

Trends in India's Education Budgeting

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Introduction

The Union education budget has seen an increase in monetary allocation every year and the enrolment rate across the country has also been largely moving upwards. It becomes important to scrutinise the education budget for 2014-15 to understand how the new government has approached the education sector, especially elementary and secondary education. The military expenditure for 2014-15 as per the central budget was increased by 12 percent from the previous year to INR 229,000 crores. While the expenditure on education was 3.3 percent of the GDP in 2013-14 (compared to 9 percent of the GDP for military expenditure), the budgetary allocation has gone up by 12.3 percent to INR 83,771 crores in the 2014 budget. With 1.4 million children between the ages of 6 and 11 still out of school in India (according to the latest UNESCO Education for All Global Monitoring Report) the increase in expenditure is definitely inevitable. The expenditure on education is important not only in raising living standards but also to create a skilled workforce that can contribute to economic growth. Four major schemes undertaken by the Government of India in the education sector will be analysed based on the expenditure in the following sections. The second section of the paper will try to understand the trends in state education budgets by analysing data for three sample states—Gujarat, Maharashtra and Rajasthan.

Strengthening of Teachers Training Institutions

The Centrally Sponsored Scheme of Restructuring and Reorganization of Teacher Education was initiated in 1987 pursuant to the formulation of the National Policy on Education, 1986. The Scheme was revised in March, 2012. The Scheme envisages integration of teacher education with the overall education development in the States in keeping with the mandate of RTE. It will also help in the expansion of the capacity of the Teacher Education Institutions especially in some of the deficit States of East and North-Eastern Region (NER) and also address the problem of large number of un-trained teachers. The Scheme will also help in expanding the institutional capacity so as to provide in-service training for Secondary School Teachers in the light of Rashtriya Madhyamik Shiksha Abhiyan (RMSA) and help in linking Elementary Teacher Education with the Higher Education System. Central assistance is extended to States/ Union Territories (UTs) for civil works, purchase of equipments, pay and allowances, training and research programs, etc. The funding pattern will be in the ratio of 75:25 for all States/UTs (90:10 for NER States including Sikkim). The total amount allocated for Teacher Training Institutes has been constant over the past three financial years at INR 500 crores, of which INR 50 crores was allocated separately for the NER states in the last two budgets.

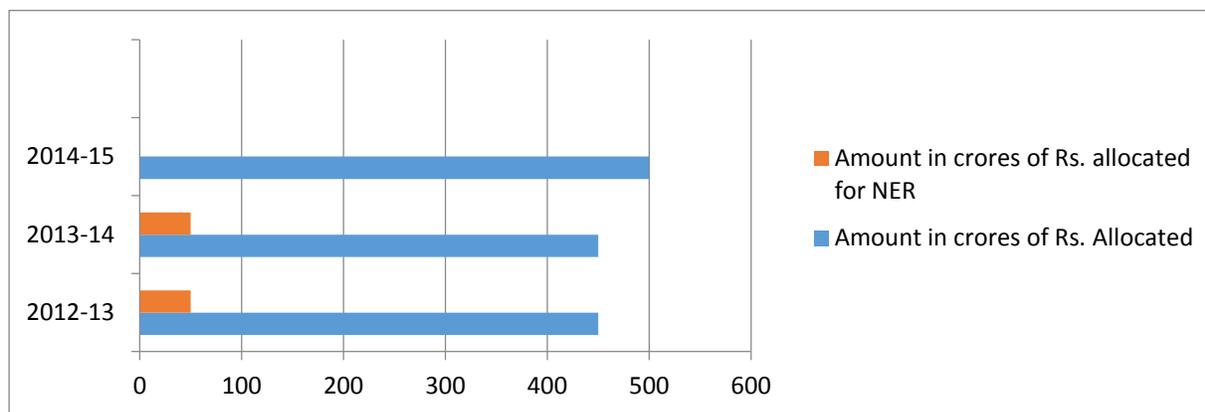


FIGURE 1 BUDGETARY ALLOCATION FOR STRENGTHENING OF TEACHER TRAINING INSTITUTIONS

National Programme of Mid-Day Meals in Schools

With a view to enhance the enrolment, retention, attendance and simultaneously improving nutritional levels among children, the National Programme of Nutritional Support to Primary Education was launched as a centrally sponsored scheme on 15 August 1995, initially in 2,408 blocks in the country. Gradually, it has been expanded to cover children at primary level in all blocks in the country. In October 2007 the scheme was further revised to cover children in upper primary level (Classes VI to VIII) in 3,479 educationally backward blocks. From 2008-09 onwards the Programme covers all children in Class I to VIII in all areas across the country.

Following the imposition of the Education Cess at 2 percent on all major Central Taxes through the Finance (No.2) Act, 2004, *Prarambhid Shiksha Kosh* (PSK) was established with effect from 14.11.2005 as a dedicated non-lapsable fund to receive the proceeds of the Education Cess. INR 6,927 crores (58.55 percent of the total budgetary allocation) allocated for the Mid-day Meals Programme was under PSK in 2012-13, which increased to INR 7,976 crores (60.35 percent of the total budgetary allocation) in 2013-14 and 8,734 crores (66.09 percent of the total budgetary allocation) in 2014-15.

