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Financing Elementary Education in India

Jandhyala B. G. Tilak*

INTRODUCTION

Long before the formulation of the United Nations Educational, Scientific and Cultural Organization (UNESCO) resolutions and the emergence of interest by international agencies like the World Bank, the United Nations Children's Fund (UNICEF) and the United Nations Development Programme (UNDP), the Government of India had recognized the importance of elementary education and had made a resolve in the Constitution of India as long ago as in 1950: 'The State shall endeavour to provide within a period of 10 years from the commencement of the Constitution for free and compulsory education for all children until they complete the age of 14 years (Article 45).' By resolving to provide elementary education 'free' to all, the Government of India has also implicitly recognized the 'public good' and 'merit good' nature of elementary education. Elementary education is, in fact, recognized by many as a 'pure public good' as the benefits from elementary education are immense; they are not confined to the individuals who go to the school; and the rest of the society also benefits considerably. In fact, the neighbourhood or externality benefits of elementary education are believed to outweigh the direct private benefits. Besides, it is a 'merit good,' as the state knows better than individuals availing the benefits of education. Hence, it is necessary that elementary education is fully financed by the government. The Constitutional Directive received a further boost with the human investment revolution in economic thought (see Schultz 1961) and the increasing research evidence that established that the contribution of education to development—in all socio-economic development spheres—is

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very significant (see Psacharopoulos and Woodhall 1985; Tilak 1989, 1994a). Not only are the economic returns to primary education estimated to be positive and high, but they are also estimated to be higher than alternative rates of return. And returns to primary education are higher than returns to secondary and higher education. Returns to primary education of weaker sections (e.g., backward castes and girls) are also found to be sizeable and, in fact, higher than returns to their respective counterparts (viz., non-backward castes and boys), and returns to upper-primary level of education are higher in rural than in urban areas (see Tilak 1987).

The contribution of education is not restricted to economic returns only. Its significant effect on reduction in poverty and improvement in income distribution, improvement in health and nutritional status of the population, its negative relationship with fertility and population growth and positive association with adoption of family planning methods, and its positive relationship with general social, political and economic development and overall quality of life are well recognized. All this has contributed to the rapid growth of education in India, though it is still not adequate.

The National Policy on Education (NPE) 1968 and the NPE 1986 have laid special emphasis on the fulfilment of the Constitutional Directive of universalization of elementary education (UEE). Five Year Plans have repeatedly promised to take the nation towards achieving this goal. Elementary education was also included in the 'National Programme of Minimum Needs' in the Five Year Plans, and this inclusion has significant implications for allocation of resources. This was expected to ensure favourable treatment in the allocation of resources, and to protect it from reallocation of approved outlays away from elementary education. Education was also made an important component of the 'national

human development initiative' in the Union Budget of 1999-2000 (see Tilak 1999a).

Thus, much before the Jomtien Conference (1990) and the adoption of the World Declaration on education for all (EFA) at the same conference, the Government of India had repeated its resolve to universalize elementary education in the country as early as possible, and also to increase the public funding of education to at least 6 per cent of national income, so that education, elementary education in particular, does not suffer from paucity of financial resources.

But even after five decades of development planning and four decades after the deadline stipulated by the constitution, and despite several strategies adopted, programmes and schemes launched, this goal is still elusive. It is strongly felt that elementary education suffered in India due to, apart from several other factors, insufficient allocation of financial resources. At the same time, it should be noted that while finances are an important constraint, they are however not the *only* constraint, but one among many. Financial resources provide a necessary but not a sufficient condition in achieving UEE.

So, when national and global reassessments of EFA goals are being made, it would be useful to assess various dimensions relating to EFA in India. This chapter is an attempt to examine one particular aspect, viz., the pattern of financing of elementary education in India, more specifically focusing on the 1990s, i.e. after the Jomtien Conference. It attempts an examination of a few select dimensions relating to financing of education, that too very briefly.

ALLOCATION OF RESOURCES

There are three important aspects relating to allocation of resources to education: (i) allocation of resources *to* education vis-a-vis other sectors, i.e. inter-sectoral allocation, (ii) intra-sectoral allocation of resources *within* education, i.e. allocation to different levels, and (iii) inter-functional allocation of resources to different activities such as teaching, administrative, and welfare. Yet another important dimension of allocation of resources to education, that is important in a federal system like India, is allocation by the Union government to the states.

These aspects are briefly discussed in the following pages, surveying the existing scanty literature, and with the help of some important indicators using the recent data available. At the outset it may be noted that despite recognizing the contribution of education to economic growth and development, the pattern of allocation of resources to education is still far from satisfactory.

