

LOK SABHA SECRETARIAT

PARLIAMENT LIBRARY AND REFERENCE, RESEARCH, DOCUMENTATION
AND INFORMATION SERVICE (LARRDIS)

MEMBERS' REFERENCE SERVICE

REFERENCE NOTE

No. 21/RN/Ref./2014

For the use of Members of Parliament

Not for Publication

BUDGET FOR EDUCATION SECTOR IN INDIA

The reference material is for personal use of the Members in the discharge of their Parliamentary duties, and is not for publication. This Service is not to be quoted as the source of the information as it is based on the sources indicated at the end/in the text. This Service does not accept any responsibility for the accuracy or veracity of the information or views contained in the note/collection.

BUDGET FOR EDUCATION SECTOR IN INDIA

Education is the most important lever for social, economic and political transformation. A well-educated population, equipped with the relevant knowledge, attitudes and skills is essential for economic and social development in the twenty-first century¹.

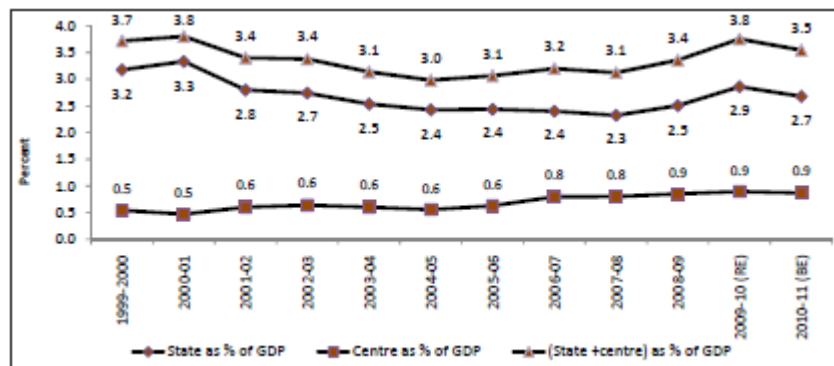
Education has been assigned a high priority in the development policy objectives in India. Provisioning of education- both for its coverage as well as quality - requires significant amount of financial resources.

GOVERNMENT SPENDING ON EDUCATION IN INDIA

The pattern of Union and State Government expenditure on a particular sector reflects the priority for the sector in public policies. In this regard, the recommendations of the Kothari Education Commission (1966) on the issue of government financing of education are important benchmarks. The commission estimated the financial requirements of the educational system in India up to 1985-86, and recommended that “if education is to develop adequately, the proportion of Gross National Product (GNP) allocated to education will rise ... to 6.0 per cent in 1985-86”. Of the several recommendations made by the Kothari Commission, this 6 per cent of GNP is one that was accepted and resolved by the Government of India in the National Policy on Education (NPE) in 1968.

In the last one and a half decades, India’s total public expenditure on education as percentage of GDP was the highest (3.8 percent) in 2000-01; but this level could not be sustained in the following years and it came down to 3.0 percent by the year 2004-05 (see Figure 1).

Figure 1- India’s total Public Expenditure on Education as proportion of GDP (percent)



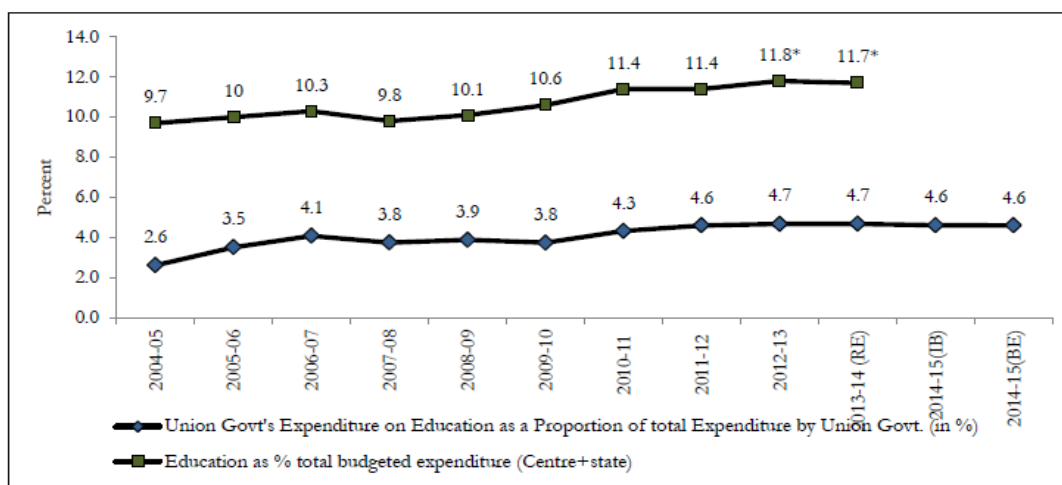
¹ India, Planning Commission, 12th Five Year Plan 2012-17, New Delhi, 2013, p.47