The total amount allocated for the Mid-day Meals Programme had increased from INR 11,830 crores in 2012-13 to INR 13,215 crores in 2013-14 and has remained the same in this year's budget. The amount allocated for the NER states had increased from INR 1,194 crores in 2012-13 to INR 1,321 crores in 2013-14, but has been accounted for with an increase in the General Education Budget in 2014-15.

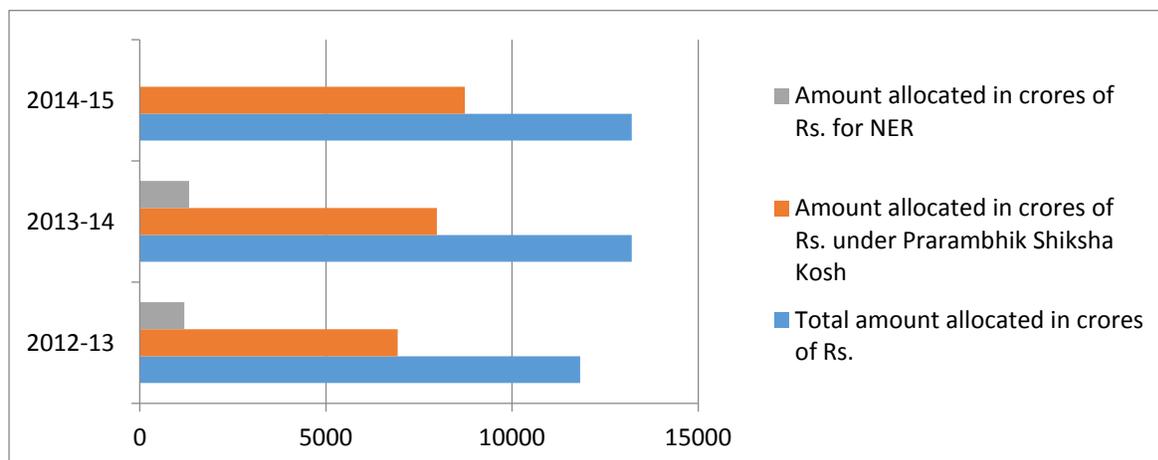


FIGURE 2 BUDGETARY ALLOCATION FOR MID-DAY MEALS PROGRAMME

Sarva Shiksha Abhiyan (SSA)

Sarva Shiksha Abhiyan (SSA) is a flagship program of Government of India. It is being implemented in partnership with the States/UT Governments for universalisation of elementary education in the country. The SSA covers all districts in the country in order to ensure access, retention and quality improvement in elementary education. The sharing of expenditure between the Centre and the States during the 10th Plan was on 75:25 basis. For 11th Plan period the funding pattern has been revised as: 65:35 for the first two years of the Plan, 60:40 for the third year, 55:45 for the fourth year and 50:50 thereafter. With respect to the eight North-Eastern States, the funding pattern is 90:10, with the central share re-sourced from the 10 percent earmarked funds for the North-Eastern Region from the SSA's Central Budget. However, with the operationalisation of the Right of Children to Free and Compulsory Education (RTE) Act, with effect from 1 April 2010, the funding pattern in respect of RTE-SSA program for the period 2010-11 to 2014-15 has been revised as 65:35 for States/UTs other than North-Eastern States. For the eight North-Eastern States, the existing fund sharing pattern of 90:10 between the Centre and States would continue.

The total amount allocated for SSA in 2012-13 was INR 25,555 crores, with 57.69 percent (INR 14,743 crores) of the funding coming from the *Prarambhik Shiksha Kosh* (PSK) fund. The allocation increased to INR 27,258 crores in 2013-14 with the contribution from PSK also increasing to 60.36 percent (INR 16,453 crores). The total increase in 2014-15 is to Rs. 28,635 crores, with the PSK share being 65.79 percent (Rs. 18,841 crores). The allocation for NER states had increased from Rs. 2519 crores in 2012-13 to Rs. 2725 crores in 2013-14 before being integrated with the General Education Budget in 2014-15.