Inter-sectoral Allocation of Resources

First, what is the priority given to education in the national development framework? This question is generally answered in terms of a few select indicators such

as the share of education in gross national product (GNP), share of education in government expenditure, share of education in Five Year Plan outlays, etc, some of which are discussed below.

SHARE OF EDUCATION IN GNP

The share of education in GNP is the most standard indicator of national efforts on the development of education in a given society. This reflects the relative priority being accorded to education in the national economy. It is also found to be superior to several other indicators. On the recommendation of the Education Commission (1966), the Government of India (1968) quantitatively targeted investing 6 per cent of national income in education from the public exchequer by 1986. As the goal has not been realized so far, it has repeatedly been reiterated that it will soon be fulfilled. Now the goal is set to be achieved by the end of the Ninth Five Year Plan, i.e. by 2002.

Presently 3.6 per cent of GNP is invested in education in India (1997-8). Compared to the very low level of 1.2 per cent in 1950-1, this marks very significant progress (see Table 20.1). However, it needs to be underlined that this proportion is less than (i) the requirements of the education system to provide reasonable levels of quality education to all the students presently enrolled, (ii) the requirements of the system to provide UEE for eight years to every child in the age group 6-14, and consequent growth in secondary and higher education, as UEE in a comprehensive sense includes universal provision of resources, universal enrolment, and universal retention, (iii) the recommendations of the Education Commission (1966), the resolve made in the NPE 1968 (see DoE 1968), reiterated in the NPE 1986 (see DoE 1986), and the revised policy (1992) to invest 6 per cent of GNP in education,³ (iv) the proportion of GNP invested in education in many other developing, leave alone developed, countries of the world, including Africa, and (v) finally the proportion invested in India before the Jomtien conference. For instance, 4.9 per cent of Gross Domestic Product (GDP) was invested in education in India in 1990-1. But ever since, it has been consistently declining (see Figure 20.2). It should be noted that it would be a stupendous task to reach a level of 6 per cent of GNP by the end of the Ninth Five Year Plan, as promised by the government, from the current level of 3.6 per cent. Among the countries of the world on which such data are available, India ranked 115th with respect to this

³ It may, however, be noted that the Education Commission's recommendation assumed a higher economic growth rate than actually realized in the country, in which case, the requirement of education would be more than 6 per cent.

TABLE 20.1
Share of Education in GNP in India

		(per cent)	
<i>Year</i>	<i>% of GNP</i>	<i>Year</i>	<i>of GNP</i>
1950-1	1.2	1980-1	2.9
1951-2	1.3	1981-2	3.0
1952-3	1.5	1982-3	3.0
1953-4	1.5	1983-4	3.0
1954-5	1.8	1984-5	3.1
1955-6	2.0	1985-6	3.2
1956-7	1.8	1986-7	3.3
1957-8	2.1	1987-8	3.6
1958-9	2.1	1988-9	3.6
1959-60	2.3	1989-90	4.5
Average	1.8	Average	3.2
1960-1	2.5	1990-1	4.9
1961-2	2.7	1991-2	4.0
1962-3	2.8	1992-3	4.6
1963-4	2.7	1993-4*	4.2
1964-5	2.5	1994-5*	4.0
1965-6	2.8	1995-6*	4.0
1966-7	2.8	1996-7* (R)	3.8
1967-8	2.7	1997-8* (B)	3.6
1968-9	3.0	Average	4.1
1969-70	3.0		
Average	2.8		
1970-1	3.1		
1971-2	3.3		
1972-3	3.2		
1973-4	2.7		
1974-5	2.9		
1875-6	3.2		
1976-7	3.2		
1977-8	3.2		
1978-9	3.5		
1979-80	3.1		
Average	3.1		

