

Public Expenditure on Higher Education in India

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Abstract: Higher education in India is in a deep financial crisis, with escalating costs, and increasing needs of the system on the one hand, and shrinking public budgetary resources and changing public policies on the other. It should be noted that huge public investments have been made in higher education in independent India, but this impressive growth in investments in nominal prices, is however, more than offset by increase in prices and increase in population, more particularly numbers of student in higher education. On the whole, the trend analysis of government expenditure on higher education shows a real growth rate of 7.5 per cent in the 1950s, had it golden days during the 1960s, with the real expenditure increasing at an annual rate of growth of 11 per cent but suffered significantly during the 1970s and came down to 3.4 per cent and showed some tendency to recover during the 1980s at 7.3 per cent (CABE Report 2005). The 1990s heralded an era of austerity and higher education suffered the most. The very important development of the early (1990s) is the introduction of economic reform policies that include stabilisation and structural adjustment programme. Due to these policies, budgetary resources allocated to higher education have indeed being severely affected.

Keywords: Public Expenditure on Higher Education in India, trend and pattern of government expenditure in Higher Education, central govt. and state govt. performance of expenditure and revenue in Higher Education.

1. Objectives of the Study

- 1) To analyze the structure, trend and pattern of government expenditure in Higher Education;
- 2) To study the public expenditure in higher education in India.
- 3) To compare the central govt. and state govt. performance of expenditure and revenue in Higher Education.

2. Data Source

This study is based on secondary information those are collected from different types of book, journals, news articles, Govt. Data and non-govt. Data etc.

3. Public Expenditure on Higher Education in India

In India Pattern of public expenditure in higher education constitutes two important phases: A high growth phase of public expenditure on higher education from 1980 to 1991 and a low growth phase of public expenditure on higher education from 1992 to 2010. Table 6.8 gives trends in public expenditure on higher education in India both at current and constant prices.

Year	At Current Prices			Per cent Shares		At Constant Prices		
	Centre	State	Total	Centre	State	Centre	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, (1995), Annual Reports, Analysis of Budgeted Expenditure on Education, MHRD, various issues.

During pre-globalization period, public expenditure on higher education at current prices has gone up from Rs 483.7 crores in 1980-81 to 2311.9 crores in 1990-91. At constant prices (2004-05), it went up over the same period from Rs 2454.4 crores to 5873.1 crores. At current prices, public expenditure on higher education increased by 5 times but in real prices, the growth is not all that impressive. At real (2004-05) prices, only 2 times increase in expenditure on higher education has been observed over the same period. During post-globalization period, public expenditure on higher education at current prices was Rs 3525.3 crores in 1993-94 which accelerated to Rs 24186.0 crores in 2009-10. At constant prices, it increases from Rs 5864.0 crores to 18490.8 crores over the said period. During this period total expenditure on higher education at current prices increased by 7 times and at constant prices it increased by only 3 times, only by just half. Thus, this shows that after adjusting expenditure with inflation not much growth was noticed. Inflation has, however, played havoc with educational financing.

However, aggregate expenditure is of limited value in India. Disaggregated analysis is needed because the centre and the states have very different financial powers and different sets of priorities and constraints. It can be seen from table 6.8

that, during pre-globalization period, central and state government expenditure on higher education at current prices in the year 1980-81 was Rs 98.8 crores and 384.9 crores whereas in the year 1990-91, it amounted to Rs 475.5 crores and 1836.4. At constant prices, central and state government expenditure on higher education was Rs501.3 crores and 1953.1 crores in 1980-81 which further increased to 1208.0 and 4665.2 crores in 1990-91 respectively. During post-globalization period, central and state government expenditure on higher education at current prices, reached to a level of Rs 684.2 crores and Rs 2841.4 crores in 1994-95 and further it increased to its highest level of Rs 8346.6 crores and 15839.4 crores in 2009-10. Likewise, central and state government expenditure on higher education at constant prices went up to Rs 1138.1 crores and 4725.9 crores in 1994-95 which further increased to Rs 6381.2 crores and 12109.6 crores in 2009-10 respectively. Thus, the key findings emerged from this data analysis is that at current prices, both central and state government expenditure on higher education has increased but when these expenditure are adjusted with real prices (2004-05), then both have shown a declining trends.

Figure 3 clearly shows the details of share of centre and states in total expenditure incurred on higher education from 1980-81 to 2009-10. From the figure, it can be analysed that, state share the major burden of expenditure on higher education, ranges from the level of 65 to 80 per cent while centre share ranges between 20 to 35 per cent. During pre-globalization period, share of central government expenditure on higher education increased from 20 per cent in 1980-81 to 31 per cent in 1988-89 but it declined to 21 per cent in 1990-91. During post-globalization period, centre share has decreased to 17 per cent in 1993-94 but again it recovers in the year 2007-08 and become 27 per cent and further it increased to 35 per cent in 2009-10. Similarly, during pre-globalization period, share of state government expenditure on higher education was 80 per cent in 1980-81 which decelerated to 69 per cent in 1988-89 but it increased to 79 per cent in 1990-91. During post-globalization period, state share has increased to its maximum level of 83 per cent in 1993-94 but further it declined to 73 per cent in 2007-08 and reached to its lowest level of 65 per cent in 2009-10.