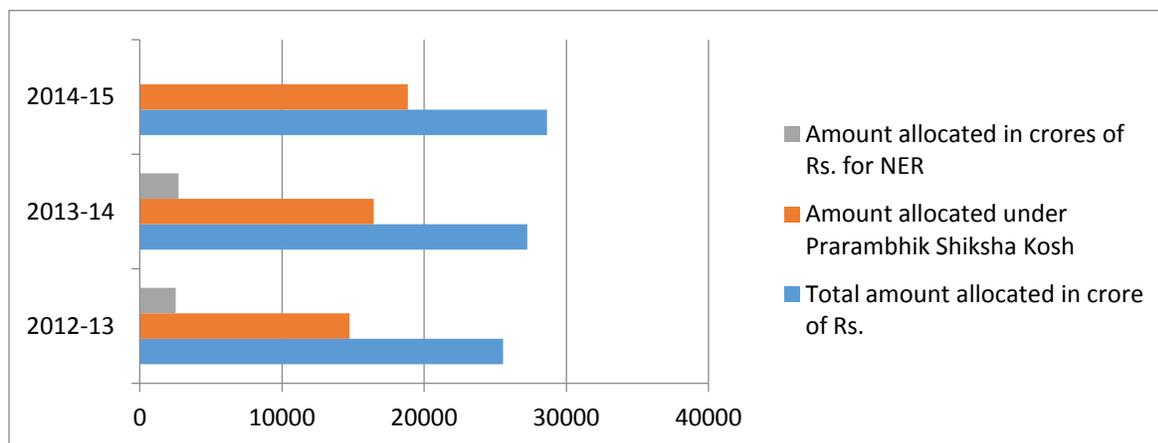


FIGURE 3 BUDGETARY ALLOCATION FOR SSA

Rashtriya Madhyamik Shiksha Abhiyan (RMSA)

The implementation of the *Sarva Shiksha Abhiyan* (SSA) led to a massive increase in the number of students completing upper primary level. As a follow-up to SSA, it has been felt necessary to meet the increased demand for access to Secondary Education. Accordingly, a new scheme, *Rashtriya Madhyamik Shiksha Abhiyan* (RMSA) was launched in March 2009. Implementation of the scheme commenced in 2009-10.

The total allocation for the RMSA in 2012-13 was INR 3,123 crores, which increased to INR 3,983 crores in 2013-14 and INR 4,966 crores in 2014-15. The allocation for NER states was INR 312 crores in 2012-13 and INR 336 crores in 2013-14 before the integration into the General Education Budget in 2014-15.

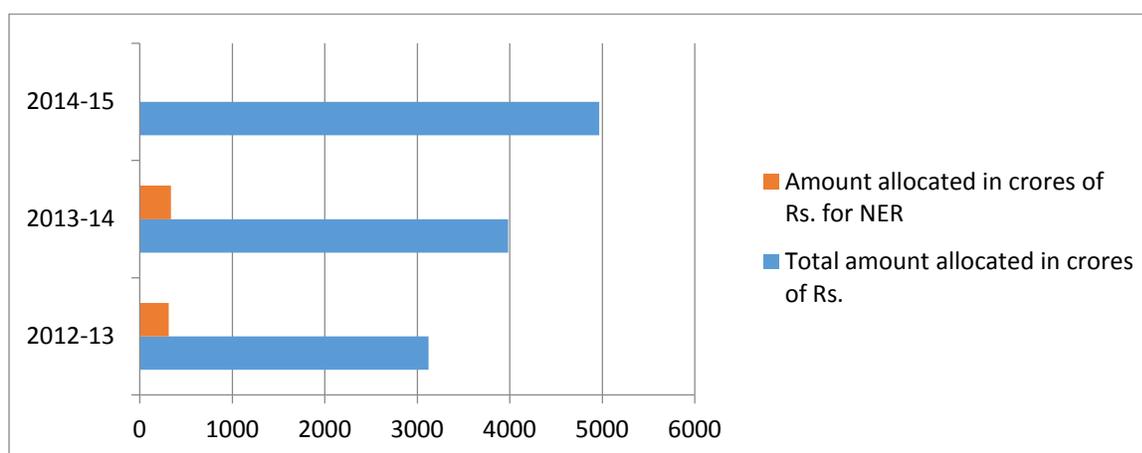


FIGURE 4 BUDGETARY ALLOCATION FOR RMSA

The 2014-15 budget has done away with separate allocations for the North-East Region and has integrated the expenditure with the general education budget but the Centre-State share of funding for programs appears to remain the same at 90:10. It has also cut down on the number of separate schemes by integrating several schemes under one already existing bigger scheme. The scheme for Strengthening of Teacher Training Institutions has been integrated with the Support for Educational Development and Adult Education. The *Mahila Samakhya Scheme* which focused on empowering rural women from socially and economically disadvantaged backgrounds through education, has now been integrated with the *Sarva Shiksha Abhiyan*. The *Rashtriya Madhyamik Shiksha Abhiyan* has included the ICT in Schools scheme, the Scheme for Construction and Running of Girls Hostels for Students of Secondary and Higher Secondary Schools, Vocationalisation of Education, and Inclusive Education for Disabled at Secondary Schools, which were all separate schemes earlier. This can be understood as part of the government's "minimum government, maximum governance" policy, whereby the complications that arise out of multiple schemes are avoided for beneficiaries.