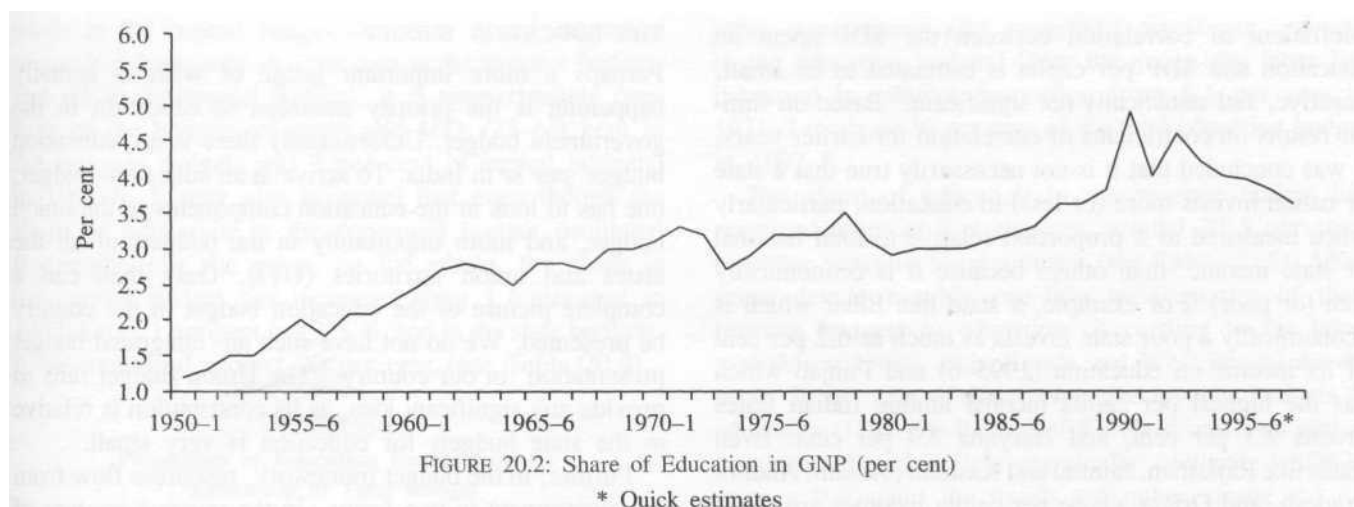
Notes: Government expenditure only 1984-5 onwards.

* Quick estimates

R—Revised estimates; B—Budgeted estimates

Source: Up to 1983-4, MHRD (various years), *Education in India*, after 1983-4.

indicator of national efforts on education, and amongst countries with a population of 100 million or more, India figures at the bottom, except Bangladesh. The need to raise this proportion considerably cannot be emphasized enough.⁴ Almost all—from laymen to researchers—plead for the same, though there are no detailed estimates on



what should be the desirable and feasible proportion of GNP.⁵

However, this proportion has increased considerably in a few states (see Table 20.2) including in some of the backward states. In fact, in some of the backward states

like Bihar the proportion was above 6 per cent. This finding is not conclusive; in fact, it raises some questions at the same time. For instance, if the income of the state is low (or declines over the years), even a relatively small amount (or stagnant level) of expenditure on education

TABLE 20.2
Share of Education in State Domestic Product (SDP) by States in India

State	1960-1	1980-1	1983-4	1985-6	1990-1	1995-6
Andhra Pradesh	2.3	3.8	3.7	4.7	4.6	2.4#
Assam	2.2	3.6	3.5	4.8	6.0	6.4#
Bihar	2.3	3.6	4.3	4.2	6.3	6.2#
Gujarat	2.5	3.5	3.1	5.4	4.3	3.1#
Haryana	++	2.7	2.7	3.3	3.1	2.3#
Himachal Pradesh	-	7.3	6.0	7.2	8.8	1.W
Jammu & Kashmir	2.2	4.5	4.4	6.7	6.7+	4.9
Karnataka	2.6	3.4	3.3	5.2	4.3	3.8#
Kerala	4.2	5.7	4.3	6.5	6.5	6.3#
Madhya Pradesh	2.3	3.3	3.2	4.2	5.0	3.2#
Maharashtra	3.0	3.5	3.3	3.5	3.2	2.8#
Orissa	1.9	3.8	2.9	4.7	5.4	5.1#
Punjab	2.7*	" 3.5	3.4	3.3	3.5	2.1#
Rajasthan	2.4	3.7	2.8	4.9	5.3	4.1\$
Tamil Nadu	2.8	4.3	4.1	4.8	5.0	3.7\$
Tripura	NA	7.6	8.3	6.9	11.8+	12.8#
Uttar Pradesh	2.2	3.1	3.0	3.3	4.6	3.8#
West Bengal	2.6	2.9	3.4	3.5	5.4	3.5#

Note: *Includes Haryana; ++ Included in Punjab; + 1989-90; 1985-6 onwards: government expenditure only.

Quick estimates; \$ Advance estimates.

Source: For 1990-1, 1995-6: DoE (relevant years), *Analysis of Budget Expenditure on Education*-, other years, DoE (relevant years) *Education in India*.

Norm-based estimates (based on cost functions and enrolment projections) by Tilak (1994b) suggest that it should be about 8 per cent by AD 2000. Rao (1992) compared the cost of education in India with developed countries like Singapore, and estimated that about a quarter of our GNP needs to be allocated to education. Seth (1985) felt that provision of appropriate education might require about 10 per cent of GNP.

gives an impression of a high (or increased) proportion of state income being invested in education. Nevertheless this is the best available indicator on the efforts of a state in the development of education.