The present level of total public spending on education in the country (taking the spending by not just Education Departments at the Centre and in the States but also the other Departments that spend on educational services) works out to 3.5 percent of the GDP (2010-11). But, even this proportion falls much short of the 6 percent of GDP recommended in 1966 by the Kothari Commission and reiterated in 2006 by the CAGE (Central Advisory Board of education) committee.

If we look at the shares of spending on education by the Centre and the States separately, we find that Centre's share has been showing an increasing trend over the years and moving up from 0.5 percent of GDP in 2000-01 to 0.9 percent of GDP in 2009-10 (Revised Estimates), while State's share has declined from 3.3 percent of GDP in 2000-01 to 2.7 percent of GDP in 2010-11. However, the Centre bears only one fourth of the total government spending on education, whereas the rest three-fourth of the spending comes from the State Governments².

In the last ten years, i.e. during 2004-05 to 2014-15 Budget Estimates (BE), the Government's spending on Education as a proportion of total Union Budget has increased by 2 percentage points. However, a marginal decrease in share is observed in 2014-15 allocations compared to 2012-13 and 2013-14 Revised Estimates (RE). The Government's budget for education accounts for 4.8 percent of the total Union Budget for 2013-14, rising from the level of 2.6 percent of the total Union Budget for 2004-05 (Figure 2)³.

Figure 2-Trends in Total Budgetary Spending on Education (in percent)



Source: Has the Tide Turned; Response to Union Budget 2014-15, CBGA July 2014, p. 10

Note: Union Government's expenditure on Education covers expenditures by Education Department only; * Education figure for centre and state combined are for 2012-13 (RE) and 2013-14 (BE) Source: Union Budget, Expenditure Budget, Volume II, MHRD, various years and Economic Survey, various years, Govt. of India.

² *Budget for Education: A Factsheet*; by Protiva Kundu, Yojana, September 2013, pp. 25-26

³ Has the Tide Turned: Response to Union Budget 2014-15, New Delhi, Centre for Budget and Governance Accountability (CBGA), July 2014, pp. 9-10 (www.cbgaindia.org)

The Centre's budgetary spending on education accounts for a smaller share and that from the States accounts for a much larger share in the country's total budgetary spending on education. Hence, the Government needs to take a larger responsibility towards provisioning of financial resources for education.

The primary education acts as a resource for secondary education, which in turn acts as a resource for higher education. Thus, all the three sectors create the final demand for and output of education for the country as a whole. Table 1 below shows the composition of the total budgetary spending on education by the Centre and State Governments- through its budgetary provision for the three broad education sub-sectors, viz. elementary, secondary and higher education. A brief look at the overall composition reveals that the inter-sector allocations have been stagnant over the last few years. In fact, the Government's expenditure in elementary education as a proportion of GDP is declining overtime.

Table 1 -Sector-wise Trend in Public Expenditure on Education as a proportion of GDP

(Figures in percent)

Sector	2007-08			2008-09			2009-10 (RE)			2010-11 (BE)		
	State	Centre	Total	State	Centre	Total	State	Centre	Total	State	Centre	Total
Elementary Education	1.03	0.36	1.39	1.07	0.35	1.43	1.22	0.33	1.55	1.13	0.33	1.46
Secondary Education	0.67	0.05	0.72	0.75	0.07	0.81	0.88	0.09	0.97	0.83	0.09	0.92
University & Higher Education	0.49	0.28	0.76	0.53	0.29	0.82	0.58	0.31	0.89	0.55	0.28	0.83
Adult Education	0.00	0.00	0.01	0.00	0.00	0.01	0.01	0.01	0.01	0.01	0.02	0.02
Technical Education	0.13	0.10	0.24	0.16	0.14	0.30	0.18	0.16	0.33	0.17	0.14	0.31
Total Education	2.32	0.80	3.12	2.51	0.85	3.36	2.86	0.90	3.76	2.68	0.87	3.55

