



Public Expenditure on Education – Trends, Structure and Composition

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Abstract

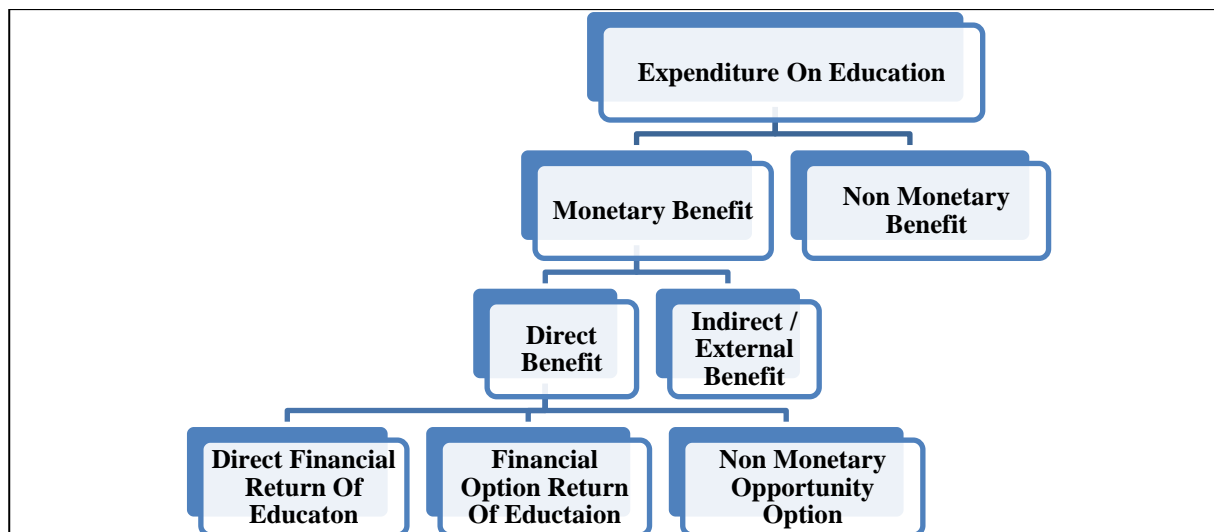
Education can be regarded as the most essential indicator of the quality of a country's human capital. Both education and economic development are interlinked. Economic development can be regarded as a function of education. Every country is blessed with resources. However, lack of skilled human capital can slow down the economic growth and development, thus, the need for investment in education arises

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INTRODUCTION

Education can be regarded as the most essential indicator of the quality of a country's human capital. Both education and economic development are interlinked. Economic development can be regarded as a function of education. Every country is blessed with resources. However, lack of skilled human capital can slow down the economic growth and development, thus, the need for investment in education arises. Alfred Marshall pointed out

that Investment in education is considered to be the best way of investment compared to investment in any tangible assets. Investment in education in the form of expenditure means that the future gains as a result of increased productivity can be ensured when certain level of expenditures are incurred for the acquisition of skills or knowledge. Incurring expenditure on education thus plays a vital role for the human capital.



Source: Inferred from Economics of Education

Sources of educational finance:

In India, the source of financing education can be domestic or external. External source include, aids, loans and others .domestic include private source (fees, maintenance, gifts, endowments, and others) and public source (Government - Central and State and Quasi Government - Districts , Municipalities and Panchayaths) (Varghese and Tilak 1991)

Indian constitution has well defined the responsibility of financing the education and the

way to manage it. Accordingly, education lies in the concurrent list where the responsibilities to make any provision with respect to education lies in the hands of both the centre and the states. According to P.K.Mishra educational finance constitutes the entire fund that is from the part of government and non government agencies. These funds are incurred for the improvement, expansion and maintenance of the education.

Financing of education in India

The following are the recommendations of the committee/ education policy with regard to finance the education in India.

