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**CHANGING SCENARIO OF PUBLIC EXPENDITURE ON EDUCATION: REVIEWING THE EXPERIENCE OF INDIA**

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**ABSTRACT**

*Education is the milestone of accelerating the growth of the nation. The role of education in facilitating social and economic progress is well recognized. It opens the opportunities leading to both individual and group entitlements. Education, in its broadest sense of development of youth, is the most crucial input for empowering people with skills and knowledge and giving them access to productive employment in future. Improvements in education are not only expected to enhance efficiency but also augment the overall quality of life. This paper analyses major trends in financing education in India, including expenditures by the central government, state governments which can be judged in terms of adequacy, equity and efficiency. It also examines the level and composition of public expenditure on education and the mechanisms of resource sharing, allocation and utilization, in aggregate as well as separately for the centre and the states. It finds that while expenditure in real terms increased during the 1990s it has stagnated since then.*

**KEYWORDS**

Education, Finance, Investment, Public Expenditure, State Government.

**I. INTRODUCTION**

Economic growth of a nation is mainly determined by social and economic factors. It has been determined when a nation find itself self-sufficient and developed sufficiently. Education is recognized as an engine of social and economic development. Thus investment in education enhances labour productivity, income generation, poverty reduction, human resource development etc. Financing of education has been a matter of great concern and major policy challenge across all the countries. A country's education sector competes for public resources with all other sectors and has been a competition for resources within various sub-sectors of education. There was a time when the educational development of a nation occurred exclusively with the availability of public resources and the private participation was not considered that much necessary and a good practice. The governments were having sound budgets and providing sufficient resources to the education sector, at least, up to the elementary and secondary levels.

India is in the forefront among the developing nations and its major challenges are unemployment, inequality and poverty. All these obstacles are largely due to low level of public expenditure on education in India. These can be reduced with the help of providing better education facilities. Against this background, this paper has made an effort to examine the variations in the trend of public expenditure on education.

**II. REVIEW OF LITERATURE**

Education sector helps in the building of human capital in productive way. So, an attention from the government is essential for these phenomena. Various literatures highlight about the contribution of public expenditure in education sector which accelerates the growth of the nation. Anbalagan (2011) made an effort to examine the trend of public expenditure on education in the post-liberalization period in India. He also expressed his view regarding the importance of public expenditure in education in order to accelerate employment generation, labour productivity, as well as reduce the level of poverty in a developing economy. De and Endow (2008) in their article both of them expressed their opinion about the level and composition of public expenditure on education in India and the allocation of resource in aggregate separately for the centre and the states. They also made strong emphasis upon the Education Policies related to Financing of Education in India which plays a significant role in maximizing the productivity and efficiency of an economy. Tilak, Jandhyala (2003) explains in his article about growth in public expenditure on education in India during the post independence period. His article focuses on inter-sectoral allocation of resources, centre-state relation in financing education and regarding the public expenditure on education.

**III. OBJECTIVE OF THE STUDY**

The role of public expenditure in education is playing a majestic role in transforming all the human beings into the productive human capital. The present paper focuses on the education system of India and the changing pattern of public expenditure on education. By taking both these themes this study has the following objectives:

- To examine the trend of public expenditure in educational sector and its contribution to GDP.
- To examine various expenditure status during the five-year plan periods.
- To analysis the trend and growth of central and state government expenditure to bring improvement in education sector.

**IV. DATA COLLECTION**

For the purpose of this study, data are obtained mainly from Reserve Bank of India (RBI) Data Base, Various issues of Economic Survey, Government of India Ministry of Human Resources Development (MHRD), Five Year Plan documents and from various research articles.

**V. EDUCATION AND ECONOMIC DEVELOPMENT**

Now-a-days the role of education is considered to be the single most important means for individuals to improve personal endowments, build capability levels to be creative which will accelerate the progress of a developing economy like India. In this regard the emergence of education explores the available set of opportunities and makes a way for a sustained improvement in wellbeing. It also promotes economic growth, national productivity and innovation, and values of democracy and social cohesion.

Economic development generally refers to the sustained, concerted actions of policymakers and communities that promote the standard of living and economic health of a specific area that involve multiple areas including development of human capital, infrastructure, regional competitiveness, environmental sustainability, social inclusion, health, improving literacy, and other initiatives. More importantly, it is a critical invasive instrument for bringing about social, economic and political inclusion and a durable integration of people, particularly those 'excluded', from the mainstream of any society. Considering all factors following are the major benefits of education to the economy of a nation.

- Education plays a major catalyst in reducing the economic inequalities among the individual of a nation. By enabling larger numbers to share in the growth process, education can be the powerful force that lifts all barriers towards maintaining the status of economic development.
- An educated and skilled workforce is one of the pillars of the knowledge-based economy. Better educated man power in a nation contributes to improved productivity which leads to higher income; improved economic stability and it provide the inner intensity to compete with developed economy.
- Education also reduces crime: poor school environments lead to deficient academic performance, absenteeism, and drop out—precursors of delinquent and violent behaviour.

