

Public Expenditure on Human Development: With Special Reference to Education



Ashwini

Assistant Professor,
Deptt. of Sociology,
Studies and Research in
Sociology,
Tumkur University,
Tumkur, Karnataka

Abstract

To know development in a society, Literacy is another proper indicator of economic development. For purpose of census, a person in age limit of seven and above, who can both write and read with understanding in any of the language is considered as a literate in India. Literacy plays a major role in the economic development of a nation. Although India has raised its current literacy rate of 75% (2016) from 12% at the time of Independence in 1947, its still lag behind the world average literacy rate of 84%. Compared with other nations, Republic of India has the largest illiterate population. As per Population Census of India 2011, the Literacy rate of India has shown improvement of almost 9.2 percent. It has gone up to 74.04% in 2011 from 65.38% in 2001, thus registering an increase of over 9 percent in the last 10 years. The nation also suffers from a wide gender disparity in literacy rate with a literacy rate of 82.14% for men and 65.46% for women. Kerala with 93.91% literacy rate is the top state in India. Lakshadweep and Mizoram are at second and third position with 92.28% and 91.58% literacy rate respectively. Bihar with 63.08% literacy rate is the last in terms of literacy rate in India. Majority of states in India has shown majors signs of improvement in their overall literary rate thus contributing towards a literate nation.

Keywords: Public, Education, Development, Literacy and India.

Introduction

India is undergoing a historic demographic transition where the majority of the population is below the age of 25. It is increasingly being recognised that education will play a major role in the country for reaping the expected 'demographic dividend' over the next decades. In this background, the 10th and 11th Plan periods corresponding to the last 10 years (2002–12) have witnessed a concerted effort to provide a thrust towards the universalisation of elementary education and significantly expanding access to secondary and higher education. This has mainly come about through the intervention of the central government in elementary education, which was traditionally in the domain of the states, having significant implications for the structure of financing the education sector in general, and the fiscal responsibilities between the centre and the states in particular. Comparatively, adult and technical education sectors have lacked a coherent strategy, although it is being recognised that they form an integral part of improving literacy among the general population and upgrading their skills (Mukherjee 2007). In 2009, the parliament passed the historic Right to Education (RTE) Act, which provides the framework for policy in the years to come.

Objective of the Study

The prime objective of this paper is to Explore in depth the relationship across States between public expenditure and education outcomes in terms of both access and performance.

Related Study

Raghbendra Jha, et.al. studeid to test whether public expenditures on education, health and other development activities have been effective in reducing poverty in India. To ensure sensitivity and robustness of the results, three different measures of poverty belonging to the Foster-Greer-Thorbecke group of poverty measures are used. They considered various types of education expenditures, viz., government expenditures on elementary, secondary, higher/university and "other" levels for fourteen Indian States are used for estimating poverty. Using

unbalanced panel data techniques, they tested Fixed effects, Random effects and OLS models, and concluded that education, health and development expenditures help to reduce poverty.

Sanjeev Gupta, et.al (2004), using panel data for 120 developing countries from 1975 to 2000, they explored the direct and indirect channels linking social spending, human capital, and growth in a system of equations. They found that both education and health spending have a positive and significant direct impact on the accumulation of education and health capital, and thus can lead to higher economic growth. They also found that the policy interventions, such as improving governance, reducing excessive budget deficits, and taming inflation, can also be helpful in moving countries towards the Millennium Development Goals (MDGs). They concluded that higher spending alone is not sufficient to achieve the MDGs

Sergio Beraldo, et.al they studied how public and private expenditures in health and education affect economic growth by their influence on people's health, abilities, skills and knowledge. Their empirical analysis was based on a panel of 19 OECD countries observed between 1971 and 1998 showed a robust positive correlation between expenditure in health and education and GDP growth. The estimations showed that there is stronger positive impact on health than for education.

Centrally Sponsored Schemes (CSS)

The difference in trends in public expenditure by the Centre and the States over the past fifteen years highlights the increasingly important role played by the Centre in States' finance, particularly in elementary education. A large proportion of transfers from the Centre are allotted to the States for implementing Centrally Sponsored Schemes (CSS). These schemes are formulated by the Centre which also funds a major part of their implementing costs. States, which are the implementing agencies, fund the remaining portion. As a mode of transfer of resources direct central assistance is advantageous to the states from autonomy point of view. But the states have shown preference for CSS as it is given as grants and not loans which reduce their fiscal burden.

Some prominent CSS in elementary education were designed after the introduction of New Economic Policy. In the nineties the major schemes in operation were Operation Blackboard (OB), Non-formal Education (NFE) and Teacher Education (TE), Midday Meal (MDM), Scheme for Free education for girls and District Primary Education Programme (DPEP)¹⁷. A few smaller schemes – Educational Technology (ET), Environmental Orientation of School education and Integrated Education of Disabled Children (IEDC) were for both elementary and secondary education. The earlier schemes were targeted towards improving schooling infrastructure. The later schemes were incentive based.