However, in terms of monetary allocation, the increase is reflective of the increase from 2012-13 in 2013-14. The huge increase in allocation for RMSA can also be seen as an inevitable result to the integration of several other smaller schemes as mentioned earlier. The combined allocation for the four schemes newly integrated into the RMSA was INR 835 crores in 2013-14, which means the increase in allocation for the RMSA (including the four integrated schemes) is actually INR 148 crores—which is at par with the increases for other major schemes.

Expectations and Reality

The focus of expenditure continues to be on inputs and infrastructure, but the School Assessment Programme for monitoring the performance of schools is an initiative under the new budget that might shift the focus to learning outcomes and efficiency. However, with only INR 30 crores allocated for the program, there seems to be a lack of conviction to support the laudable intention. This is applicable for the Communication Linked Interface for Cultivating Knowledge (CLICK) scheme which is an ambitious program for setting up virtual classrooms as well with only INR 100 crores being provided in the budget. Though the Finance Minister has claimed the budgetary allocations are mere pointers and further funding will be allocated on a needs-basis, it seems unlikely that this will happen, considering the huge mountain to climb in terms of reducing the fiscal deficit.

The 2014-15 budget was closely monitored because of the impending reform that the new government had promised during the election. Skill development and bridging the digital divide were priorities for school education in the manifesto, while the nationalisation of the curriculum is a discussion for another forum. However, the reform is negligible in terms of

expenditure on education. The pattern of fund allocation remains the same, but the previously separate budget for the North-East Region States has been brought under the General Education Budget. The integration of several schemes can be understood to be the reform of note, considering how different schemes aimed at overlapping target beneficiaries are administered at different levels by different authorities. This situation seems to have created an information asymmetry bottleneck, with most of the information not reaching the targeted beneficiaries. This has then not resulted in the intended expansion of choice. The integration of several schemes under one central scheme, administered locally, might be able to overcome these bottlenecks by bringing more clarity to the rules and requirements of the scheme. The School Assessment Programme, if implemented properly, will be instrumental in creating a state-funding system that is driven by school performance. A shift away from the current system that continues to fund underperforming schools (because the focus is on creation of infrastructure and ratios rather than the quality of education), is necessary and the School Assessment Programme could be the first step in achieving that.

State Education Expenditure – Gujarat, Maharashtra & Rajasthan

The budgetary allocations in three states—Gujarat, Maharashtra and Rajasthan—are analysed below for a further understanding of expenditure in education at a lower level of decentralisation. The state budgetary allocations are done in two categories: capital expenditure and revenue expenditure. The capital expenditure includes costs incurred on the acquisition of a fixed asset and any subsequent expenditure that increases the earning capacity of an existing fixed asset. Revenue expenditure incurred on fixed assets includes costs that are aimed at maintaining rather than enhancing the earning capacity of the assets. These are the costs that are incurred on a regular basis and the benefit from these costs is obtained over a relatively short period of time. Capital expenditure, on the other hand, is generally of a one-off kind and its benefit is derived over several accounting periods.

Capital Expenditure

Under the capital account, the government of Gujarat allocated INR 884.58 crores for the major heads of Education, Sports and Arts in 2011-12. This rose to INR 1,023.48 crores in 2012-13 and INR 1,364.15 crores in 2013-14. The Government of Maharashtra allocated INR 208.44 crores in 2011-12 as capital expenditure, which was reduced to INR 163.19 crores in 2012-13. But it rose to INR 237.47 crores in 2013-14. The Government of Rajasthan allocated INR 93.15 crores under the capital account for education in 2011-12, which rose to INR 153.3 crores in 2012-13 and came down to INR 141.96 crores in 2013-14.