- Now-a-days in the ongoing process of industrialization the role of environment is a major concern. Education provides the knowledge to manage the environment in various ways. It can enhance natural resource management and national capacity for disaster prevention and adoption of new, environmentally friendly technologies.
- *Education brings about a rapid change in lowering infant rate and child mortality rates in a developing nation like India.* Women with some formal education are more likely to seek medical care, ensure their children are immunized, be better informed about their children's nutritional requirements, and adopt improved sanitation practices. As a result, their infants and children have higher survival rates and tend to be healthier and better nourished.

## VI. PUBLIC EXPENDITURE AND EDUCATION IN INDIA

Economic development of any country can be reflected by its enriched economic resources and human resources. Thus, with the development of economic resources human development is also vital for prosperity of a nation. A basic component of human development is education. It captures capability of acquiring knowledge, communication and participation in community life. According to Human Development Report (1993), literacy is a person's first step in learning and knowledge building and as a result literacy indicators are essential for any measurement of human development. Education holds the key to progress for any inclusionary society and the government, acting as an instrument in providing education bears an important responsibility. The concept of the national system of education implies that up to a given level, all students irrespective of caste, sex or location, have access to education of a comparable quality. There are many educational indicators: literacy rate, enrolment rate, drop-out rate etc. by which the quantity and quality of education can be determined. Ever since the commencement of economic planning in 1951-52, the education sector has remained the priority sector of the central as well as the state governments. In the first plan, top priority was given to elementary education, keeping the secondary education at the back burner, the situation changed during the second and third five year plan, when the higher education and technical education got prominence, the pattern of public expenditure remained almost same during IV, V, VI and VII Five Year Plan. The primary education again came into prominence during VIII, IX and X Five Year Plan because of high spending on programmes like the mid-day meal scheme. At these plan periods expenditures have made hugely and efficiently for the progress of elementary education throughout the country.

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 and technical education. Thus, all the three sectors along with the technical education create the final demand for and output of education for the country as a whole.

## VII. TRENDS AND GROWTH OF PUBLIC EXPENDITURE ON EDUCATION

The expenditure of Central government assumes significance in view of mobilizing state governments to initiate new programmes by providing matching grants, thus providing the required impetus. The Union Government Education budget increased considerable during last decade. Expenditure of union government on education is increasing throughout the years i.e., from 2000 to 2010. In the year 2000-01 the expenditure was 7925.2 crores which shows an increasing trend in next years. In 2009-10 it also increases to 42000 crores. Similarly, the percent of GDP also rises from 0.37 to 0.74 from year 2000-01 to 2009-10. Due to the increase in expenditure the percent of total budget also shows an accelerating trend. (Table 1)

TABLE 1: EXPENDITURE ON EDUCATION BY UNION GOVERNMENT

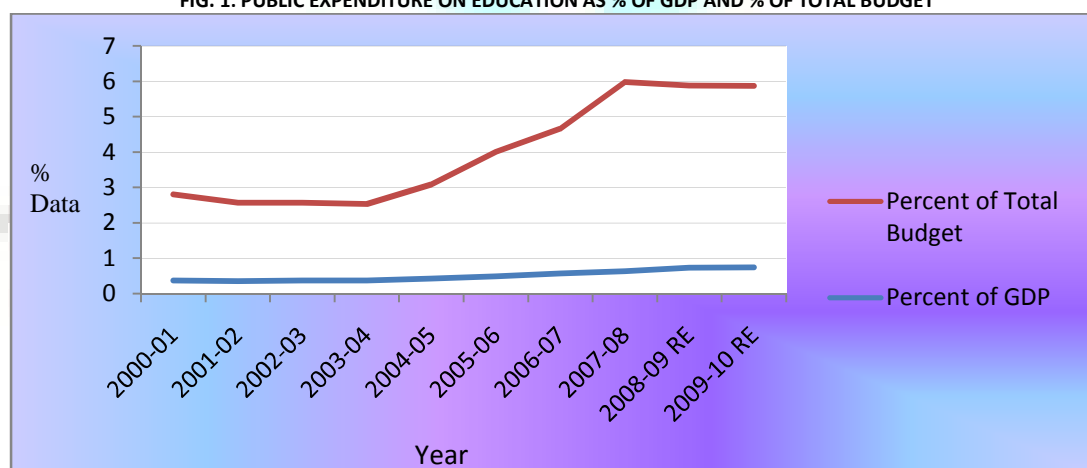
Year	Expenditure('crores)	Percent of GDP	Percent of Total Budget
2000-01	7925.2	0.37	2.43
2001-02	8037.0	0.35	2.22
2002-03	9089.3	0.37	2.20
2003-04	10,177.5	0.37	2.16
2004-05	13,228.7	0.42	2.66
2005-06	17,809.6	0.49	3.52
2006-07	23,809.6	0.57	4.09
2007-08	29,588.7	0.63	5.35
2008-09 RE	38,702.9	0.73	5.15
2009-10 RE	42,000.0	0.74	5.13

RE: Revised Estimates

Source: Based on Union Budget 2008-09 and related budget documents of previous years and Economic Survey 2007-08 and earlier years.