Centrally Sponsored Schemes are a channel through which the central government has been adding resources to the state education sector. However their coverage has varied over time and there has been no uniformity in its distribution over

different states (Table A8). Maharashtra and Karnataka, two of the educationally better developed states, have received a major share of Operation Blackboard funds (17.4 and 10.9 per cent) while Madhya Pradesh and West Bengal received very little (4.5 and 2.1 per cent). This brings us to an important aspect in the education scenario – regional imbalance in state education indicators and failure of budgetary mechanisms to compensate for it.

Public Expenditure on Education in the States

As discussed earlier, education had been a state subject in India till 1976, after which it became concurrent with the Centre. Therefore, state government policies would have an over-riding impact on the development of education in individual states. In this section we examine the trend in education expenditures and their possible impact on education outcomes in seven selected states.

Given that the states in India have very different size, population, natural endowment and economic development, there is expectedly a lot of disparity in the education performance and the expenses incurred on education in all the states. To capture these variations we have looked at the education expenditure and outcomes of seven states in this section. The results obtained from such a small selective sample are at best indicative, and more reliable results can be obtained if changes in all states are studied²⁰. The states have been selected from different levels of per capita Net State Domestic Product (NSDP) in the year 2004-5. According to this indicator, Haryana, Himachal Pradesh and Kerala are considered to be in the "high income" category. Meghalay is in the "middle income" category and Rajasthan, Madhya Pradesh and Orissa in the "low income" category.

Analysis of Public Expenditure on Education

Public expenditure analysis is being increasingly used for assessing public service delivery performance. It constitutes a useful tool to assess the efficiency and equity of public spending in the education sector. As such, it provides an important insight when analysts consider the rationale for government intervention in education. Thus it is important to take a closer look at the budget when assessing the performance of education services delivery in the following sub-sections.

Growth Rates

The annual growth rate of government expenditure on education for 15 States is shown in the Table 3.5. The growth rates are shown for the periods 1980s, 1990s, and 1980-2006 for Total Expenditure, Revenue Expenditure and Capital Expenditure. The growth rate showed that the total expenditure on education is higher in 1980s than 1990s except Haryana, Kerala, Orissa, and Punjab. In case of revenue expenditure on education States like Haryana Kerala, Orissa and Punjab showed an increased trend where as in capital expenditure on education Karnataka and Tamil Nadu showed an increased trend. Altogether for two decades the growth rates showed highest in Punjab followed by Haryana and remaining States showed below 18% of growth rate.

S. No.	States/Year	80s			90s			80s and 90s Together		
		Rev exp	Cap exp	Total exp	Rev exp	Cap exp	Total exp	Rev exp	Cap exp	Total exp
1	Andhra Pradesh	16.65	30.24	16.72	12.57	2.02	12.53	15.6	-5.86	15.54
2	Assam	15.26	15.14	15.25	13.98	6.74	13.91	14.45	3.37	14.39
3	Bihar	16.09	58.18	16.65	11.63	-27.03	11.55	11.87	8.43	11.88
4	Gujarat	26.16	24	26.15	13.92	17.24	13.93	15.59	9.17	15.55
5	Haryana	-14.57	14.44	-11.6	55.19	8.46	49.69	47.95	-1.7	41.58
6	Karnataka	15.84	5.05	15.79	14.1	23.52	14.13	15.46	20.42	15.57
7	Kerala	11.61	7.77	11.56	12.9	-1.87	12.69	13.55	-0.74	13.34
8	Madhya Pradesh	15.8	34.49	16.09	12.75	-3.82	12.24	22.77	-5.96	20.3
9	Maharashtra	67.19	13.84	65.93	15.69	16.12	15.69	17.39	13.8	17.39
10	Orissa	12.61	32.27	13.26	21.67	-1.54	21.28	18.12	0.62	17.89
11	Punjab	-14.95	17.07	-13.45	55	3.31	51.72	59.14	-21.0	50.32
12	Rajasthan	16.56	39.97	16.9	14.35	0.03	14.14	15.97	7.08	15.85
13	Tamil Nadu	17.04	9.29	16.93	12.98	20.86	13.05	14.11	20.69	14.19
14	Uttar Pradesh	18.85	24.3	18.89	10.51	-4.33	10.38	13.01	-1.81	12.83
15	West Bengal	18.49	16.36	18.47	13.76	10.21	13.74	14.46	14.44	14.46

Source: Finance Accounts

Ratio to GSDP

The Inter-State analysis of government on education as ratio to GSDP of major 15 States in different years 1980-81, 1990-91, 2000-01 and 2005-06 is given in Table 3 From the data we conclude that there is an increasing trend in education expenditure ratio to GSDP in the States like Assam, Bihar, Maharashtra, Orissa, Rajasthan,

Uttar Pradesh and West Bengal while other States the trend is fluctuating till 2000-01. Again our observations reveals that in 2005-06 all States showed decreasing trend except Madhya Pradesh and the share of public expenditure on education to the GSDP ranged between 2% to 4% only. The public education expenditure as ratio to GSDP is higher in poorer States.

