



# PUBLIC EXPENDITURE ON EDUCATION - A CRITICAL ANALYSIS

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**Abstract:** - It is the constitutional obligation of the government of India to provide for equitable education facilities for the public at large. This constitutional obligation in turn necessitates incurring public expenditure to achieve the objective. The subject matter of education appears in the concurrent legislative list of the constitution. Union and State governments therefore have joint responsibility for education. Since the last three decades India has been spending around 4% of GDP on education. In the first Policy on education adopted in 1966 the recommendations of the Kothari Commission were accepted to raise spending on education up to 6% of GDP. This target adopted in the first education policy has however not been actualised until now even though the country has promulgated two more education policies since then in 1986 and 2020. The new education policy 2020 also envisages spending 6% of GDP on education. This study is concerned with the magnitude of public expenditure incurred on education both by central and state governments under revenue and capital heads. We find that revenue expenditure on education has consistently been more than the capital expenditure which implies that governments have been spending less on development of educational infrastructure. We also find that Central Government expenditure on education has been less than that incurred by various state governments.

**Keyword** - Public expenditure, education, GDP, revenue expenditure, capital expenditure etc

**Introduction-** Education is an important factor which affects any country's progress. Over a period of time, in many economic theories it has been recognised that investment in human capital and research positively affects the economic growth of any country. Lucas in 1988 developed the theory of investment in human capital and so Romer in 1990 developed the theory of investment in research and technology. In Economics many economists have recognised the importance of investment in human capital which can be created by systematic expenditure on education. Education plays a vital role in the development of any country. That is why governments in developing countries seek to invest in the education sector to enhance the quality of human capital. The Indian government acknowledged the role of education in the development process at the earliest just after independence. In 1950 after the setting up of the planning commission, the government had given the responsibility to the planning commission to make plans for expenditure on elementary and secondary education with the objective of improving then abysmally low literacy rates in the country. First education reform in the country took place in 1968 on the recommendations of the Kothari commission. Till now three education policies have come into effect. All education policies have recommended raising the expenditure on education up to the level of 6% of GDP,

the recommendations which have not been implemented until now. In 2011 the government spent 3.36% of GDP on education and in 2019-20 government spending is around 3% of GDP on education, much below the target in terms of GDP percentage, even though the public expenditure on education has relatively increased over the period since independence particularly when seen in backdrop of the quantum of expenditure incurred on education in 1951 which was only 0.64% of GDP.

Brief description of important education policy reforms relating to the expenditure on education.

Education committee	Year	Recommendations
Kothari commission	1964 -66	The Kothari Commission had recommended allocation of 6% of GDP on education by the government. Education structure- 10 + 2 + 3
National education policy.	1968	This policy was released by the Government based on recommendations of the Kothari Commission. Recommendations made by the Kothari Commission to increase the investment on education up to the level of 6% of GDP as early as possible were accepted by the Government. Education structure- 10 + 2 + 3
National education policy	1986	NEP 1986 also endorsed recommendations of the Kothari Commission to increase the level of education expenditure so as to reach to 6% of GDP.
73 <sup>rd</sup> and 74 <sup>th</sup> constitutional amendment	1992	The amendments mandated the State Governments to enact laws to devolve power to elected bodies in village and urban levels. This facilitated decentralisation of school education making the districts as the primary unit for development of education.
86 <sup>th</sup> constitutional amendment	2002	Through this amendment Right to Education- was added to Article 21-A of the constitution as a fundamental right, making provision for free and compulsory education to all children in the age of 6 -14 years.

Source- MHRD Website and various committee documents.

**Objectives-**

- The paper examines:- (1) the government expenditure on education.
- 2-Trends of public expenditure on education and reasons for lagging behind the desired level of public expenditure on education.
- 3- The composition of public expenditure on education.
- 4- Trend analysis of state and central public expenditure on education.

**Public Expenditure on Education & its Trends-** Till now, many papers have established that public expenditure on education has been increasing as the country has moved forward on the path of development. In this research paper we analyse the public expenditure on education for a period from 2005-06 to 2014-15 of 10 years data. Expenditure incurred on Education during this period is mentioned below in table.

