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India's Social Expenditure on Education

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Abstract

The traditional growth model focuses more on physical investment to promote the growth of the nation. This approach does not consider the effects of knowledge and skills on the production of the nation. The neo-classical growth model talks about the role of education in the growth and development of the nation. The method of measuring the human development started in 1990. The first human development report also published in the same year which talks about the importance of human development. The human development reports also talk about the public spending on human development indicators like health and education. This paper examines the trend and pattern of the social expenditure on education in India since 2000. The paper shows that government is not spending the enough amounts on education. The lack of public spending on education leads to the poor performance in the indicators of education in India.

Keywords: *Economic growth and development, social Expenditure, Public expenditure on education*

Introduction

The classical theories of economic development emphasize the growth of the GDP of the nation. These theories explain that higher the level of GDP growth rate higher the welfare of the society. The classical approach of the development relies on the income growth and that too depends on the capitalist structure of the economy. The mercantilist structure of the economy prevails before the capitalism which focuses on the exports of the nation. This approach says that higher exports lead to the more welfare. The British economist Adam Smith criticised the concept of mercantilism and gave the idea of market-based economy which is known as capitalism. Capitalist structure of the economy believes in the trickledown effect. The trickledown theory explains that part of the increased wealth of the reach people trickles down to the poor section of the society. But the increasing level of inequality and poverty shows that this theory does not ensure the welfare of the poor. The even distribution of the income among the masses shows the lower inequality in the nation. But in both developed and developing economies, the benefits of growth are seldom evenly distributed (Badr Jafar, 2015). This paper is also pointed out that an unequal rise in the income actually would result in the slow economic growth rate. The approach of GDP growth focuses more on physical capital like land, factories equipment etc. rather than human capital (Angela Fantom Kern, 2009).

The concept of development and growth is restricted to the growth of the income in the traditional

approach. This approach only talks about the growth of material wealth. The concept of human capital is also very important in the debate of the measuring development and growth. Human capital talks about health, education, poverty amid economic growth. The neo classical growth models include the role of education in the production function. Economists like Shultz, Becker, Bowles, and Mankiw put more focus on the human capital, specifically education, rather than the physical capital in the theory of growth and development. After the increasing concentration on human capital more than that of income growth rate the alternative approach of measuring the development of the nation was developed by renowned economists Mehbub-Ul-Haq and Amartya Sen. UNDP published the first human development report in the year of 1990. They both calculated Human Development Index (HDI) which consists of education, health and income. The growth in HDI reflects the progress of education and health sectors both. The idea behind the new approach is that human development is as necessary and important as economic growth.

Economic development without ensuring human development cannot create a better world to live. Economic development talks about the growth of income where as human development talks about the choices of the humans. It is imperative that economic development would result in development of the human capabilities and use of the capabilities humans have. The development is inevitably treated as normative concept as almost the synonym of improvement (Seers, 1969). It means that the basic difference between growth and development is the “improvement”. The concept of human development does not exclude the income growth rate. But it takes other parameters along with the growth of income. Investment in education is very important for individual and society both. Higher education often creates spill over benefits which indirectly help in increasing income growth of the nation. Many research papers have shown that the expenditure on education increases the production level of the nation. Another paper has also shown that the quality of education also affects economic growth of the nation. Phillips Stevens and Martin Weale (2003) shows that there a significant impact of education on the GDP of the nation. The paper shows that 1 per cent increase in the enrolment rate increase the GDP by 0.35 percent.

II Literature Review

Subhanil Chaudhary and Prasenjit Bose (2004) analyse the combined expenditure of central and state governments on education as a percent of GDP for the time period of 1999-2000 to 2002-03. The paper explains that the combined expenditure of central and state governments on education as a percent of GDP for the same time period was pegged around 3 percent. They also noted that the combined expenditure of central and state governments' on education as a percent of budgetary expenditure was around 2.50 percent in the given time period. The state governments bear the larger burden of the education expenditure. If central government does not take the step to increase the expenditure on education the target set by the Kothari Commission of spending 6 percent of GDP on education cannot be achieved.

Seema Joshi (2006) paper examines the effects of economic reforms on the social sector expenditure in India. The paper suggest that the share of expenditure on education, sports in and youth services aggregate expenditure before economic reforms was 10.59 per cent during 1986-87 to 1990-91. It increased to 13.87 per cent during 1991-92 to 2002-03 (post reform period). The paper also suggests that the expenditure on education increased from 3.2 per cent of GDP in 1980-81 to 4.1 per cent in 1989-90. But the share of education expenditure in GDP of the nation shows the declining trend since then. The centre and states combined allocated 40 per cent of their budgetary allocations to primary education and 30 per cent to secondary education during 1991-92 to 1998-99. The higher allocations to primary and secondary education lead to lower allocations to higher education. The paper tells that the more than 90 per cent of the public expenditure on education is incurred by the states under non plan heads and this result in the not recruiting vacancies.

Essays UK (2013) prepare a paper on Public Expenditure on Education in India. It shows that the expenditure on the education in the revenue account and capital account was 98.99 per cent and 1 per cent respectively. In 2010-11 the share remained the same. It means that the share of capital account in the total education expenditure is almost negligible which in turn hinder the growth in acquisition of assets in the education sector. This paper also talks about the plan and non-plan expenditure of the centre and states. During 2005-06 to 2010-11 the plan expenditure for centre is higher and non-plan expenditure of the states was more. The paper states that the most of education expenditure was under the revenue account and the share of non-plan expenditure was higher in the revenue account. The public expenditure on education as a percentage of GDP for elementary education was 1.61 per cent in 2005-06 which marginally increased to 1.7 per cent in 2010-11. Similarly, there was no change in the secondary education too whereas for university and higher education and technical education the share has increased twice and more than doubled respectively.