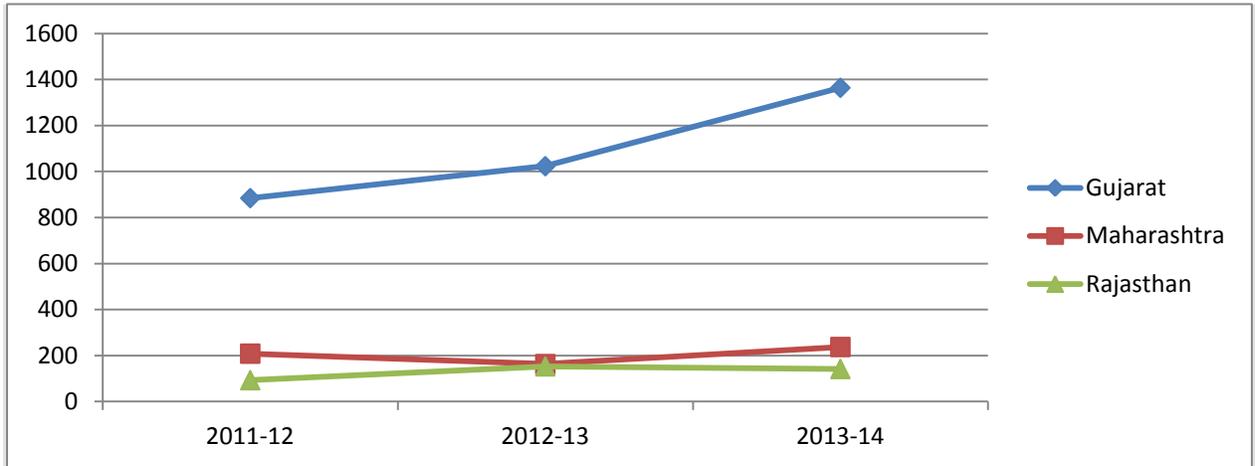


FIGURE 5 AMOUNT ALLOCATED IN CRORES OF RS. FOR EDUCATION, SPORTS AND ARTS UNDER CAPITAL EXPENDITURE

Revenue Expenditure

Under the revenue account, the government of Gujarat had allocated INR 10,911.62 crores for Education, Sports and Arts in 2011-12 which increased to INR 12,386 crores in 2012-13 and INR 14,244.3 crores in 2013-14. The Government of Maharashtra allocated INR 30,940.27 crores in 2011-12 as revenue expenditure, which increased to INR 33,403.11 crores in 2012-13 and INR 39,052.77 crores in 2013-14. INR 13,995.07 crores was budgeted by the Government of Rajasthan as revenue expenditure in 2011-12, which further increased to INR 14,014.7 crores in 2012-13 and INR 16,261.08 in 2013-14.

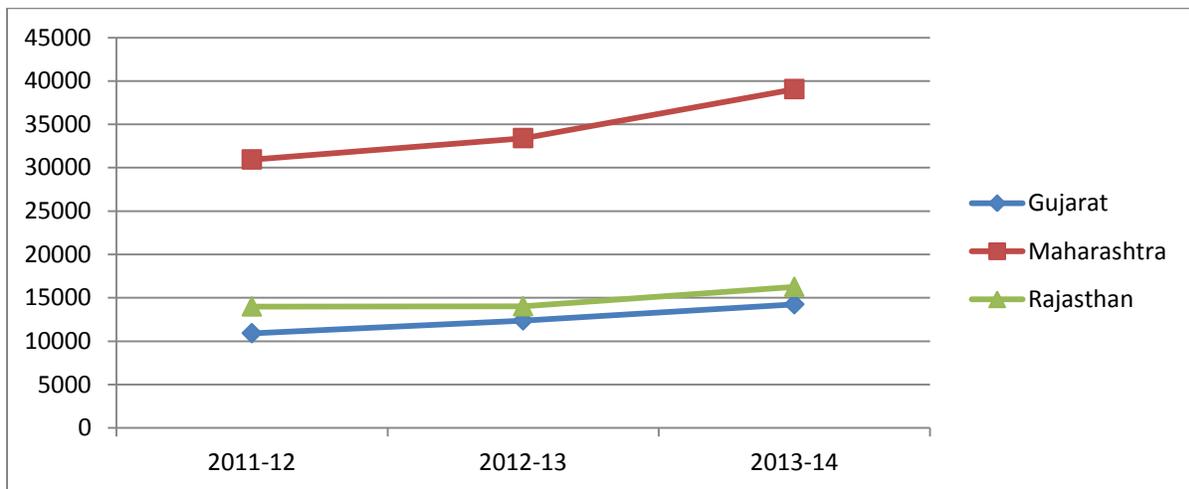


FIGURE 6 AMOUNT ALLOCATED IN CRORES OF RS. FOR EDUCATION, SPORTS AND ARTS UNDER REVENUE EXPENDITURE

Total (Capital + Revenue) expenditure

The total budgetary allocation (capital and revenue accounts) for Education, Sports and Arts in 2011-12 by the Gujarat government was INR 11,796.2 crores which increased to INR 13,409.48 crores in 2012-13 and INR 15,608.45 crores in 2013-14. The Maharashtra Government allocated INR 31,148.71 crores in 2011-12 and INR 33,566.3 crores in 2012-13, which further increased to INR 39,290.24 crores in 2013-14. The Rajasthan Government made a combined allocation of INR 14,088.32 crores in 2011-12 and INR 14,168 crores in 2012-13, which went up to INR 16,403.04 crores in 2013-14.