Total Public Expenditure on Education (Centre)

Year	Public expenditure on education, Art and culture. (in crore)	Public expenditure on scientific service and research. (in crore)
2005-06	19185.86	8037.72
2006-07	25340.31	8900.37
2007-08	29072	10067
2008-09	38375	12653
2009-10	42862	15310
2010-11	55395	16566
2011-12	63010	17036
2012-13	69105	16959
2013-14	78035	18761
2014-15	73208	20296

**Source-** Indian public finance statistics 2008-9 and Indian public finance statistics 2017-18.

Total Public expenditure on education comprises two elements one public expenditure on education, art and culture and the other being expenditure on scientific service and research. By analysing the above table we can conclude that public expenditure on education, art and culture has increased from Rs. 19185.86 crore in 2005-06 to Rs. 7308 crore rupees in 2014-15. Similarly, Public expenditure on scientific service and research has increased from Rs. 8037.22 crore in 2005- 06 to Rs. 20296 crore in 2014-15. So we may conclude that in absolute terms public expenditure has definitely been on increase over the years.

**Composition of public expenditure-** The aggregate public expenditure incurred by the government on education has been classified in two parts in the study for analysis purposes : revenue expenditure and capital expenditure to learn the precise impact of the expenditure on expansion of education. As per actual figures of expenditure, most of the government expenditure has been incurred in the revenue account and a very little amount has been spent in the capital account but this could not be taken to mean that there has been no or little capital creation or infrastructure development in the education sector. There could be no denying that a palpable infrastructure development is conspicuous in the education sector even with this

much expenditure. One of the major reasons for low expenditure in the capital account appears that grants in aid for creation of education infrastructure have been mentioned in the revenue account.

Public expenditure incurred by the Government on education in the revenue and the capital account is shown in the below mentioned table-

#### Total Revenue Expenditure (Centre)

Year	Public expenditure on education	Public expenditure in art and culture	Public expenditure on scientific service and research
2005-06	18482.82	644.20	6872.69
2006 -07	24589.78	697.98	7722.33
2007-08	28217	798	8479
2008-09	37271	1022	10807
2009-10	41550	1145	13084
2010-11	53966	1294	14034
2011-12	61624	1293	14783
2012-13	67597	1364	14416
2013-14	75908	1962	15604
2014-15	71001	2050	17056

Source- Indian public finance statistics 2017-18 and Indian public finance statistics 2008 -09.

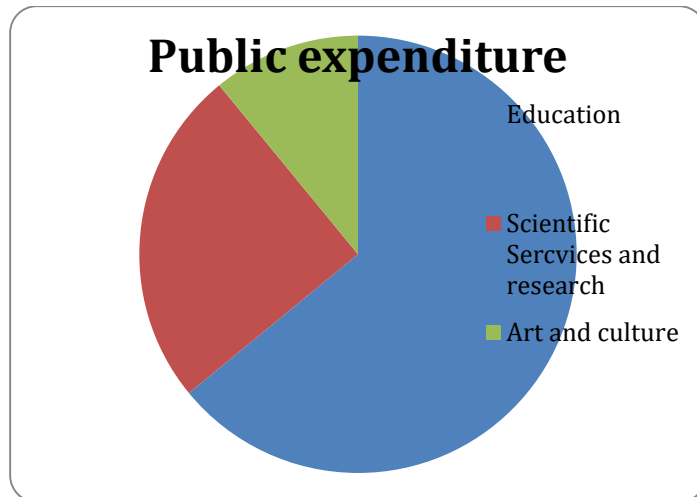
#### Total Capital Expenditure (Centre)

Year	Public expenditure on education art and culture.	Public expenditure on scientific service and research.
2005-06	58.84	1165.03
2006-07	52.55	1178.54
2007-08	57	1588
2008-09	82	1846
2009-10	167	2226
2010-11	136	2529
2011-12	93	2553
2012-13	143	2543
2013-14	165	3147
2014-15	157	3240

Source-Indian public finance statistics 2017-18 and Indian public finance statistics 2008 -09.