Source: Ministry of Human Resource Development, Government of India (2012),
RE- Revised Estimates BE-Budget Estimates

BUDGETARY ALLOCATION TO EDUCATION SECTOR UNDER FIVE YEAR PLANS

Five Year Plan-wise allocations also reflect a similar picture as portrayed in year to year budgetary allocations (Table 2). From the very First Plan, priorities have been given to elementary education as the larger share of Plan allocation was targeted towards this sector. However, the pattern of inter-sectoral allocation in education also indicates a declining share in other sectors. Only from the Tenth Plan onwards an increase in the allocation share is observed for technical and higher education⁴.

⁴ *Op.cit.*, Yojana, pp. 26-27

Table 2 - Composition of Total Allocation for Education in Different Five Year Plans

(Figures in percent)

Plan	Elementary	Secondary	Adult	University	Technical	Others	Total
First Plan	57.6	5.5	0.0	7.8	14.2	15.0	100
Second Plan	34.8	18.7	0.0	17.6	17.9	11.0	100
Third Plan	34.1	17.5	0.0	14.8	21.2	12.4	100
Fourth Plan	50.1	0.0	1.7	25.2	10.5	12.5	100
Fifth Plan	51.7	0.0	2.1	27.9	9.4	8.9	100
Sixth Plan	32.1	20.4	5.9	21.4	10.4	9.8	100
Seventh Plan	37.3	24.0	6.2	15.7	14.2	2.6	100
Eighth Plan	47.7	24.0	5.2	9.6	10.1	3.4	100
Ninth Plan	57.1	21.3	1.7	8.7	8.1	3.0	100
Tenth Plan	65.6	9.9	2.8	9.5	10.7	1.5	100
Eleventh Plan	46.5	19.8	2.2	15.5	11.1	4.9	100

Source: CBGA 2011, Planning Commission 2008 and Planning Commission 2002

OUTLAYS TOWARDS EDUCATION IN THE 12TH PLAN

The 12th Plan document provides a Ministry-wise comparison of previous Plan realisation with the 12th Plan projections. For education, the overall 11th Plan education expenditures was Rs. 1,37,734 crore, which is being projected to be about Rs. 3,43,028 crore in the 12th Plan period, i.e. more than twice the 11th Plan expenditures⁵.

Table 3 - Recommended 12th Plan Outlay vs. Budgetary Allocations in Education

Plan/Scheme	12th Five Year Plan Outlay	Union Budget Allocation (in Rs. Crore)			Union Budget Allocation corresponding to 12th Plan period (in Rs. Crore)	% of outlay
		2012-13 (actual)	2013-14 (RE)	2014-15 (BE)		
SSA	192726	23873	26608	28258	78739	40.9
MDM	90155	10849	12189	13215	36253	40.2
RMSA	27466	3172	3123	5000	11295	41.1
Dept. of School Education and Literacy	343028	45631	50136	55115.1	150883	44.0
State Universities and colleges including RUSA*	25000	107	2093	4090	6290	25.2
Dept. of Higher Education	110700	20423	24485	27656	72564	65.6

Note: *For our analysis we have included the following schemes/programmes: Assistance to State Governments for Degree Colleges, Improvement in Salary Scale of University and College Teachers, National Mission on Teachers and Teaching, Rashtriya Uchcha Shiksha Abhiyan (RUSA) Source: 12th Five Year Plan document, Vol-III; Union Budget, Expenditure Budget, Vol-II

Source: Has the Tide Turned; Response to Union Budget 2014-15, CBGA July 2014, p. 10

⁵ www.cbgaindia.org How has the Dice rolled, p. 16

Union Budget allocations for schemes such as *Sarva Shiksha Abhiyan* (SSA), Mid Day Meal Scheme (MDM), *Rashtriya Madhyamik Shiksha Abhiyan* (RMSA), and the newly-introduced *Rashtriya Uchcha Shiksha Abhiyan* (RUSA) are not in keeping with the 12th Plan recommendations as with two years' Budgets gone by, the allocations must be somewhere near 60 percent of the total recommendation outlays for the Plan period. This is also true for the Department of School Education and Literacy. University Grants Commission (UGC) is the only component that shows more than 200 percent allocations when compared to the 12th Plan suggested outlays for the total Plan period⁶.

