

Government Expenditure on Higher Education of India: The Trend and The Strategy

Abstract

The key to development is human being and his (her) abilities, values and attitudes which must be changed in order to accelerate the process of development" (Meir G.M., 1975).

The above statement clearly shows the importance of higher education for the development of an economy. Moreover India is a second populated country in the world. To realize India's demographic dividend we have to produce competent workforce and for this our higher education system should be globally relevant and competitive.

In the light of above discussion this paper analysed the trend and strategy of Government expenditure on higher education in India.

Keywords: Higher Education, Public Expenditure.

Introduction

Higher Education plays very significant role in all round development of the nation, as it empowers the individuals with necessary competence for achieving important personal social and higher level of professional goals. It is inscribed as a vital factor of survival: it provides people with "an opportunity to reflect on the critical ,social, economic, cultural ,moral and spiritual issues facing humanity"(National policy on Education,1986).This statement clearly shows the importance of higher Education for India. In 1991 India adopted Economic Reforms. Due to this structural shifts in Indian Economy demand for highly skilled workers and innovators increases. Study shows that by 2030 ,India will be amongst the youngest nations in the world with nearly 140 million people in college going age group, one in every four graduates in the world will be a product of the Indian higher education system.

Indian higher education is most important components of social sector. It is public good and included in concurrent list of Indian constitution, both central and state government has the responsibility to maintain quantity, quality and access in education. Expenditure on education is considered as investment on human capital, as it raises the level of knowledge and skill of the human being. And thus contributes to the economic development of the country. But in India due to fiscal crises India adopted Fiscal sector reforms. In this structural adjustment programme the government has to take the measures to control Fiscal deficits. Fiscal deficits of the government can be control by either increasing revenue or by curtailing Expenditure. The government fails to increase revenue so they curtailed the expenditure. In Expenditure socio-economic sectors suffers the most because it was easy to curtail expenditure on these sectors.

Objective and Methodolgy

In the light of above discussion, the objectives of this paper are to provide comprehensive assessment of the expenditure incurred both by central and state government on Higher Education, the primary focus of the study is on the following objectives:

1. To know the amount of money spent by the government on Higher education
2. To find the trends and growth of public expenditure on Higher education
3. To know the changing Patterns of government expenditure at different components of public expenditure on Higher education

The study is primarily based on secondary data. However, many sources of data have been taken to prepare a set of data as the requirement of the study. The secondary data source which are published

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by RBI and MHRD of India are consulted for the study. The other source includes Indian Public Finance, Annual budget of government and various research journals.

Government Expenditure on Higher Education of India

Government expenditure on Higher education assumes greater importance for developing country . India which is not only developing but also second most populated country in the world importance of expenditure on Higher education is more compare to other country. Because for the process of economic development investment in human capital is necessary which can be done only through increase in expenditure on higher education.

At the time of Independence the socio economic infrastructure was weak. India adopted the socialist pattern of society as the objective of economic and social policy which means that government has to play an important role on the financing of these sectors. Education is most important component of social sector. Moreover it is considered as a public good and included in the concurrent list of Indian constitution ,that means both central and state government has the responsibility of the Education sector. In spite of the importance of

Higher education sector for Indian economy ,this sector suffers from inadequacy of financial resources.

We will analyse the trend and strategy of government expenditure on higher education under following heading:

1. Sectoral education expenditure as share of total education expenditure
2. Government expenditure on higher education of India
3. Government expenditure on higher education as percentage of GDP
4. Plan and Non-Plan expenditure on higher education of India
5. Per student public expenditure on Higher education of India

Sectoral Education Expenditure As Share Of Total Education Expenditure

Following Table-1 shows that the share of primary education gradually started to increase in the central budget. This is because of implementation of National policy on Education 1986. On the other hand budgetary allocations to secondary education do not show any systematic pattern. Indian government initially focused more on tertiary education as they gave relatively more emphasis to industrial sector development compare to that of agriculture from the second five year plan.

Table1 -Sectoral Education Expenditure As Share Of Total Education Expenditure

Year	Primary Education Expenditure Share(%)	Secondary Education Expenditure Share (%)	Tertiary Education Expenditure Share(%)
1951-1960	4.43	6.73	20.75
1961-1970	1.7	2.73	60.54
1971-1980	0.4	6.09	71.84
1981-1990	9.56	16.49	60.01
1991-2000	29.6	24.88	33.78
2001-2011	52.89	18.38	21.4

Source: MHRD & RBI database

Note: Tertiary education expenditure includes university /higher education and technically education expenditure.