S. No.	States/Year	1980-81	1990-91	2000-01	2005-06
1	Andhra Pradesh	0.03	0.03	0.03	0.02
2	Assam	0.04	0.04	0.06	0.04
3	Bihar	0.03	0.05	0.07	0.06
4	Gujarat	0.01	0.03	0.03	0.02
5	Haryana	0.02	0.00	0.02	0.02
6	Karnataka	0.02	0.03	0.03	0.03
7	Kerala	0.04	0.05	0.04	0.03
8	Madhya Pradesh	0.02	0.03	0.02	0.03
9	Maharashtra	0.00	0.03	0.04	0.02
10	Orissa	0.02	0.02	0.05	0.03
11	Punjab	0.03	0.00	0.03	0.02
12	Rajasthan	0.03	0.03	0.04	0.04
13	Tamil Nadu	0.03	0.04	0.03	0.02
14	Uttar Pradesh	0.02	0.03	0.04	0.03
15	West Bengal	0.02	0.04	0.03	0.02

Source: Finance Accounts

Ratio to Total Expenditure

S.No.	States/Year	1980-81	1991-92	2001-02	2006-07
1	Andhra Pradesh	0.16	0.17	0.15	0.12
2	Assam	0.22	0.21	0.28	0.21
3	Bihar	0.19	0.24	0.23	0.21
4	Gujarat	0.07	0.18	0.15	0.13
5	Haryana	0.14	0.01	0.15	0.12
6	Karnataka	0.16	0.17	0.19	0.14
7	Kerala	0.27	0.26	0.21	0.18
8	Madhya Pradesh	0.13	0.18	0.09	0.14
9	Maharashtra	0.01	0.18	0.23	0.17
10	Orissa	0.11	0.10	0.18	0.14
11	Punjab	0.22	0.01	0.14	0.11
12	Rajasthan	0.17	0.21	0.20	0.17
13	Tamil Nadu	0.18	0.22	0.19	0.14
14	Uttar Pradesh	0.15	0.20	0.18	0.16
15	West Bengal	0.14	0.25	0.20	0.17

Source: Finance Accounts

Looking at the ratio of public expenditure on education in total expenditure, it stood at around 15 percent for all 15 States during the 25 years but the difference between the states with the highest and lowest shares declined from 26 percent in 1980-81 to 10 percent in 2006-07 (Table 4.). Traditionally high expenditure States such as Andhra Pradesh, Kerala West Bengal Punjab, reduced their expenditure in 2000-01. On the other hand, the lowest income States increased their expenditure which was catching up with other States (Uttar Pradesh and Bihar). The share of public expenditure on education in total expenditure increased in poorer States.

Conclusion

Basic social services especially education and health are the critical inputs in human resource development and are essential for the economic growth of the country. In an increasingly competitive international economic environment, public expenditure in education becomes the indispensable instruments to help and maintain India's comparative advantage. Successful transitions from subsistence agriculture to modern agriculture, from basic industry to higher technology, from manufacturing to provision of services, all depend on the quality of human capital; and the quality of human capital depends to a large extent on public expenditures in the social sectors, including education, health, and nutrition. The major indicators of socio-economic development viz., the growth-rate of the economy, birth rate, and death rate, infant mortality rate (IMR) and literacy rate are interconnected.

Public expenditures in education especially in basic education, therefore, has a high rate of return – that is, the value of the benefits to the individual and to society exceed the cost of the expenditure by a large margin. Experiences also clearly demonstrate that expenditures in basic social sectors like education is prerequisite for the economic development. When there is continuous increase in the public expenditures in quality education at all levels together with development of appropriate skills for the workforce is a prerequisite for continuing economic growth. So

social service expenditure is clearly linked to key education outcomes. Public expenditures on basic social services benefit especially the lower income groups due to their lack of income to purchase health and education services. Particularly, investments in primary health care, public health, primary education and sanitation carry high positive externalities and justify government intervention to provide the services. Public expenditures on education and health are an essential part of public social spending because of their positive effects on the formation of human capital, which in turn contributes to economic growth, equity and the reduction of poverty. Therefore, the enhancement of the effectiveness of public expenditure is very important for future development of a country like India.

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