Budgetary Allocation for Some Major Schemes on Education (in Rs. Crore)

Major Schemes	2012-13 (Actuals)	2013-14 (RE)	2014-15 (IB)	2014-15 (BE)
Sarva Shiksha Abhiyan (SSA)	23873	26608	27758	28258
Mid- Day Meal (MDM)	10849	12189	13125	13215
Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	3172	3123	5000	5000
Schemes for setting up of 6000 model schools at block level	717	995	1200	1200
The Scheme for Providing Education to Madrasas/Minorities	183	200	0	275
Pre-Matric Scholarship for Minorities	786	980	1100	1100
Pre Matric Scholarship for SCs	931	617	685	685
Pre Matric Scholarship for ST Students		212		
Rashtriya Uchcha Shiksha Abhiyan (RUSA)		240	2200	2200
Union Govt. Expenditure on Education	66055	74621	81441	82771

Source: Union Budget, expenditure Budget, Volume-II, various years

Source: Has the Tide Turned; Response to Union Budget 2014-15, CBGA July 2014, p. 7

SHARE OF EDUCATION IN GDP IN OTHER COUNTRIES

As per the figures published by the UNESCO Institute of Statistics (UIS) in its publication titled, "Global Education Digest 2012", the share of education in Gross Domestic Product in some other countries were U.S.A.(5.4%), U.K.(5.6%), Japan (3.8%), Australia (5.1%), Russian Federation (4.1%), Egypt (3.8%), Azerbaijan (3.2%), Georgia (3.2%), Tajikistan (4.0%), Hong Kong SAR of China (3.6 %), Thailand (3.8%), Peru (2.7%), Jamaica (6.1%), Pakistan (2.4%), Bangladesh (2.2%), Ethiopia (4.7%), United Republic of Tanzania (6.2%) and Zambia (1.3%) during 2010⁷.

⁶ *Op.cit.*, How has the Dice rolled, p. 16

⁷ Lok Sabha Starred Question No. 1085 dated 11.12.2013

The expansion of education has been remarkably slow in India as compared to BRIICSAM countries. As per UNDP's data brought out in 2012, India records a meager 4.4 mean years of schooling (i.e. mean years of schooling of the working population or those over 15 years old), which is much less than that of Sri Lanka (9.3) and China (7.5) and also behind those of Pakistan(4.9) and Bangladesh (4.8)⁸.

FINANCING RIGHT TO EDUCATION ACT

The constitution (eighty-sixth Amendment) Act, 2002 inserted Article 21-A in the Constitution of India to provide free and compulsory education of all children in the age group of six to fourteen years as a Fundamental right in such a manner as the State may, by law, determine. The right of Children to Free and Compulsory Education (RTE) Act, 2009, which represents the consequential legislation envisaged under article 21-A, means that every child has a right to full time elementary education of satisfactory and equitable quality in a formal school which satisfies certain essential norms and standards.

Article 21-A and the RTE Act came into effect on 1 April 2010. With this, India has moved forward to a rights based framework that casts a legal obligation on the Central and State Governments to implement this fundamental child right as enshrined in the Article 21-A of the Constitution, in accordance with the provisions of the RTE Act.⁹

The government mandated Sarva Shiksha Abhiyan to be the vehicle operationalizing RTE Act. SSA (or Education for All Mission) is a Centrally-Sponsored Plan Scheme operational since 2001. SSA accounts only for 20 percent of the total education budget. Additionally, it is also worth noting that at the Union and State levels, the share of Plan spending is only about 35 percent while the rest 65 percent comprises of Non-Plan expenditure that takes care of recurring expenses related to maintenance and upkeep, salaries of regular staff and expenditure towards operation and maintenance of assets created through development schemes.