Government Expenditure on Higher Education of India

Analysis of table-2 clearly depicts that as compare to pre-globalization period public expenditure on higher education increases during post- globalisation period. . Secondly it shows that after adjusting expenditure with inflation growth rate declines, which means due to Inflation there was a

ruination in education financing. During pre-globalisation at current prices public expenditure on higher education increased by five times but at real prices it increases by only two times.in compare to this during post-globalisation period at current prices total expenditure on higher education increased by seven times and at constant prices it increased by only three times.

Table 2- GOVERNMENT EXPENDITURE ON HIGHER EDUCATION IN INDIA

	At Current Prices			%Share		At Constant Prices		
	Centre	State	Total	Center	State	Center	State	Total
1980-81	98.8	384.9	483.7	20	80	501.3	1953.1	2454.4
1985-86	205.9	840.8	1046.7	20	80	762.1	3112.0	3874.0
1990-91	475.5	1836.4	2311.9	21	79	1208.0	4665.2	5873.1
1994-95	684.2	2841.1	3525.3	19	81	1138.1	4725.9	5864.0
1999-00	2201.4	6047.0	8248.4	27	73	2837.7	7794.9	10632.7
2004-05	2099.0	7404.2	9503.2	22	78	2099.0	7404.2	9503.2
2009-10	8346.6	15839.4	24186.0	35	65	6381.2	12109.6	18490.8

Source: National Informatics Centre ,Budgetary Resources for education, Department of education, MHRD, GOI, New Delhi

Table- 3 shows the compound annual growth rate of public expenditure in higher education. It is evident from the table that compound annual growth rate (CAGR) of central, states and total government expenditure in higher education both at

current and constant prices has declined during 1991 to 2010. However at both current and constant prices CAGR of central government expenditure have declined at a greater proportion in comparison to state government expenditure.

Table 3-Compound Annual Growth Rate of Public Expenditure On Higher Education

Year	At Current Price			At Constant Price		
	Center	State	Total	Center	State	Total
1980-81 TO 1990-91	19.9	13.7	15.1	13.8	7.9	9.3
1991-92 TO 2009-10	15.4	13.0	13.6	8.2	5.9	6.5
1980-81 TO 2009-10	14.4	12.8	13.2	7.0	5.5	5.8

Source: National Informatics Centre, Budgetary Resources for education, Department of education ,MHR,GOI,New Delhi

Government Expenditure on Higher Education As Percentage of GDP

Government expenditure on higher education as percentage of GDP shows the relative priority given to Higher education in the economy. It also reflects the initiative or efforts of the government for the development of education in the economy. Table -4 clearly shows that during pre-globalization period ,government expenditure on higher education as percent of GDP was 0.31 percent in 1980-81 which increases to 0.38 percent in 1985-86 but during post-globalization period it decreases with fluctuation ,for example from 0.43 percent in 1990-91 it increases to 0.47 percent in 1999-2000 and then in 2009-10 it declines to 0.41 percent .

Table 4-Trends of Government Expenditure on Higher Education As Percent of GDP

Year	Government Expenditure on Higher Education As Percentage of GDP
1980-81	0.31
1985-86	0.38
1990-91	0.43
1994-95	0.36
1999-2000	0.47
2004-05	0.31
2009-10	0.41

Source: Mhrd & Handbook of Statistics,2011-12 & 2012-13,RBI

Table - 4 shows that there is small increase in the government expenditure on higher education as per cent of GDP but for country like India it is far from satisfactory. When we compare India' s expenditure on education with other countries the situation is not at all satisfactory (Table-5). Not only developed countries but some developing countries are spending more than India on higher education.

Table-5 Trends of Government Expenditure on Education as A Percentage of GNP (Developed And Developing Countries)

Country/Year	1985	1996	1999	2006	2008
Developed					
Canada	6.6	7.0	6.0	5.1	5.0
Usa	4.9	5.4	5.0	5.3	5.5
Uk	4.9	5.4	4.6	5.5	5.5
Denmark	7.2	8.2	8.2	8.3	7.8
India	3.4	3.4	4.0	3.3	3.2
Developing					
Mexico	3.9	4.9	4.5	5.6	4.9
Malaysia	6.6	5.2	6.1	6.6	4.6
Brazil	3.8	5.2	4.4	4.1	5.3
Thailand	3.8	4.1	5.1	4.3	6.3
India	3.4	3.4	4.0	3.3	3.2

Source: UNDP Human Development Report Plan and Non Plan Expenditure on Higher Education in India

The total Government expenditure on Higher Education consists of Plan and Non-Plan expenditure. 'Plan expenditure' refers to the amount spent on the recruitment of new staff, construction of universities and colleges etc whereas "Non Plan expenditure "is incurred on the maintenance of established infrastructure and committed expenditures. Table -6 clearly shows that in total expenditure on higher education Non-Plan expenditure dominates . Between 1980-81 to 2009-10 Non -plan expenditure ranges between 84 percent to 77 percent and plan Expenditure ranges between 16 percent to 23

percent. It is evident from the table that during pre-globalisation period plan expenditure was 16 percent and Non -plan expenditure was 84 percent but plan expenditure declines to 11 percent and Non-plan expenditure increases to 89 percent. This happens due to fiscal sector reforms .Because the main objective of these reforms was to control fiscal deficits which can be control either by increasing tax revenue or by curtailing expenditure. Indian government fails to increase revenue so to control deficits they curtailed the expenditure and that too for social sectors such as Education. Not only this the curtailment was done in plan expenditure which means less efforts for creating new education faculties.