The variations in the educational efforts of various states do not fall into any systematic pattern. The

coefficient of correlation between the SDP spent on education and SDP per capita is estimated to be small, negative, and statistically not significant.⁶ Based on similar results on coefficients of correlation for earlier years, it was concluded that it is not necessarily true that a state or nation invests more (or less) in education, particularly when measured as a proportion relative to total national or state income, than others because it is economically rich (or poor). For example, a state like Bihar which is economically a poor state invests as much as 6.2 per cent of its income on education (1995-6) and Punjab which has the highest per capita income among Indian states invests 2.1 per cent, and Haryana 2.3 per cent. Even states like Rajasthan, Jammu and Kashmir, Assam, Andhra Pradesh, and Orissa whose per capita incomes are about half or less than half that of Punjab invest a higher proportion of their incomes on education than does Punjab.

This may mean that level of economic development is not an important determinant of public expenditure on education. It is, in fact, necessary to analyse the determinants of expenditure on education in detail, but it is rarely attempted, and it has been strongly felt that allocation of resources to education is not based on any sound rational principles.

THE EDUCATION BUDGET

Perhaps a more important gauge of what is actually happening is the priority accorded to education in the government budget. Unfortunately there is no 'education budget' *per se* in India. To arrive at an education budget, one has to look at the education components in the union budget, and more importantly in the budgets of all the states and union territories (UTs). Only then can a complete picture of the education budget in the country be presented. We do not have such an 'integrated budget presentation' in our country.⁷ The Union Budget fails to provide any significant idea, as its contribution is relative to the state budgets for education is very small.

Further, in the budget framework, resources flow from the government in two forms—in the revenue account of the budget and in the capital account. While in the revenue budget the share of the education sector is reasonably large, in the capital budget the share of education is infinitesimally small, the net result being the pushing down of the share of education in the total budget. If central and state budgets are considered, in terms of both revenue and capital accounts, the total budget resources available for education formed around 11 per cent in 1995-6 (see Table 20.3). Further, we also notice that

TABLE 20.3
Budget Expenditure on Education in India (Education and other Departments)

	1995-6 (Actuals)		1996-7 (Revised)		1997-8 (Budget)	
	Expenditure Rs in 10 million	% in total budget	Expenditure Rs in 10 million	% in total budget	expenditure Rs in 10 million	% in total budget
<i>Centre</i>						
Revenue	5550.5	4.0	6050.6	3.8	7862.5	4.3
Capital	0.0	-	0.0	0.0	0.0	-
Loans and advances	0.5	-	0.5	-	0.0	-
Total	5551.0	3.1	6051.1	2.6	7863.3	3.4
<i>States and UTs</i>						
Revenue	32,627.6	22.3	38,644.9	22.2	43,820.7	22.7
Capital	379.1	2.0	426.5	2.2	507.9	2.2
Loans and Advances	211.0	2.6	211.3	2.1	272.7	2.7
Total	33,217.7	19.2	39,282.6	19.2	44,601.3	19.7
<i>Total</i>						
Revenue	38,178.1	13.4	44,695.4	13.4	51,683.3	13.7
Capital	379.1	1.04	426.5	1.2	508.7	1.2
Loans and Advances	211.5	0.6	211.8	0.5	272.7	0.7
Total	38,768.7	10.9	45,333.7	11.1	52,464.6	11.4

Source: DoE (1995-6 to 1997-8) *Analysis of Budgeted Expenditure on Education*.

⁶ The coefficient estimated on the basis of the 1990-1 data is (-)0.3739. See also Tilak (1987b) for similar results on an earlier set of data.

⁷ In this context, the *Analysis of the Budgeted Expenditure on Education* (Department of Education, MHRD) is a very valuable document, though it is published with a gap of 2-3 years.

while in the central budget the share of the education sector is 3.1 per cent (4.0 per cent in the revenue budget, and nil in the capital budget), it is approximately one-fifth of the budgets of states and UTs (22 per cent in the revenue budgets and 2 per cent in capital budgets) in 1995-6. It may also be noted that even though the share of education in the (revenue) budget oscillated frequently over the years, on the whole, the share in the central budget has increased from 1.6 per cent in 1967-8 to 3.1 per cent in 1995-6, and in the state budgets, it has remained around 20 per cent (see Table 20.4).