The graphical representation of percent of GDP and percent of total budget (from table 1) gives a clear picture of increasing impact of public expenditure on the education. (Figure 1)

FIG. 1: PUBLIC EXPENDITURE ON EDUCATION AS % OF GDP AND % OF TOTAL BUDGET



As we know that every nation's growth and prosperity depends on the human development of the country which is only possible by educating the mass, the government should give attention for the expenditure part of the education. In the context of India, compare to secondary and higher education the role of elementary education makes a significant position in order to shape a new outlook in the process of economic development of a nation. Thus the government of India made a sincere effort to provide huge investment to implement the objective of elementary education. Expenditure on elementary education by central and state government is highlighted in the table 2.



TABLE 2: EXPENDITURE ON ELEMENTARY EDUCATION (Rs. 0,000,000)

Year	Central Government					State Governments	
	Total Allocation on Education	Allocation on Elementary Education (EE)	% Allocation on EE	% Increase EE	% allocation on Mid-Day meal to total EE allocation	% Budget to Education	% Budget to EE
2000-01	4858.8	3117.4	64.2		42	20.1	9.8
2001-02	5560.1	3569.2	64.2	15	29	18.2	9.7
2002-03	6380.0	4257.6	66.7	19	24	18.0	9.7
2003-04	7371.1	5201.0	70.6	22	26	16.3	9.6
2004-05	10133.2	7710.2	76.1	48	21	16.4	9.5
2005-06	14552.5	11749.3	80.7	52	27	17.0	10.2
2006-07	20213.8	16560.0	81.9	41	32	17.1	10.3
2007-08	25452.4	20304	79.8	23	37	17.4	10.4
2008-09	34393.5	21795	63.4	7	37	17.6	10.4
2009-10	42000	25000	59.2	15	35	17.8	10.3

Source: Union Budget 2008-09: Expenditure Budget Vol II, Financial Statistics of Education during the 8<sup>th</sup>, 9<sup>th</sup> and 10<sup>th</sup> Five-Year Plans. MHRD Budget statistics 2000-09

Table 2 provides data regarding the central government's total allocation on education as well as on elementary education. Similarly this table puts light on the % allocation on elementary education as well as its % increase. Percentage allocation on mid-day meal to total elementary education allocation is also a part of the table. State government's percentage budget to education and elementary education is also shown in the given table. The central government's allocation on education and elementary education is increased from 4858.8 to 42000 and 3117.4 to 25000 from 2000-01 to 2009-10 respectively. The given data in the table shows that the government is also very much attentive towards the growth of education by which the nation can also grow rapidly. During the plan periods the government has also made expenditure on the education sector. Table 3 categorically shows expenditure as percentage of total social sector expenditure. The total five-year plan period expenditure is given in the table 3.

TABLE 3: EXPENDITURE ON SOCIAL SECTOR AND EDUCATION DURING FIVE-YEAR PLANS IN INDIA

Plan	Expenditure on higher education as % of social sector expenditure	Expenditure on elementary education as % of total	Expenditure on secondary education as % of total	Expenditure on higher education as % of total
1951-56	36.52	56	13	31
1956-61	35.52	35	19	46
1961-66	47.21	34	18	48
1966-69	37.77	24	16	60
1969-74	32.57	30	18	52
1974-79	25.03	35	17	48
1979-80	14.02	NA	NA	NA
1980-85	18.70	30	25	45
1985-90	21.98	34	22	44
1990-92	24.69	37	22	41
1992-97	24.32	47	18	35
1997-02	26.03	66	11	23
2002-07	23.22	66	10	24
2007-12	31.51	50	20	30

Sources: (i) Five-Year Plan documents. (ii) Economic Survey (various issues)

This table has data regarding plan wise expenditure on elementary education, secondary education, and also on higher education. In the 1<sup>st</sup> five year plan expenditure on elementary education was 56% of total sector. It has achieved its peak at the plan period of 1997-02 and 2002-07. Similarly, secondary education has maximum expenditure in 1980-85 i.e., 25% of total social sector.

## VIII. CONCLUSION

Development of a nation is no doubt depends on its man power. For enriched man power it is necessary to educate the mass of the society which is impossible without proper educational system. Educational system, like all modern organisations, runs on money. It is widely felt that essentially constraint by resources, many educational plan and reform either failed or did not take off in several developing countries including India. though huge amount of investment are made in education they are not adequate enough to meet the quality of education. For the improvement of quality of education it requires a specific and huge amount of investment which will result in a significant change in educational technology and that fosters the growth a nation. Summarizing all it can be said that education is long term investments which contribute to socio-economic development quite significantly and ends itself in human resource development.

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