Tasleem Araf C (2016) focuses on planed and non plan expenditure. The plan expenditure of central government's total expenditure on education was 84.11 per cent and remaining 14.89 per cent was under the head of non plan expenditure. In the case of states and UTs only 21.03 per cent of the expenditure on education in 2013-14 was under plan. The paper exhibits that the rising trend of the share of plan expenditure in total expenditure in education and declining trend of the share of non-plan expenditure in the total education expenditure for centre and states both during 2004-05 to 2013-14. The share of elementary education in total education expenditure decreased to 44.59 per cent in 2013-14 from 50.91 per cent in 2000-01. The share of expenditure on secondary education also shows the declining trend during the same time period where as the share of university and higher education expenditure in the total expenditure shows the increasing trend during 2001-02 to 2007-08 and then after it starts declining. The paper also tells that the public spending on the higher education is less than 1 percent of the GDP.

III Rational for Public Expenditure on Education

The financing education is one of the problems of the developing nations like India. The concept of public spending is more or less associated with the ideas and philosophies of economic systems. Externalities are highly present in the case of education and therefore market fails to achieve the efficiency in the production of education survives. The study of Svetlana Batare (2012) shows that the most of the education system in Europe are publicly financed. Another study of Gonand has shown that if input remains same, there is appositive relationship between additional year of education and GDP growth rate. He has shown that at constant input, one additional year of education (10 percent rise in education output) might raise the GDP by, on average 3 to 6 percent in the long run.

Economic and Social Survey of Asia and the Pacific (2003) has clearly stated that the state should continue to be the lead actor in financing basic education. The report also shows that only allocation of money does not ensure the betterment of the education but utilization of the survives is more important. It means that only allocation of resources doesn't solve the problems of poor education service but the efficient utilization helps in improving the education services.HDR (1991) shows that private spending is important in developing and developed nations both but public spending plays an important role in providing social infrastructure to poor section of the society in developing nations. This report talks about the four ratios to measure the public expenditure on human development. The ratios are as follows:

1.The Public Expenditure Ratio (PER): the share of public expenditure in national income
2.The Social Allocation Ratio (SER): the share of social expenditure in public expenditure
3.The Social Priority Ratio (SPR): the share of human development expenditure in social expenditure
4.The Human Expenditure Ratio (HER): the percentage of national income devoted to human priority. This is the product of the first three ratios.

Table-1: Indicators of Education in India

IV Indicators of Education in India

Indicators	Value
Literacy Rate (7 + age group)	73.0 (2011)
Adult Literacy Rate (15 + age group)	69.3 (2011)
Gross Enrolment Ratio (2014-15)	
Primary	98.9
Upper Primary	87.7
Elementary	94.8
Secondary	78.1

Senior Secondary	54.6
Higher education	25.3
AverageAnnualDropout Rate (2013-14)(in Percentage)	
Primary	4.33
Upper Primary	3.77
Secondary	17.86
Senior Secondary	1.54
Source: Educational Statistics at a Glance, GoI, MHRD.	

The indicators of education in India is shown in table-1. The average of the world adult literacy rate was 84.59 percent in 2011. India is far behind the world average of adult literacy rate. The adult literacy rate has been increasing in India but very slowly. It has increased to 69.3 percent in 2011 from 61.01 percent in 2001. The data on GER (Gross Enrolment Ratio) shows that lower GER for higher education. In case of primary education, the GER is 98.9 but when it comes to higher education GER drops to 25.3 percent only. It means that all those who complete the senior secondary education are not enrolling for higher education. The data exhibits that higher the level of education, lower the level GER. In case of primary and upper primary education the dropout rate is very low. But in case of secondary education the rate is high and again it low for senior secondary education. It means that those who attend secondary are likely to attend senior secondary level of education but all those who attend upper primary do not continue with schooling. The pupil-teacher ratio in primary education was 23.43 percent in 2015 for the world whereas during the same time period the value of the same ratio in India was 31.40. It shows the ratio is higher in India than that of world average.

V Public Expenditure on Education an India

The international comparison gives scenario of the world about the public spending on education.Table 2 shows the share of government expenditure on education as a percentage of GDP.

Table 2: Share of Government Expenditure Education as a Percentage of GDP (2013)

Nations	Ratio
European Countries	
Austria	5.56
Germany	4.93
France	5.49
Finland	7.17
Italy	4.17
Euro Area	**5.40**

Asian Counties	
India	3.84
Nepal	3.47
Bangladesh	1.95
Pakistan	2.49
Sri Lanka	1.62
Singapore	2.90
Thailand	4.10
Other countries	
USA	4.93
U.K.	5.63
Brazil	5.99
South Africa	6.02
World	**4.70**
Source: World Bank. Retrievedfrom *data.worldbank.org*	

The table shows that Asian countries like India, Pakistan, and Bangladesh are not spending enough money on education. The share of education expenditure in GDP of the nation in India is 3.84 percent in 2013 which is lower than the world average of 4.70 percent. Table also reveals that European countries spend higher amount on education out of the GDP of nations. The world bank data also shows that high income nations spend on average 5.3 percent of GDP on education whereas the ratio for low income countries is around 4.0 percent in 2014. It means that in case of India this ratio is smaller than the average of low income nations. In India it is not the problem of lack of income but the problem of the sufficient allocation of the income to education. Even countries like Ghana, Israel, Jamaica, Kenya, Malaysia, Oman have higher ratio of public expenditure on education to GDP. The Economic Survey 2017-18 also recognizes the role of public expenditure on education. The survey says that investment in human capital is necessary for the development of the nation. But developing nations like India always faces the problems of lower fiscal space for the social services. Government argued that because of the lack of enough fiscal space the human development expenditure remains low in the nation.

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