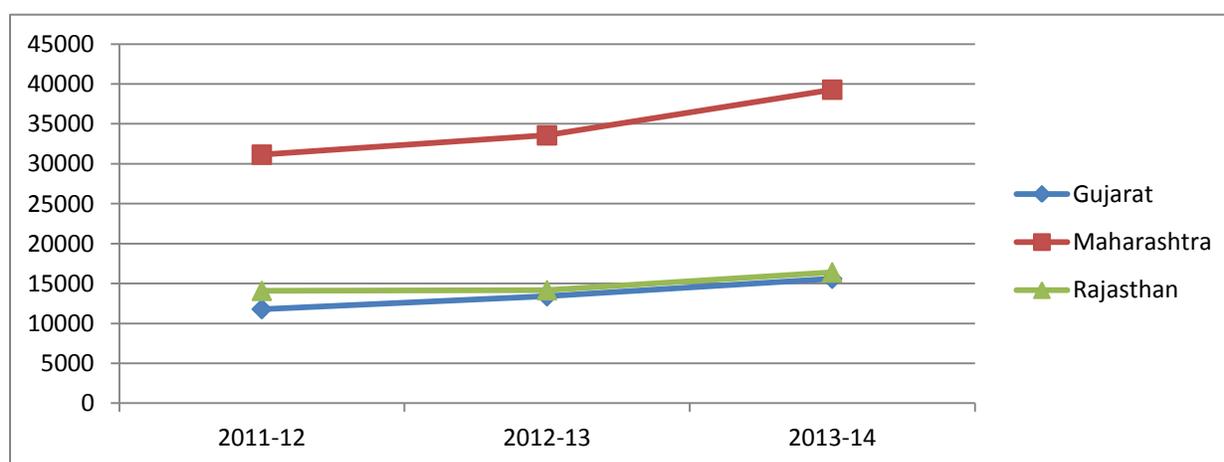


FIGURE 7 TOTAL AMOUNT ALLOCATED IN CRORES OF RS. FOR EDUCATION, SPORTS AND ARTS UNDER BOTH REVENUE AND CAPITAL EXPENDITURE

State Expenditure Trends

According to the RBI annual reports from 2012-2014, the ratios of expenditure on education to aggregate expenditure (expressed in percent) for these three states are:

| | Gujarat | Maharashtra | Rajasthan |
|----------------|---------|-------------|-----------|
| 2011-12 | 15.8% | 20.2% | 17.8% |
| 2012-13 | 14.2% | 20.7% | 16.3% |
| 2013-14 | 13.9% | 20.6% | 17.3% |

Thus, while the education expenditure of Gujarat has been decreasing from 15.8 percent to 13.9 percent of the state's aggregate expenditure over the three years, it has been relatively stable for the states of Maharashtra and Rajasthan, with a change from 20.2 percent to 20.6 percent of aggregate expenditure and 17.8 percent to 17.3 percent of aggregate expenditure respectively.

Gujarat's spending has been higher than Maharashtra's and Rajasthan's over the past three years in the capital account and lower in the revenue account. This can be understood further in correlation to how Gujarat has had lesser number of schools per 1,000 of the population (0.68) as compared to Maharashtra (0.89) and Rajasthan (1.59), therefore creating a more pressing need to make one-time expenditure on fixed assets. However, as can be seen from the data enclosed, of the schools that are present, the percentage of schools with drinking water facility (100 percent) and computers (72.69 percent) are higher in Gujarat and showed the greatest increase over the three years.

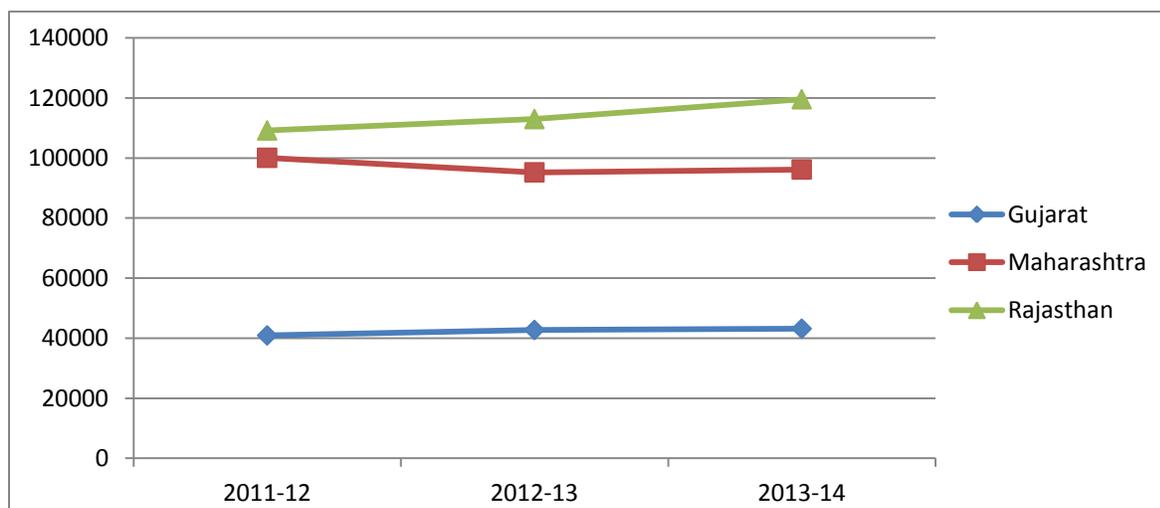


FIGURE 8 TOTAL NO. OF SCHOOLS

When it comes to the Gross Enrollment Ratio, again Gujarat has higher ratios than Maharashtra and Rajasthan over the 2011-14 period. Though Maharashtra's average transition rate from Primary to Upper Primary section over the three years is on an average greater than Gujarat's, Gujarat showed tremendous improvement to comparable levels despite starting off in 2011-12 much below where Maharashtra was at that point. Thus, though the revenue expenditure for education is the least among the three states in consideration, Gujarat, in its attempt to increase and improve facilities, spent the most from the capital account. The results are also in such a way that Gujarat performs better than Maharashtra and Rajasthan in most indicators mentioned above, despite the higher total spending from both states.