Table 1: Recommendations of Education Policy / Committee

YEAR	EDUCATION POLICY / COMMITTEE	RECOMMENDATIONS
1948-49	Kher Committee	A certain % to be allotted for education wherein 70 per cent of the total expenditure on education should come from the local bodies and provinces
1964-66	Kothari Commission	Public expenditure on education should reach the level of 6 per

		cent of GNP by 1986 ¶
1968	National Education Policy	Educational investment to be gradually increased to reach a atleast 6 % of national income at the earliest
1976	42nd Constitutional amendment	Education now comes under both centre and state jurisdiction

1986 (with revisions in 1992)	National Education Policy	An outlay on education where in more than 6 % of national income is allocated from eighth plan. ¶
1992	73rd and 74th constitutional amendment	financing and implementing education programmes to be made also by the local bodies
1996	Saikia Committee	expenditure of 6% of GNP on education with 50 per cent of it earmarked for primary education.
2004	National Common Minimum Programme of present UPA Government	Raise public spending in education to at least 6 per cent of the GDP and that tooto be done in a phased manner.
2006	CABE Committee	6 per cent of GDP earmarked for education, the shares of elementary, secondary and higher secondary (as % of GDP) will be 3, 2 and 1 respectively.

Source: Reports of Ministry Of Education

Thus given the above information on proposed level of expenditure on education , the study aims at analysing the public expenditure of education and the underlying trend.

Review of Literature

Education helps in achieving economics efficiency and is itself considered to be an important form of investment. There exists a positive relation between investment in education and economic growth (Vishwanath

2010). Every country must incur expenditure in education if the fruits of education are to be reaped. It is also opined that the expenditure on education is indispensable as the need to promote growth and equity could be promoted (Eturoma and Edame , 2015). Usually public expenditure in education is welcomed as the social benefits of education exceeds the private benefits, the government has a major role to play in order to avoid the under investment (Chakraborty et al, 1996). Also when the

education is provided subject to the prevailing market conditions, then there would arise a scenario wherein the ones who could afford to pay the fees would enrol themselves leading to an underinvestment in education (Foster, 1987). A much breakthrough happened when the Kothari commission shaped the policy of education back in 1966 where in the Kothari commission recommended to have the public expenditure on education at least to a level of 6 % of GDP . However, it was the studies of Tilak (1987)that led to the findings that the public expenditure on education consist of around 3.6 percent of GNP which is far short than what the Kothari commission recommended. There was also a decline in the expenditure of education from first five year plan to the sixth five year plan. According to Jandhyala (2006) , it was because of this lack of expenditure on education that leads to the failure in realising our educational targets and goals. Once a country allocates 6 percent as mentioned by the committee in education then the fruits of education are much more than expected. Another study by Anuradha and Tanuka (2008) found that the overall share of public expenditure on education is less than 4 % in proportion of GDP. They also pointed out that the role of central government is indispensable when it comes to the education finance of states. Other studies pointed out that the public expenditure on education by both the central and

state government usually was around 3-4 % since 2001. Mere highlighting the need for incurring public expenditure in education is mentioned in various studies. Despite the positive impacts of education expenditure on economic growth, there is also an urgent need to improve the public spending management system, thereby sustaining development. There should be innovation in education where knowledge is navigated for the economy.

Objectives of the Study

1. To analyse the trends, structure and composition of educational expenditure on education.
2. To study the patterns of public expenditure on education and analyse the changes.

Database and Methodology

Data on total expenditure from 2008-09 to 2014-15 is collected from various issues of Ministry of Human Resource Development, Government of India. Data on expenditure in various budget analysis of GOI is also reviewed and descriptive statistics is used to analyse the same.

Expenditure on Education by the Centre and the States Government

Education is important. However, the amount of quality that can be ensured depends on the amount allocated towards the sector. From the

table 2 it is evident that the expenditure on education by both centre and states shows an increasing trend in absolute terms since 2008-09. However, in terms of growth rate, it is clear that both centre shows a decline from 20.2 in

2008-09 to 16.4 in 2014-15 and from 21.8 in 2008-09 to 9.4 in 2014-15 in terms of states. Also, the total AGR of both states and centre declined to 8.1 in 2014-15.

Table 2: Expenditure on Education by the Centre and the States Government (In 1000'S)

YEAR	STATES (A)	AGR (A)	CENTRE (B)	AGR (B)	TOTAL (A &B)	AGR (A&B)	AS A % OF GDP (STATES)	AS A % OF GDP(CEN TRE)	TOTAL AS A % OF GDP (A & B)
2008-09	141091.3	21.8	47977.59	20.2	189068.8	21.4	2.66	0.9	3.56
2009-10	177232.8	25.6	64023.23	33.4	241256.0	27.6	2.9	1.05	3.95
2010-11	212817.5	20.1	80660.73	26	293478.2	21.6	2.94	1.11	4.05
2011-12	261492.8	22.9	89652.98	11.1	351145.8	9.6	3.12	1.07	4.18
2012-13	294013.2	12.4	109223.3	21.8	408421.7	16.3	3.13	1.16	4.29
2013-14	347893.3	18.3	124118.2	13.6	465142.8	13.9	3.26	1.18	4.44
2014-15	380440.0	9.4	122489.3	-1.3	502929.4	8.1	3.32	1.2	4.52