TABLE 20.4
Percentage of Education Expenditure on
Education to Total Budget

<i>Year</i>	<i>State government*</i>	<i>Union government</i>	<i>All India</i>
1967-8	19.8	1.6	11.9
1968-9	20.2	2.0	12.5
1969-70	20.5	2.3	13.0
1970-1	21.4	2.8	14.1
1971-2	20.3	2.5	13.4
1972-3	19.8	2.4	12.6
1973-4	20.6	2.0	13.0
1974-5	23.2	2.1	14.1
1975-6	22.9	2.0	13.7
1976-7	22.7	2.3	13.8
1977-8	21.4	2.1	12.7
1978-9	21.8	2.2	13.1
1979-80	21.6	2.0	13.1
1980-1	20.9	2.0	12.8
1981-2	20.8	1.9	12.5
1982-3	21.3	1.3	10.8
1983-4	20.8	1.5	11.4
1984-5	23.3	2.7	13.1
1985-6(R)	24.0	2.8	13.4
1986-7(B)	23.8	3.0	13.4
1987-8	-	-	-
1988-9	-	-	-
1989-90	21.3	2.1	9.8
1990-1	20.8	2.2	10.6
1991-2	18.9	2.2	10.2
1992-3	18.9	2.3	10.5
1993-4	19.3	2.6	10.5
1994-5	18.4	2.4	10.3
1995-6	19.5	3.1	10.9
1996-7(R)	19.2	2.6	11.1
1997-8(B)	19.7	3.4	11.4

Note: * includes UTs; R—Revised estimates; B—Budget estimates.

Source: DoE (various years), *Analysis of Budget Expenditure on Education*.

Budgetary resources flow into education from the Departments of Education, and also from other departments (ministries), both at central and state levels. While the share of the Department of Education is substantial,

other departments also contribute significant amounts to the education budget. Over the years, the latter has increased in relative proportion from 8.5 per cent in 1971-2 to about 20 per cent of the total education budget in 1997-8.

The share of education in the revenue budget has remained more or less stagnant, around 20-5 per cent, over the years in several states (see Table 20.5). Most states devote roughly one-fifth to a quarter of their revenue budgets to education. According to the latest available statistics, only Kerala and West Bengal devote about 30 per cent of their respective revenue budgets to education (1995-6). In case of Kerala it has been almost consistent though it has marginally declined, while in quite a few states the trends are rather erratic.

If we look at education expenditure levels in various states, in terms of Rs per capita, in Figure 20.3, we note that interstate variations in per capita expenditure on education are indeed very high, though they seem to be declining over the years.

RESOURCE REQUIREMENTS FOR UEE

Finding resources to finance UEE is an urgent as well as, contrary to popular fears, an entirely achievable task. On the basis of the recommendation of the high powered "Saikia Committee, a group of experts was constituted to estimate the financial requirement for making elementary education a fundamental right in the Constitution. Based on a detailed estimation of costs of each item/programme the group of experts has estimated that UEE requires additionally Rs 136.9 thousand crore during the next ten years (see Table 20.15). While this figure may seem awesome, certainly being much higher than the Rs 40 thousand crore for a five-year period estimated by the Saikia Committee, it has to be noted that additionally it means only Rs 14 thousand crore a year on average, or additionally 0.7 per cent of GDP (if the GDP grows at a modest rate of growth of 5 per cent per annum). This should easily be achievable.

According to the Committee's estimates, this would provide for a reasonably good pupil-teacher ratio of 1:30, improved physical access to schools, provision of instructional material, other necessary incentives, and on the whole a tolerable minimum level of quality of education to every child in India, by the end of the first decade of the twenty-first century. The expert group also felt that if the government is serious about the allocation of 6 per cent of GDP to education, the task becomes much easier 6 per cent of GDP would not only provide the needed resources for UEE, but it also allows provision of additional resources for growth of secondary and higher education. Further, the group showed that

TABLE 20.15
Additional Expenditure Required for UEE in India

(Rs in crores)

	<i>Recurring</i>	<i>Non-recurring</i>	<i>Total</i>	<i>Total as % of GDP</i>
1998-9	100	0	100	0.007
1999-2000	1500	2000	3500	0.24
2000-1	4000	3000	7000	0.46
2001-2	6000	4000	10,000	0.62
2002-3	8500	4000	12,500	0.73
2003-4	10,000	4000	14,000	0.78
2004-5	13,000	4000	17,000	0.90
2005-6	16,000	4000	20,000	1.01
2006-7	20,000	4000	24,000	1.16
2007-8	27,250	1572	28,822	1.32
Total	106,350	30,572	136,922	0.72*

Note: * Average.

Source: Based on DoE (1999).

increasing of total allocation to education to reach 6 per cent of GDP is not at all difficult, given (i) the economy is likely to grow at a rate of growth of above 5 per cent, (ii) the likely increase of tax/GDP ratio from 16 per cent to 18 per cent, and (iii) the likely increase of the non-tax-revenue/GDP ratio from about 3 per cent to 5 per cent during the next ten years. The group also attempted to clear two absurd propositions that are in circulation: (i) that we cannot achieve UEE because it is too costly; and (ii) that the only way to achieve it is to divert funds to it from higher education.

Mobilization of Resources for Elementary Education

In the process of review of NPE 1986, the Government of India (1990) for the first time referred in detail to some of the methods that are nowadays being discussed to generate additional resources for education. These methods largely refer to the higher education sector.