The government approved a total outlay of Rs. 2.31 lakh crore to implement the RTE Act through SSA over a five-year period from 2010-11 to 2014-15 as per the following break-up:

⁸ *Op.cit.*, Yojana, p. 25

⁹ www.mhrd.gov.in

Plan for Implementation of RTE through SSA during 2010-11 to 2014-15

Item	Last two years of 11 th Plan (in Rs. Crore)	First three years of 12 th Plan (in Rs. Crore)	Total (in Rs. Crore)
Child Entitlements	28852	21535	37626
Teacher-related costs	38307	82584	120889
Infrastructure	17544	23417	40959
School-related costs	5351	5566	12918
Research, Evaluation and Management	5540	9533	14973
Total	84408	146825	231233

Source: Working Group Report on Elementary Education and Literacy, 12th Five Year Plan, 2012-2017, MHRD, Govt. of India, October 2011

The 13th Finance Commission (FC) provided a grant of Rs. 24,068 crore for the period 2010-15, representing 15 percent of the estimated SSA expenditure of each State to cover the difference between the targeted State share of 50 percent by the terminal year of the 11th Plan under SSA and the State share of 35 percent in the year 2008-09. This grant amount was deducted from the overall approved outlay of Rs. 2.31 lakh crore, bringing the amount provided for implementing RTE in the five-year period from 2010-11 to 2014-15 to Rs. 2.07 lakh crore¹⁰.

The 12th Plan has recommended an allocation of Rs. 1,92,726 crore for SSA (for the Plan period) from the Union Budget, which amounts to Rs. 38,545 crore per year. Against this, the budgetary allocations for Sarva Siksha Abhiyan (SSA) by the Union Government for 2012-13, 2013-14 and 2014-15 have seen shortfalls of Rs. 12990 crore, Rs. 11287 crore and Rs. 10287 crore respectively (see the following Table)¹¹.

Union Govt. Allocation and Expenditure under SSA (Figures in Rs. Crore)¹²

	2012-13	2013-14 (RE)	2014-15(BE)
Allocation (BE) for SSA	25555	27258	28258
Expenditure (actual) under SSA	23873.4	26608	-
Shortfall of allocation compared to proposed allocation	12,990	11,287	10,287
Shortfall of expenditure compared to proposed allocation	14,672	11,937	-

Note: BE- Budgetary Estimate, RE-Revised Estimate; Source: Expenditure Budget, Vol II, MHRD, Various years

¹⁰ *Op.cit.*, How has the dice rolled?, p. 17

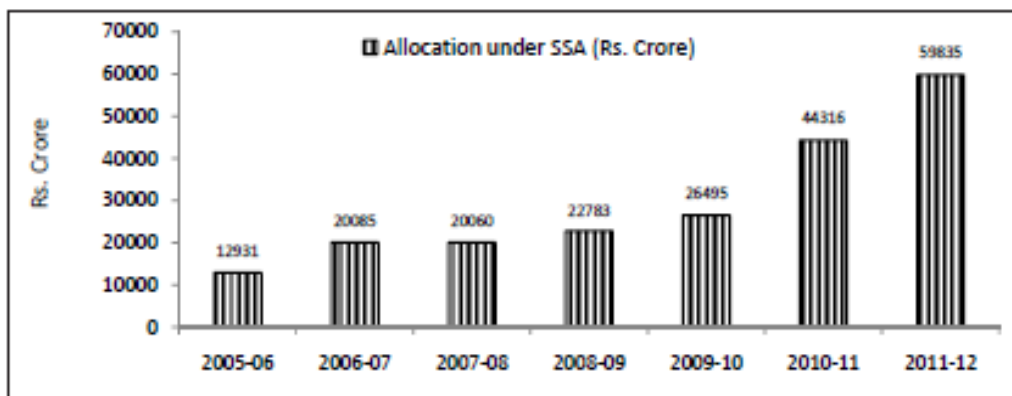
¹¹ *Op.cit.*, Has the Tide Turned. p. 11

¹² *Ibid*

The figures for budgetary allocation for SSA by Centre and State Governments, a sharp jump is observed during 2005-06 to 2011-12. In the year of inception of 11th Five Year Plan (in 2007-08), total budget for SSA was Rs.20,060 Crore and it has been increased to Rs.59,835 Crore in 2011-12. This indicates a three-fold increase in allocation within a five-year period (See Figure 3).