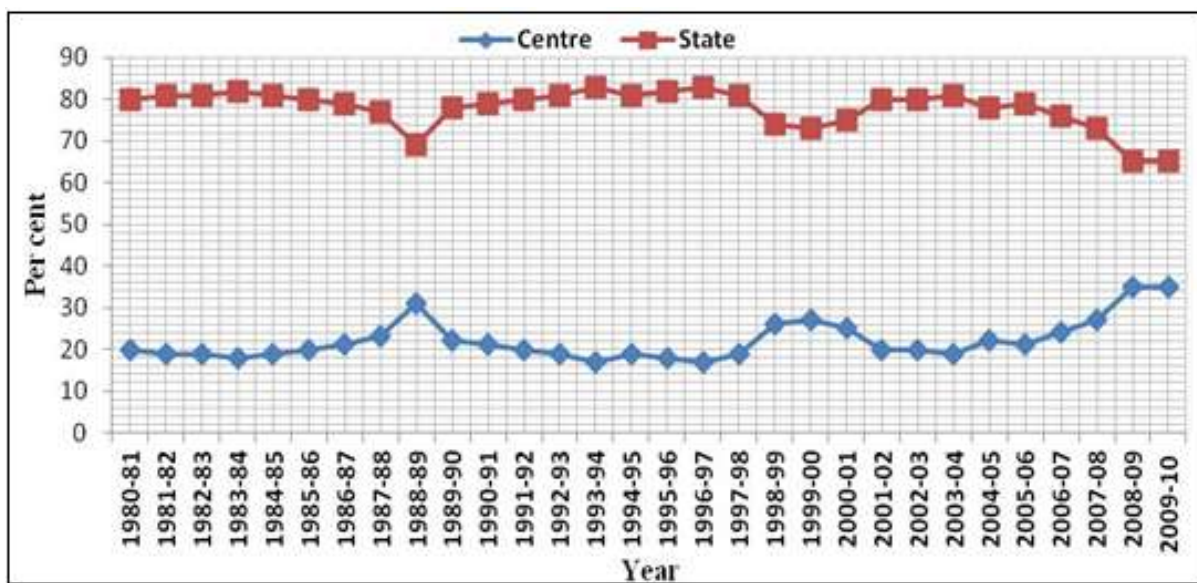


Figure 3: Share of Centre and States to Total Public Expenditure on Higher Education

Source: 1.National Informatics Centre, Budgetary Resources for education, Department of Education, MHRD, GOI, New Delhi, (1995), Annual Reports, Analysis of Budgeted Expenditure on Education

The analysis of Compound annual growth rate (CAGR) of central and states government expenditure on higher

education and total government expenditure on higher education in India is given in Table 03.

Table 3: Compound Annual Growth Rate of Public Expenditure on Higher Education

	At Current Prices			At Constant Prices		
	Centre	States	Total	Centre	States	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	13.6	8.2	5.9	6.5
1980-81 to 2009-10	14.4	12.8	13.2	7	5.5	5.8

Source: Annual Reports, Analysis of Budgeted Expenditure on Education (MHRD), Delhi.

During pre-globalization period, compound annual growth rate (CAGR) of central government expenditure on higher education both at current and constant prices was 19.9 per cent and 13.8 per cent. Whereas, state government CAGR was 13.7 per cent and 7.9 per cent at current prices and constant prices respectively. During post-globalization period, CAGR of central government expenditure grew at 15.4 per cent at current prices and 8.2 per cent at constant prices. Similarly, CAGR of state government expenditure grew at 13.0 per cent at current prices and 5.9 at constant prices in the above said period. The CAGR of the central government expenditure at current prices for the entire period of the study was 14.4 per cent, but at constant prices it was only 7 per cent. This trend continued even for state government expenditure which recorded a compound growth of 12.2 per cent as against 5.5 per cent at constant prices for the same period. Thus it is evident from Table 03 that, compound annual growth rate (CAGR) of central, states and total government expenditure on higher education both at current and constant prices has declined in post-globalization period. However, both at current and constant prices CAGR of central government expenditure have declined at a greater proportion in comparison to state government expenditure.

4. Conclusion

The study concluded the analysis of the behaviour of educational finance at the aggregate level by re-emphasising that in spite of the sizeable inputs in education sector over the years, the expenditure is not adequate to meet the ever-growing requirements of quality of education. It is pointed out that India's investment in education as proportion of GNP has been below the national target of spending 6 per cent. Further it has been found that India stands no comparison with the so called developed or even with some developing countries in relation to investment in education.

The analysis of total government expenditure and educational expenditure as percentage of GDP in India shows that, during pre-globalization period total government expenditure on education increased by five times and expenditure on education as a percentage of GDP increased by three times. In mid-1980s, i.e., the era when human resource development was given top-most priority, an increasing trend in educational expenditure as a percentage of GDP has been observed. In absolute terms and at current prices both total government expenditure and government expenditure as per cent of GDP has increased to a large extent during post-globalization period. But government expenditure as per cent of GDP is still less than recommendation of Kothari Commission (1966) and reiterated by the National Education Policy, 1986 and 1992. It is also observed that due to deep waves of globalization and competition, important economic rationale

for government funding for higher education has been neglected. Globalization has exposed the economy to a greater worldwide competition. This requires a strategy geared towards upgrading the quality of human resource, including 'education for all', through reduction in relative inequalities. In this process, higher education is highly relevant to meet the requirements of skilled labour. Thus, public support for higher education remains essential to ensure a balanced achievement of educational and social missions, apart from surviving in the knowledge-based society. Therefore, sequencing of policies i.e., universal primary education first, secondary and higher education later (as and when resources are available or/ and left to private initiatives) would be very costly strategies in the era of globalization. Hence, due importance needs to be given for the development of all levels of education.

In sum, it can be concluded that, the emergence of knowledge economy has highlighted the need for better skill development and better access to knowledge, necessitating the need for development of higher education. With the coming into existence of these, the need for strengthening higher education system has been further accentuated in order to make it competitive with the foreign institutions. In such a paradoxical scenario, the financing of higher education has become quite a contentious issue.

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