Source: Ministry of HRD- GOI - Various Issues

When on the basis of the recommendation from the education commission, the Government of India, fixed 6 percent to be spend on education, it must be noted that we are still far away from achieving the same. It is evident that the expenditure as a percentage of GDP is still below the necessary level. There is only a meagre increase in the expenditure on education as percentage of GDP in terms of centre i.e. from 0.9 in 2008-09 to 1.2 % in 2014-15. However,

compared to centre, the share of state as a percentage of GDP could be seen taking an improvement phase to 3.32 % in 2014-15. On the whole the share of expenditure as a percentage of GDP of both state and centre could be seen as 4.52 % in 2014-15 which calls in for more attention as the need to allocate a higher share in the sector is quite evident if the quality of education is to be maintained.

Intra-Sectoral Allocation of Public Expenditure on Education

Table 3: Inter Sectoral Allocation of Public Expenditure on Education in India

Year	Expenditure on elementary	AGR	% of total expenditure	Expenditure on secondary	AGR	% of total expenditure
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	sector			sector		
2008-09	79000.85	-	51.69	45504.08	-	29.78
2009-10	95573.49	20.98	50.27	59471.25	30.69	31.28
2010-11	122504.06	28.18	50.13	75141.21	26.35	30.75
2011-12	140900.96	15.02	50.21	85857.61	14.26	30.60
2012-13	152499.26	8.23	50.97	88142.67	2.66	29.46
2013-14	173530.68	13.79	49.26	104514.53	18.57	30.64
2014-15	195954.42	12.92	50.40	118388.51	13.27	30.45

Source: Issues of MHRD :GOI

From the table 3 it can be inferred that the expenditure on elementary sector is greater than the expenditure on secondary sector both in terms of AGR and in terms of percentage of total expenditure. Thus, we may say that the priority is towards the elementary sector compared to the secondary sector. However, a close look towards the AGR reveals that there was a declining trend from 2008 to 2012 from 20.98 to 8.23 . with respect to expenditure on secondary sector, there was also a decline in the AGR since 2008-2012. 2013- 14 witnessed a hike in both elementary and secondary sector. This may be attributed to the fact that 2013 saw an increase in the infrastructure facilities in school such as construction of 2,77,093 school buildings, construction of 15,87,836 additional classrooms, provision of 2,23,939 drinking water facilities, construction of 7,83,349 toilets, appointment of 15.06 lakh teachers, in-service training for 53.33 lakh teachers at block and cluster resource centres. (economic survey 2013)

According to ASER report (2013) , there were increase in libraries, toilets and drinking water facilities during the year. However, the infrastructure facilities was not upto the mark as the same classroom were used for different classes, the attendance level was too low.

It is evident that the share of education came down during the past few years and the the proportion of budget on education was even higher during 1950s. It was quite evident that the wide spending in terms of education started during the 60s, to 80s. The share of expenditure on education could be seen taking a back seat especially in the secondary sector. It is also evident that the share of the expenditure on education of kerala has come down .

In terms of the percentage of total expenditure, in elementary sector, a declining trend could be seen ‘ since 2008-09 except during 2014-15. The share of public expenditure in 2014-15 was 50.40.

In terms of the percentage of total expenditure, in elementary sector, a declining trend could be

seen ‘ since 2008-09 except during 2014-15. The share of public expenditure in 2014-15 was 50.40 compared to 51.69 percentage in 2008-09. In terms of percentage of total expenditure in terms of secondary sector, it is clear from the table that there is an increase in the percentage of total expenditure from 29.78 to 30.45 in 2014-15. While making a comparison of data between elementary sector and secondary sector, it is clear that the percentage of expenditure is less in secondary sector compared to elementary sector.

Conclusion

Education is very important as it helps in improving the lives of many thereby leading to economic growth and development. In order to reap the full benefits of the sector, certain level of expenditure is quite essential. However, the share of expenditure on education is less than 5 % with respect to GDP. The expenditure on education though having a fluctuating trend is hasn't reflected any positive change especially in the secondary education.

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