Figure 3: Total Allocation of Funds for SSA by Union and State Governments

(Figures in Rs. Crore)

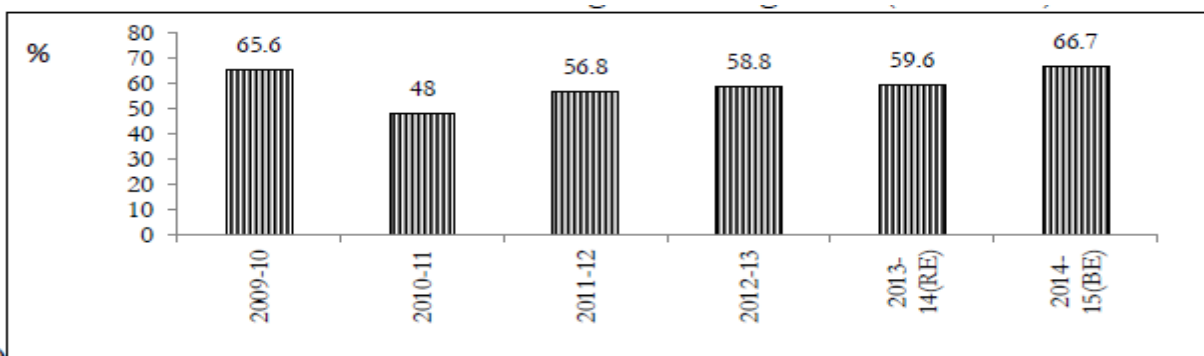


Source: Compiled from *Financial Management portal, SSA website, MHRD, Govt. of India*

FINANCING RIGHT TO EDUCATION THROUGH CESS

Over the last few years, the major chunk of government financing of elementary education had been through education cess. The Department of Elementary Education and Literacy receives the proceeds from the cess, which the Union Government levies on all central taxes and maintains under a non-lapsable fund called the Prarambhik Shiksha Kosh (Fund created at Union Government level to finance elementary education)¹³

Figure 4: Pattern of Financing SSA through Cess (in percent)



Source: Union Budget, Expenditure Budget, Vol-II, MHRD, various years

¹³ *Op.cit.*, Has the Tide Turned, p. 11

HIGHER EDUCATION

The position of Indian universities has consistently been falling year after year in almost all international rankings. For instance none of the Indian universities figure in the latest (2013) Time Higher Education (THE) ranking of the top 100 world universities under 50 years old. In the 2012 rankings of 400 universities India had just one university compared with nine of China. Last year, India was the only BRICS (Brazil, Russia, India, China, South Africa) nation that did not have a single university among the top 200 on the Quacquarelli Symonds (QS) list — the most reputed global rankings of institutes for higher education. Even our high-profile IITs and IIMs fail to match international standards of excellence.

India with its 600 universities and 35,000 colleges is the third largest education system in the world. But 68 per cent of these universities and 73 per cent of colleges are found to be medium or low quality by Indian standard itself. With a severe shortage of quality higher education institutions, India faces the challenge of educating nearly 30 per cent of its 1.1 billion people. Certainly, India requires many more institutions of higher learning since nearly 100 million students are going to the higher education market in the next 10 years. In such a scenario improving the standards of existing universities and establishing quality institutions should be our priority.

But in the absence of raised budgetary allocations, the public infrastructure for higher education could not keep pace with the increased demand. The public expenditure on higher education in India is very low at 0.6% of the GDP, compared to 2.7% in the USA. We need to step up our expenditure on research to pursue large-scale innovation. The private sector, which contributes one-fourth of our country's expenditure on research and development, should increase their share of spending to levels prevalent in nations such as Japan, US and South Korea¹⁴.

Realizing the country's potential 'demographic dividend', there is an overriding emphasis on higher education in the 12th Plan. The new government also recognizes this need and has proposed for a large number of world class centres for higher learning including five new IITs and five new IIMs all over the country. However, only Rs. 500 crore is earmarked for Pandit Madan Mohan Malviya New Teacher Training Programme in 2014-15(BE). Also, the overall increase in the budget of the Department of Higher Education as compared to the previous year is only 3.4 percent¹⁵.