Prominent among the several measures that are discussed presently include: (i) raising fees discriminately, (ii) revitalization of the national loan programme for students, (iii) special taxes such as graduate taxes, (iv) corporate donations through liberal tax concessions, and (v) self-financing by the education sector. Most of them are relevant only in the case of higher education and to some extent secondary education, but not in the case of elementary education, and they are thus not discussed here.

As elementary education can be treated as a public good, and as UEE is, more than anything else, a Constitutional obligation, and as the Constitution desired that it be provided free to all, very few in India and even in other countries, argue for raising non-governmental resources for elementary education substantially. The argument instead is for using existing resources more

efficiently, for strengthening the base for local finances, and for generation of voluntary community resources to supplement governmental efforts. The role of local bodies is being expected to be vital in not only generating more resources but also in the context of decentralized planning and management of school education. The 73rd Constitutional Amendment on *panchayati raj* institutions may result in more demands on *panchayats*.

DECENTRALIZATION AND MOBILIZATION OF COMMUNITY RESOURCES FOR FINANCING ELEMENTARY EDUCATION

Quite a few suggestions are being put forward to mobilize additional resources for elementary education. The Government of India (1986, 1990) explicitly favours community financing of elementary education. For example, NPE 1986 stated: 'Resources, to the extent possible, will be raised by mobilizing donations, asking the beneficiary communities to maintain school buildings and supplies of some consumables, raising fees at the higher levels of education, and effecting some savings by the efficient use of facilities' (see DoE 1986, 28).

In contrast to the earlier stand that the state shall provide resources for UEE, now, even for elementary education it is stated that non-governmental resources would be required. The Government of India (1986, 28) states: 'The Government and the community in general will find funds for such programmes as: universalization of elementary education; liquidation of illiteracy.'

It is being increasingly realized that the government has to accord high priority to UEE. At the same time, it is now being realized that the government's capability to fund education has reached a saturation point, suggesting the need for a search for community resources for education.

An important development of the 1990s refers to significant efforts of the government to decentralize educational planning and administration and involve the community at various levels in planning, administration, financing, monitoring, and supervision of the working of the school system. Following the Constitutional amendment in favour of *panchayati raj* institutions, and also the launching of externally aided projects in primary education, village education committees, school development committees, and similar committees at various levels have been set up with the involvement of the local community. With the participation of these committees, efforts are also being made to mobilize physical and financial resources for the village communities to finance elementary education. For example, the School Reform Act in Andhra Pradesh provides for the establishment of committees for people's participation in educational activities at various levels—a school committee, *zpanchayat* education committee, a *mandal* education committee, a municipal education committee, a district education committee, and two boards for monitoring the activities relating to education one at district level called the District Education Board and another at state level called the State Advisory Board for School Education. These committees at various levels are expected to comprise parents, community leaders, and teachers, with a fair representation of women. The Committees are vested with several powers including resource generation. Thus a significant move has been made on the part of the government to decentralize the administration of school education in the state. Such experiments have not, however, become widespread.

Financing of Private Schools:

Private Enrichment and Public Pauperization

One important issue that has significant implications for financing education, even school education, relates to private schools and the public policy towards private schools. In the present period, characterized by the global wave of privatization, it is being increasingly felt that private schools are an effective answer to the problem of depleting public budgets. The role of the private sector in educational development in India is totally different from that of the private sector in this mixed economy in general. Private education or private schools necessarily mean a privately managed system, not necessarily a privately funded system of education. Thus private schools are of two kinds: private-aided (PA) schools, and pure private or private unaided (PUA) schools. PA schools do not provide any significant financial relief to the government, as more than 95 percent of the recurring expenditures, and sometimes

some part of the capital expenditures of these schools are met by the government. Private institutions have to survive for 3-5 years before they can qualify for government aid, sometimes even retrospectively.¹¹ Both during the initial and later periods, they might make profits by underpaying teachers and other staff, charging various types of non-tuition fees, and through other questionable practices. Thus the private sector not only does not necessarily reduce public financial burden, but also may enrich itself at government and social expense.

That the PA schools survive only with public subsidies is an indisputable fact. For example, out of total government expenditure on primary education in the state of Uttar Pradesh, 88 per cent was on PA elementary schools, in the form of grants; this is to be contrasted with the number of schools. Just 1.7 per cent of the primary schools and 14.3 per cent of the secondary schools in Uttar Pradesh are PA, while the rest are run by government or local bodies (in 1993). In other words, an alarmingly disproportionate amount out of government expenditure on elementary education was spent on an infinitesimally small number of the primary and upper primary schools. Similar is the situation in Tamil Nadu, though the degree of unevenness is not as sharp as in Uttar Pradesh (see Table 20.16). Thus, PA schools cause severe inequitable distribution of government expenditure on education.