Table 6 - Plan and Non-Plan Expenditure on Higher Education in India

Year	At Current Prices			As% Of Total Expenditure On Higher Education		At Constant Prices		
	Plan	Non-Plan	Total	Plan	Non-Plan	Plan	Non-Plan	Total
1980-81	75.6	408.1	483.7	16	84	383.6	2070.8	2454.4
1985-86	145.3	901.4	1046.7	14	86	537.8	3336.3	3874.0
1990-91	245.0	2066.9	2311.9	11	89	622.4	5250.7	5873.1
1994-95	524.9	3000.4	3525.3	15	85	873.1	4990.0	5864.0
1999-2000	834.5	7413.9	8248.4	10	90	1075.7	9557.0	10632.7
2004-05	1305.0	8198.1	9503.2	14	86	1305.0	8198.1	9503.2
2009-10	5680.6	18505.4	24186.0	23	77	4343.0	14147.9	18490.8

Source : National Informatics Centre, Budgetary Resources for education, Department of Education, MHRD, GOI, New Delhi

Table 7- Compound Annual Growth Rate (Cagr) of Plan ,Non-Plan Expenditure on Higher Education in India

Year	At Current Prices			At Constant Prices		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
1980-81 TO 1990-91	17.4	14.6	15.1	11.5	5.8	9.3
1991-92 TO 2009-10	14.4	13.3	13.6	7.3	4.4	6.5
1980-81 TO 2009-2010	13.7	13.0	13.2	6.3	4.1	5.8

Analysis of table-7 clearly shows that during Post-globalization period annual growth rate of Plan and Non-Plan expenditure at both current and constant prices declines as compare to Pre-globalization period. The main reason for this deceleration was economic reforms.

Compound Annual Growth Rate of Per Student Public Expenditure on Higher Education In India

The magnitude of expenditure on education becomes more meaningful when it is represented as per student expenditure. The per student expenditure data shows the actual relative resource availability to

Table 8- Compound Annual Growth Rate of Per Student Public Expenditure on Higher Education of India

	1980-81 to 1990-91	1990-91 to 2009-10	1980-81 to 2009-10
At Current Prices	8.7	7.2	6.8
At Constant Prices	3.25	0.5	-0.9

Source: National Informatics centre, Budgetary Resources for education, Department of Education, MHRD, GOI, New Delhi

Conclusions

Higher Education determines its (India's) economic and technological progress... Government funding must continue to be an essential and mandatory requirement for support to higher education. The Government/State must continue to accept the major responsibility for funding....

Report of Justice Dr K Punnayya Committee on UGC Funding of Institutions of Higher Education (1993)

India is the second most populous country in the world, but the public expenditure incurred by government on education is around three to four percent of GDP. There are some advanced countries spending more than six percent of GDP on education like USA (6.4%), New Zealand (6.9%), Norway (6.5%), and United Kingdom (6.3%). Per capita expenditure on education in India is one of the lowest in the world.

There are main two factors which are responsible for the deceleration in the growth of Public expenditure. Firstly, as discussed earlier due to fiscal sectors reforms. There was curtailment of Expenditure in socio-economic sector. Secondly increased priority to elementary and secondary

the educational system. It indicates towards the quality and efficiency of education in terms of physical and human infrastructure available to students on an average. Table -8 clearly indicates that there is a decline in per student expenditure which means decline in real resources available per student on an average. It seriously affecting the quality of our higher education system because there were steep cuts in budget allocations for libraries, laboratories, scholarships and faculty development programmes etc.

education which is responsible for crowding out of Higher Education. This happens because Policy makers ignored the interdependence of various levels of Education.

For quantitative expansion and qualitative improvement of Higher Education shortage of funds acts as an obstacle. So, there is need to increase spending on education beyond six percent of GDP, this will also increase per student expenditure on Higher education of India.

Government should make such higher education institutes where the knowledge and skill are given according to changing labour market needs. For this increase in higher education fund should be more focused on promoting scientific and technical education and encouraging R & D in all subjects, by doing this India will be able to develop world class research institutes.

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