CONCLUSION

This Note points out the shortage of budgetary spending on education as compared to the required level. The time has come to make a move towards a long term, substantive commitment for public provisioning of education in the country. The first step to achieve any improvement in education would be to increase fund allocations

¹⁴ <http://www.newindianexpress.com/columns/Spend-more-on-higher-education/2013/08/02/article1713298.ece>

¹⁵ *Op.cit.*, Has the Tide Turned, p. 12

and improve the quality of spending in this sector. Much greater focus on decentralized planning, smoothening of fund flow and fund utilization process, and strengthening the government apparatus responsible for this sector can help significantly in filling the gaps between allocation, spending and needs of education sector in India¹⁶.

While there has been some increase in allocation for select schemes and programmes in the current budget, a higher financial provision is needed for providing quality education to reap the benefits of the demographic dividend. There is an immediate need to address issues like under-allocation and under-utilisation of funds through a strengthening of the government apparatus¹⁷.

KEY FINDINGS

- India's total public spending on Education at 3.31 percent of GDP (2012-13 (BE) as per the Economic Survey, 2012-13) is nowhere near the promised level of 6 percent of GDP as per Kothari Commission recommendation of 1966.
- Union Government's total allocation for Education in 2013-14 (BE) stands at 0.69 percent of GDP, which is slightly better than the 0.66 percent of GDP recorded for 2012-13 (RE).
- Union Government's spending on Education as a proportion of total Union Budget has increased marginally from 4.66 percent in 2012-13 (RE) to 4.77 percent in 2013-14 (BE).
- Allocation for Sarva Shiksha Abhiyan (SSA) has gone up by just Rs. 3,613 crore, from Rs. 23,645 crore in 2012-13 (RE) to Rs. 27,258 crore in 2013-14 (BE). This is hardly adequate if we are looking at meeting the deadlines of the Right to Education Act.
- Rashtriya Uchcha Shiksha Abhiyan (RUSA) has been introduced with a very small outlay of Rs. 400 crore.
- Allocations of several schemes that are meant for addressing exclusion with regard to accessing education have been slashed, such as, Inclusive Education for the Disabled at Secondary School (IEDSS), Appointment of Language Teachers, and Women's Hostels in Polytechnics, to name a few.
- The outlays for Rashtriya Madhyamik Shiksha Abhiyan (RMSA) have been stepped up from Rs. 2,423 crore in 2011-12 (RE) to Rs. 3,124 crore in 2012-13 (BE).
- The Credit Guarantee Fund that was set up last year with the intent to effectively implement the Educational Loan Interest Subsidy scheme of Dept. of Higher

¹⁶ *Op.cit.*, Yojana

¹⁷ *Op.cit.*, Has the Tide Turned, p. 11

Education, has been renamed as 'Interest Subsidy and Contribution for Guarantee Fund' with an increased outlay of Rs. 1100 crore¹⁸.

- Continuing the tradition of supporting institutions of excellence, a grant of Rs. 100 crore is given to following in Budget 2013-14:
 - Aligarh Muslim University, Aligarh Campus
 - Banaras Hindu University, Varanasi
 - Tata Institute of Social Sciences, Guwahati campus
 - Indian National Trust for Art and Cultural Heritage (INTACH)¹⁹

Rs. 100 crore was given to Kerala Agriculture University in 2012-13.

To improve Minority Education, an additional allocation of Rs. 100 crore has been announced for the modernization of *Madrasas* in the Budget 2014-15²⁰.

- A marginal increase in allocation for elementary, secondary and higher education compared to 2013-14(BE) and 2014-15(interim budget)
- Share of education in total budgetary allocation for 2014-15 has decreased from 2012-13 and 2013-14 expenditure
- After three years of 12th Five Year Plan (FYP), allocation for SSA, MDM, RMSA are much lower than proposed outlay recommended in 12 FYP
- No intervention to improve shortage of human resources in education sector²¹

¹⁸ *Op.cit.*, How has the Dice rolled, p. 13

¹⁹ India, Ministry of Finance, Budget Speech 2013-14

²⁰ India, Ministry of Finance, Budget Speech 2014-15

²¹ *Op.cit.*, Has the Tide Turned, p. 17