Thus it seems that the PA sector rarely generates substantial resources on its own, but relies extensively on governmental grants. By taking away disproportionately (in relation to number of schools) large amounts from limited public budgets, the private sector also contributes to pauperization of government schools and misallocation of public resources. It has already been noted in the earlier sections that the contribution of the private sector to public education in the form of voluntary donations and endowments is very small, and further that this share is rapidly declining. Given such evidence, it would be unrealistic to assume that the private sector in education would provide any financial relief to the government.

The unaided primary schools do provide some financial relief, but at huge social and economic cost. The adverse effects include accentuating dualism, elitism, and class inequalities. Tilak (1994b) has analysed the various characteristics of private versus public schools in India, and has found that the private schools cater to the needs of the rich only, their quality of education is not necessarily superior to that of state-run schools, and there are no equity-oriented programmes in these schools.

¹¹ In fact, it may not be appropriate to refer to such schools as 'private' schools.

TABLE 20.16
**Government Assistance to Private Schools and
 Number of Private Schools—Expenditure on
 a Given Level of Education (Revised)**

	<i>Government assistant*</i>		<i>% of private schools'+(1993)</i>	
	<i>1989-90</i>	<i>1995-6</i>	<i>Primary'</i>	<i>Middle</i>
Andhra Pradesh	8.3	1A	4.19	7.96
Arunachal Pradesh	-	-	1.15	2.20
Assam	1.5	1.2	0.21	3.38
Bihar	0.0	0.0	0.59	1.82
Goa	0.0	0.0	4.15	16.38
Gujarat	0.0	0.0	1.40	5.62
Haryana	1.0	1.2	0.82	1.70
Himachal Pradesh	0.0	0.1	0.53	2.69
Jammu & Kashmir	0.0	0.0	0.28	0.95
Karnataka	3.8	1.5	1.73	11.28
Kerala	53.8	55.9	59.54	65.83
Madhya Pradesh	2.2	5.9	1.65	3.27
Maharashtra	0.1	0.1	4.67	6.04
Manipur	4.6	12.6	16.71	23.50
Meghalaya	69.6	28.8	22.30	91.55
Mizoram	32.6	17.3	10.51	39.75
Nagaland	0.6	0.1	1.82	14.08
Orissa	27.9	1.8	0.76	5.16
Punjab	0.5	3.6	0.53	2.01
Rajasthan	45.6	1.6	1.04	3.17
Sikkim	0.5	0.9	0.38	0.00
Tamil Nadu	80.2	31.7	16.17	32.94
Tripura	0.0	0.0	0.64	1.15
Uttar Pradesh	91.5	87.7	1.65	14.26
West Bengal	0.0	95.1	7.96	73.95
Chandigarh	4.5	0.0	0.00	0.00
Delhi	72.4	0.0	2.76	11.93
Pondicherry	0.0	0.0	1.13	7.95
All India	27.4	25.9	3.94	10.71

Note: * as per cent of total government expenditure on Education at the given level.

+ as per cent of all schools.

Source: Analysis of Budgeted Expenditure on Education 1989-90 to 1991-2 and 1995-6 to 1997-8, Ministry of Human Resource Development, Department of Education, New Delhi; 1991-2 and 1995-6 to 1997-8, Ministry of Human Resource Development, Department of Education, New Delhi; 1986-7 and 1990-1 to 1992-3, Ministry of Human Resource Development, Department of Education, New Delhi.

It has earlier been found that the effects of private schools on income distribution in society are so severe that they even outweigh the positive effects of the vast public (government) school system, the net effect thereby being significantly negative.

The private sector is slowly but steadily growing in size, though its present size is still very small. It is interesting to note that voluntary contributions to government institutions have quite significantly come down, and at the same time the number of profit-making private institutions has increased. These trends reflect a shift from motives of philanthropy and charity on the part of private enterprise to profit and greed.

Lastly, the size of private sector is very small, though it is causing significant distortions in the pattern of financing education. At the same time, its relative size cannot increase significantly, as the benefits attached to private schooling are mostly due to scarcity of places in private schools, and get reduced with expansion of the private sector. It has also been found that the private sector has already reached 'optimum' levels in India, the 'optimum' levels being defined in terms of the share of the private sector in developed countries like the US.