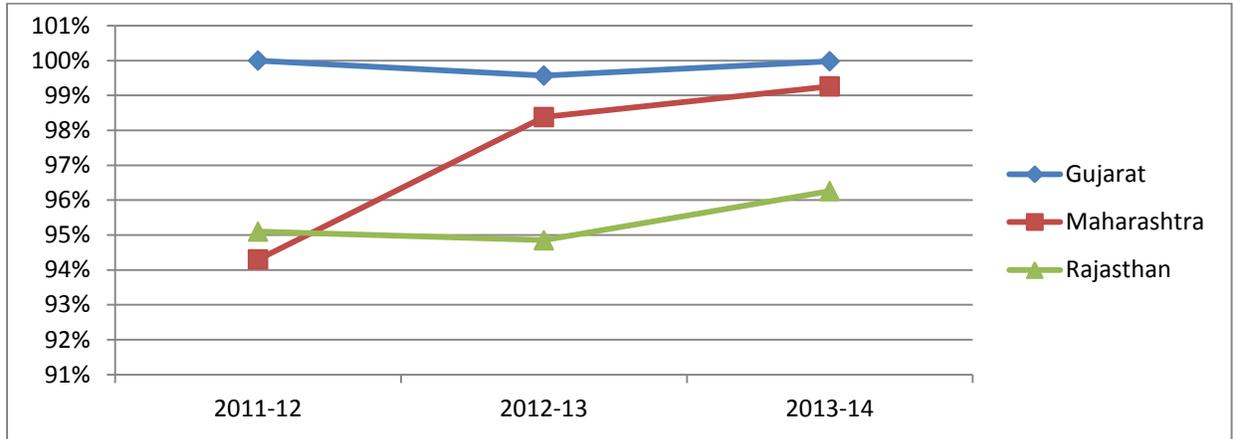


FIGURE 9 PERCENTAGE OF SCHOOLS WITH DRINKING WATER FACILITY

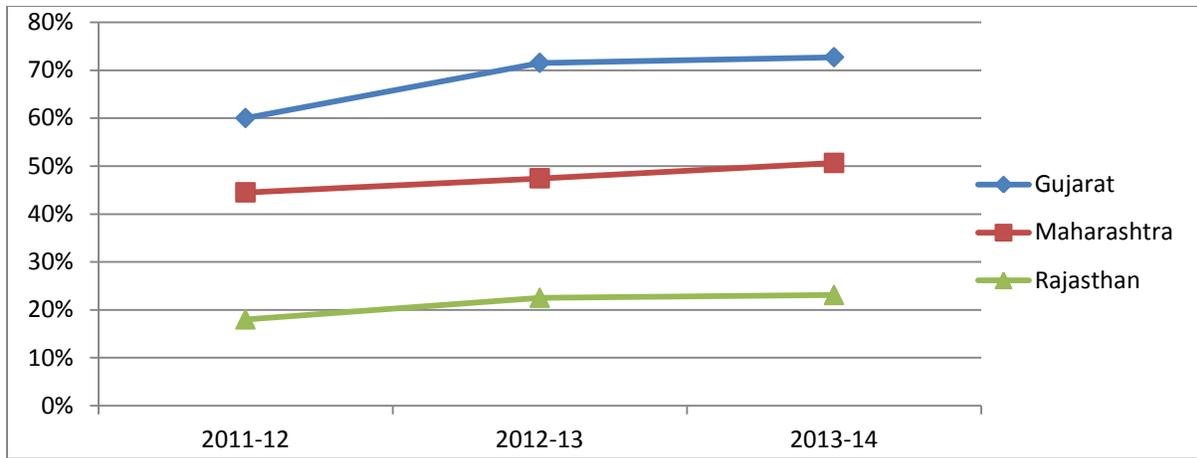


FIGURE 10 PERCENTAGE OF SCHOOLS WITH COMPUTERS

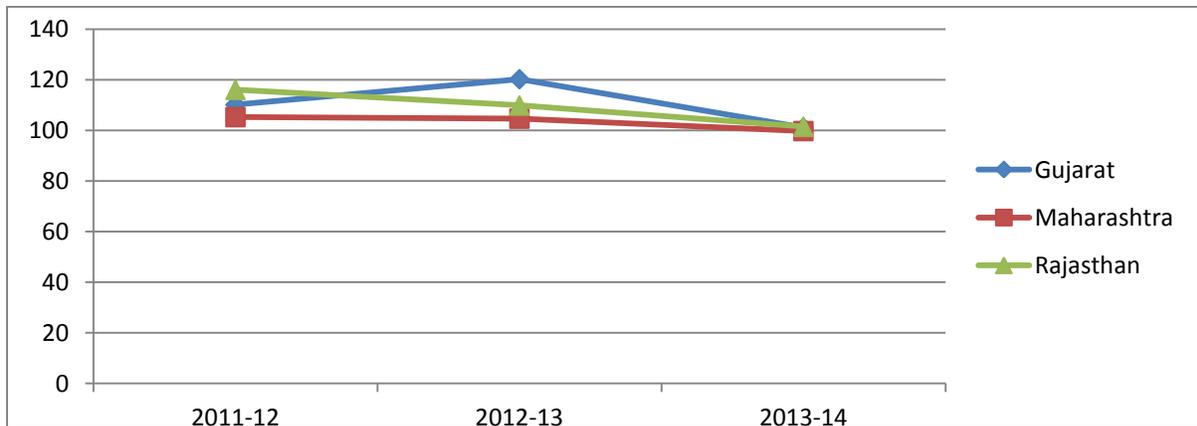


FIGURE 11 GROSS ENROLLMENT RATIOS IN THE PRIMARY SECTION

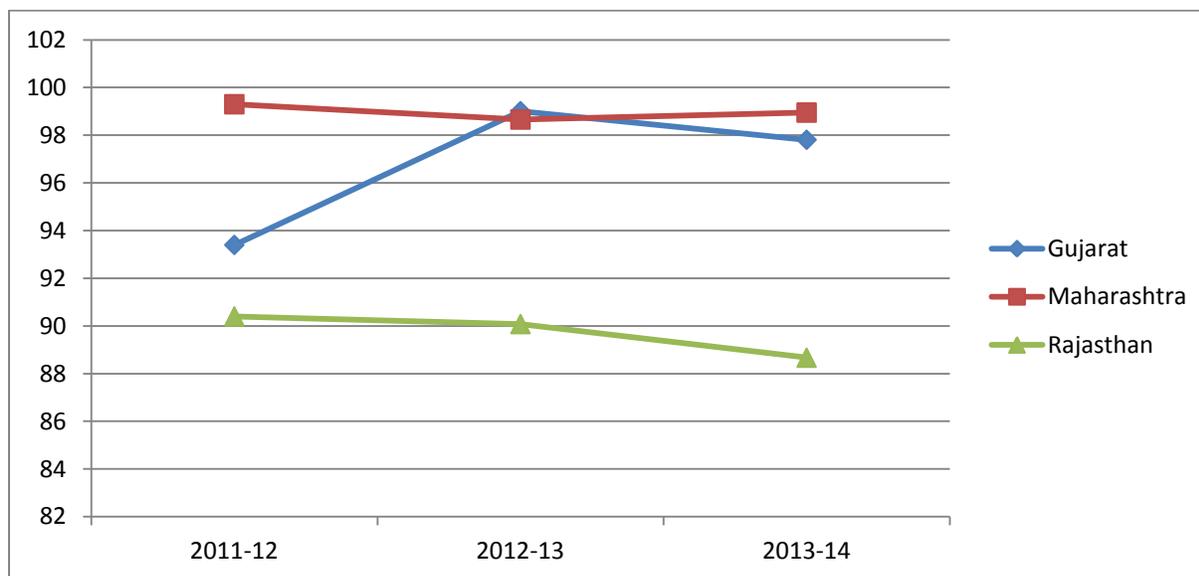


FIGURE 12 TRANSITION RATE FROM PRIMARY TO UPPER PRIMARY

Conclusion

Gujarat's capital expenditure on education and its subsequent effects on the education indicators give us an idea of how most of the expenditure from states is on the revenue account, i.e. recurring costs, while only a comparatively small percent of the spending is in the creation of capital for education. The share of the capital expenditure to the total spending in Gujarat has risen from 7.4 percent in 2011-12 to 8.7 percent in 2013-14 while for Maharashtra and Rajasthan it has remained less than 1 percent over the last three years.

It then becomes fairly obvious that the bulk of the expenditure on education is being spent on maintaining capital than producing capital. Government schools are the beneficiaries of such maintenance costs, despite an actual decrease in the quality of education (as shown by the ASER reports). The problem with the education policy of the government will continue to persist if the focus remains on merely creating schools and spending disproportionately on their maintenance. The focus of expenditure needs to shift to one that is based on performance-based evaluation to create a scenario in which schools function efficiently to deliver quality education. The importance of the School Assessment Programme suggested in the 2014-15 budget cannot be stressed enough in this context and needs to be implemented nation-wide as soon as possible to fix a system that has led to wasteful expenditure, by stressing on mere quantity rather than the quality of education. After all, universalisation of education is pointless without universal quality of education.

Sources of Data

The central expenditure data and details of central schemes are from the Central Government's www.indiabudget.nic.in website. The state-wise expenditure data is from the RBI Annual Reports available at www.rbi.in. The indicators used to analyse the state-wise expenditure are from the latest state report cards published in the DISE website – www.dise.in.