

Private Financing of Education in India

Abstract

According to constitution of India education is expected to be free for all still we find students and families incurring huge expenditure on education. Even the poorest household feels the compulsion on spending on education. National Sample Survey has collected some data on the expenditure of education by **Household Sector**. The paper highlights expenditure by the private sector including household on education. This indicates the galloping demand of education at present time.

Keywords: Merit Goods, Public Good, Private Final Consumption Expenditure.

Introduction

Education is a merit good, and it is also considered as a public good, producing a huge set of externalities. Internationally education, particularly school and more particularly elementary education is recognized as a basic need. In the framework of Indian development planning, it is considered as one of the important 'minimum needs'. United Nations and UNESCO resolutions also require it to be provided free by the state to all its citizens. Though according to the *Constitution of India*, education is expected to be provided free to every one, students and families are found incurring huge expenditures on acquiring it. Households – even the poorest household's -- are found to be feeling the compulsion to spend considerable amounts of their meager income on education in terms of tuition and other fees, other payments to schools, and other necessary expenditure on textbooks, stationery, uniforms, transport etc. Available research has also shown that the need to spend huge amounts by the households on education, or to incur the household costs on education, has been a very important constraint in the participation of the low income groups in education (see Tilak, 2002a). Though the 86th amendment to the Constitution promises to provide elementary education free to all, given the changing development paradigms, the changing economic reform policies and the over all socio economic conditions, where private education has been expanding at a rapid rate, many feel that the households will have to continue to spend huge amounts on education.

Sources of Data

Reasonably reliable and sound database exists in case of public expenditure on education in India. But data on household expenditure are scarce and hence most analyses of expenditure on education are usually confined to the public expenditures only. There are two main types of database on household expenditures on education in India. First, the Central Statistical Organisation (CSO) publishes every year data on household expenditures – 'private final consumption expenditure' -- on education (and other non-food and food items) based on estimates made by the National Sample Survey Organisation (NSSO) in the *National Accounts Statistics* (NAS). But the NAS does not give any details regarding the composition of the expenditure on education by items, the levels of education, etc. NAS, however, enables time-series comparisons, besides being national in coverage. The second important source is the household surveys of the National Sample Survey (NSS). The several rounds of the NSS on Employment and Unemployment and on Household Consumer Expenditure, regularly collect and provide data on household expenditure on education (and other non-food and food items). These regular rounds also do not provide any additional details on the levels of education or on the components of education expenditure. They are of course available for rural and urban areas separately and also by expenditure (monthly per capita expenditure) classes.

Private Final Consumption Expenditure on Education in India

The *National Accounts Statistics* (NAS) presents estimates on 'private final consumption expenditure in the domestic market' on education in current prices and also in constant prices. They are also available as a



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proportion of the total private final consumption expenditure. The 'private final consumption expenditure' on education is regarded as the household expenditure on education.

Table 1
Private Final Consumption Expenditure on Education (at 1999-00 Prices)

Private Expenditure (Crores)	% of total Private Expenditure	Year
1240	0.60%	1950-51
2490	0.82%	1960-61
5982	1.41%	1970-71
8196	1.46%	1980-81
13976	1.66%	1990-91
26190	2.01%	2000-01
45,02,9748*	2.9%	2010-11

Source: Based on CSO (2008 and 2009)
[www.mospi.nic.in]

In the table 1 private final consumption expenditure on education is shown adjusted at 1999-00 prices. The data shows that the private final consumption expenditure increased considerably over the decades. The increase in absolute terms is specially high in 1970-71 and 2000 -01 which accrues to increase in the spending capacity and level of income of the people of India . As a percentage of the total private final consumption expenditure the expenditure on education shows appreciable increase. In 1950 -51 it is .60% of the total private final consumption expenditure. It shows meager hike in 1960-61. In 1970-71 it increased considerably to 1.41% which shows that people started spending on education comparatively high amount of their disposable income. In 1970-71 it increased to 1.41%. In 1980-81 and 1990-91 it showed slight increase yet remain near around. The preceding decade shows considerable hike when the share reached to more than 2% of the total private final consumption expenditure on education.

Table 2 shows the Private Final Consumption Expenditure on Education as share of GDP.

The data shows that the share of education in GDP has remain lingering between 2-3%. It is highest in the year 2009-10 and 2010-11.It shows that the aim of achieving 6 % spend on education out of total Private Final Consumption Expenditure is a long way talk.The present ststus of expenditure has not even attend half of the desired level.

Table 2
Private Final Consumption Expenditure on Education as share of GDP

Year	Private exp. As % of GDP
2000-01	2.02%
2001-02	2.08%
2002-03	2.22%
2003-04	2.30%
2004-05	2.39%
2005-06	2.47%
2006-07	2.53%
2007-08	2.55%
2009-10	2.9%
2010-11	2.9%

Source : Selected Education Statistics , MHRD Govt. of India

Conclusion

The private expenditure is increasing at whopping speed in many areas as we witness increasing markets and consumerism .The increasing demand for income has created the demand for good quality education at one hand and increasing number of courses at other. This fact is supported by the large number of variety of courses started all over in private universities of the country. Hence the spend on education has to increase on both the supply side and on the demand side.The supply side will not let down if the increasing demand for education sustains because the growth of service sector jobs is exerting pressure on it. As said above the expenditure is too little as compared to what the MHRD wish to achieve {6%}. Thus there is a huge apportunity in future for both the demand and supply side of private expenditure on education to grow.

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