of GDP as outlined in the recommendations of the Education Commission in 1966 and reiterated by the national education policy, 1986 and 1992. Higher education should be fully sponsored by state at least for economically weaker section of the society.

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