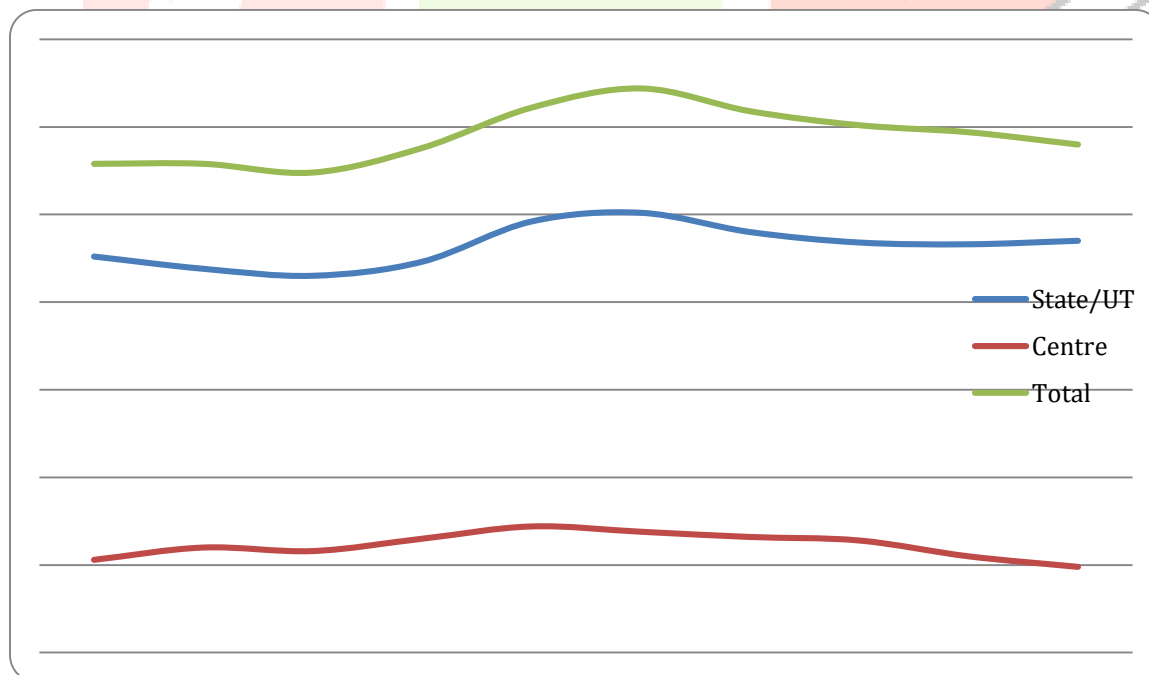
The composition of public expenditure shows that government is spending more on revenue expenditure in comparison to capital expenditure, while it is evident from the data on public expenditure in education that both the revenue and capital expenditure have increased over the period. Besides, Public expenditure on education also includes expenditure incurred on two other sectors as it's integral part, namely public expenditure on education, art and culture and that made on scientific research and service.

Sectoral composition of public expenditure on education.



Source - Union Budget Documents.

**Trend analysis of Public Expenditure on Education-** There are several studies on public expenditure on education which show that there has been an increase in public expenditure but the growth of public expenditure in education is still insufficient and is far away from the target of 6% of GDP as recommended in different education policies. India is spending almost 4% of GDP as the public expenditure on education which includes the expenditure incurred by the state governments and Central Government both. This four percent of GDP constitutes the total expenditure incurred by the central and state governments. The below mentioned graph shows the Trends of public expenditure as a percentage of GDP.



Source- Analysis of annual budget MHRD document.

The above graph shows that public expenditure in education has an increasing trend. If we see the central and state government's expenditure, we observe that the share of centre's expenditure in the total has registered an increase during period from in contrast to the share of state expenditure in the total which has registered a decline during the same period notwithstanding that states continue to bear the major share of expenses on education. This is a noticeable point. Funds in the education sector come from allocations made by both the central and state government. Most of the revenue is collected by the central government but the state government has the responsibility to maintain and develop the education sector. The lack of resources can be one of the reasons for the decline of state share of public expenditure in education. This resource gap could possibly be filled by the central government by transfer of funds to the States by provision of grants in aid on the recommendation of the finance commission and assistance to state governments.

**Conclusion-** It is evident that public expenditure has increased over the period as the country focused on economic development. But India is still facing the problem of resource mobilization and lack of resources is the main reason that public expenditure in education is below the required level. For India it is a challenging task to reduce poverty and unemployment which could possibly be addressed to considerable extent only through investment in human capital. Paper analyses that during the last decade the role of central public expenditure has increased. Paper reports that the increase in public expenditure in the capital account is much lower than the increase in the revenue account. Low capital expenditure in education is the indication of misallocation of resources. Paper asserts that public expenditure on scientific services and research activities are less in comparison to public expenditure in education, art and culture that is why the research sector is underdeveloped in India which, in turn, may result in migration of prospective researchers to other countries. But there are some positive signs too as the capital expenditure on scientific service and research activities are more in comparison to revenue expenditure which will create the assets and development of research infrastructure in the education sector. Since education is a public good, it is the duty of the government to ensure access to education to all people, especially to the poor people who cannot afford private institutions' fees. Lastly, educational expenditure is necessary for development but the quality of education is more important. Therefore the government should try to reform the education sector for quality education. Another point is that the government should try to achieve the target of allocating 6% of GDP in the education sector. The efficiency of spending and mobilization of resources should also be considered as it will prevent the misallocation of resources.

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