CONCLUDING OBSERVATIONS

The Constitutional Directive of UEE in India is still elusive, even four decades after the expiry of the deadline prescribed by the Constitution. It is feared that unless sufficient resources are devoted to elementary education, and meaningful strategies are adopted, the goal might remain unaccomplished. In this chapter a quick review of a few key dimensions of financing elementary education has been attempted. It should be seen as a modest attempt to present an analytical and descriptive review of major issues in financing education in India. Broad trends in financing education in India are outlined, and the policies discussed. Squeezing data from different sources, an elaborate statistical profile has also been attempted. For this purpose a few important issues have been selected, and on each issue empirical evidence is presented, and the available research is briefly surveyed to highlight the gaps in research and knowledge. But neither are the issues selected exhaustive, nor is the discussion on them in-depth.

The rationale for financing of education is clear. Both economic theory and empirical evidence on returns to investment in education and distribution benefits of investment in education necessitate financing of education. The recognition of the investment nature and the public good characteristic of education are expected to influence the policies and pattern of financing education positively and significantly. The role of the government is found to be justifiably crucial in funding education in India.

Despite recognition of education as an investment, and as a 'crucial investment, for national survival' by the Government of India, the pattern of allocation of resources to education is far from satisfactory, judged in terms of adequacy, efficiency, and equity. The priority accorded to education in the Five Year Plans, total government budget expenditures, and expenditure in GNP need to be improved. There are signs of improvement in intra-sectoral allocation of resources in favour of elementary education.

The beginning of the 1990s is marked by a few significant developments in the socio-economic spheres of the developing countries of the world. The World Conference on Education for All (Jomtien Conference) held in Jomtien, Thailand, in March 1990 has made a few significant contributions in the form of (i) recognition of importance of education for development and (ii) correspondingly a revival of commitment of the governments, the internal organizations, and the societies at large to education in general and to primary education in particular. In a sense, governments became more serious with the goals of EFA.

Parallel to this, unfortunately the 1990s also marked a beginning of serious economic problems in most developing countries, necessitating adoption of stabilization and structural adjustment reform policies. The economic reform policies had a serious adverse effect on public expenditures in general, including education. Public budgets for education, including elementary education, began to seriously suffer. The social safety net programmes and corresponding flow of foreign aid to primary education mitigated the adverse effects of economic reform policies on primary education, but only to a certain extent. As a result, today we find mixed trends in public financing of education in many developing countries.

India is not an exception to these global trends. Though the public expenditures on education, and also as a proportion of the government budgets showed an increase in the 1990s, public expenditures on education as a proportion of national income declined steeply from above 4 per cent to much below 4 per cent. Government expenditure on elementary education as a proportion of national income also declined from 1.6 per cent in 1990-1 to 1.4 per cent in 1996-7. In the last couple of years, allocations to elementary education have increased. But a substantial part of the increase in outlay for elementary education is accounted for by external aid, leading many to warn that the growth in public expenditure on elementary education is largely 'borrowed growth.'

The need to enhance the levels of funding elementary education is obvious. It is estimated that realization of the long-cherished goal of UEE requires additionally Rs 137 thousand crore in the next ten years—about Rs 14 thousand crore a year, or on average about 0.7 per cent of national income per annum. This does not seem to be an unachievable target, nor is it unaffordable. At the end it may, however, be noted that finances are only a necessary, but not a sufficient, condition for achieving UEE in India.

The issue of mobilizing additional resources for education is also briefly discussed here. First, it is concluded that as far as school education, specifically elementary education—a 'pure public' and 'merit' good—is concerned, there are no magic solutions. The government has to 'generously' finance education. Efforts to augment non-government resources may be restricted to higher education. Additional resources that can be generated from the community for financing school education may be viewed as supplementary resources and the government should assume complete responsibility of funding. There are a few developments taking place in funding school education. Two important developments have been reviewed: privatization and international aid. Both have their limitations. The former accentuates

socio-economic disparities besides leading to the enrichment of the private sector and the pauperization of government schools, and the latter cannot be an effective solution even if associated anomalies can be eliminated. A strong political commitment to finance the education sector liberally from domestic resources seems to be the only alternative.

To conclude, the new economic policies initiated in 1991 that involve short-term stabilization and long-term structural adjustment policies in India will, it is feared, lead to immediate cuts in public budgets for education, as happened in several developing countries that adopted these policies, as these policies clearly involve reduction in public expenditures and deficits, and in the long run they may result in a drastic change in public policies on financing of education. The higher education sector in India has already experienced drastic budget cuts. It is feared that primary and elementary education might also suffer. However, the DPEP, being launched with external assistance in several states, it is hoped will provide some sort of protection to primary education from the budget squeezes. Nevertheless, the financial crisis in education is transparent, and it is forecasted to continue.

The need for strengthening the resource base for education is obvious. However, the choices seem to be limited as far as school education is concerned. Given the Constitutional Directive, and other considerations, the government should continue to take on complete responsibility of financing elementary education, and other sources can only supplement governmental efforts. There is need to improve the overall allocation pattern in financing education in India.