



## **Comparative Analysis of Public Expenditure on Education**

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### ***Abstract***

*Education is the tool for social, economic and cultural development of the nation. For the development of sound system of higher education it is required that it should be adequately funded and financed by the state. A comparative analysis reveals that the success story of developed nations is better traced through their public expenditure on education. Percentage share of public expenditure of developed nations always remained more than that of developing nations. Public expenditure on education for India is an embarrassingly low ratio even by the standards of other developing countries. Sweden and Norway have highest ranking in Human Development Index (HDI) also have highest public expenditure on education. Within India an interstate comparison shows that annual government expenditure per student is least (Rs. 371) in Assam and highest (Rs.1709) in Himachal Pradesh. This corresponding figure is Rs. 688 for all India. When compared with per student expenditure by private it is emerged that in India, Punjab and Haryana have high ratios of privatization of school education and annual private expenditure per student is approximately four times as compared to government expenditure per student.*

### **Introduction:**

The development literature has highlighted the role of education in reducing inequalities that prevail in many developing societies. Education is a tool for all-round development of the country. The developed nations of today attained significant achievements in social and economic development. Due to a huge level of fund allocation on education development whereas, the developing nations are lagging behind in many aspects due to insufficient budget allocation on education. It is now well understood that on an average, countries with higher levels of growth have labor forces with higher levels of formal schooling. A sound education sector plays an important role in economic growth and development of a nation.

Kothari's (1992) emphasized that investment in education is a pre-requisite for overall development of the nation. Tilak (2006) observed that expenditure on education plays a vital role in social, political and cultural and human development. Countries with higher levels of growth have labour forces with higher levels of formal schooling.

With the shift to an information economy, globalization and flexible organizations of production, these arguments are further reinforced. Moreover, arguments that link high levels of education are linked not only to scientifically trained manpower but to higher levels of general education (Carnoy 2006). Education is financed through both governmental and private resources. However, a major commitment from government is required in financing education because of the positive externalities associated with it. The beneficial impact of education is not restricted to the individual alone but spills over to other members in the community, e.g., there is well-documented evidence of the beneficial impact of mother's education on health of her children, increased training enhances productivity of not only an individual worker, but has a positive spillover effect on his/her co-workers, etc.

Education is widely considered as public good. It is also recognized that while considering the private returns to education, an individual does not take account of these externalities. Hence, provision of education may be suboptimal when left only to market forces and government intervention is required to provide an optimum level of education (Bhattacharya 2009).

The total government educational expenditure expressed as a percentage of GDP gives a good indication of priority given to education in the society. Up to 1980s, when India was under the influence of socialistic ideology there was an increasing trend in educational expenditure as a percentage of GDP. However, with the onset of new economic policies from 1991, the percent of educational expenditure started declining. This was due to reform process and government's efforts to cut down its expenses on social sector. The NPE was adopted by the Parliament in May 1986. It was further updated in the year 1992. The NPE provides a comprehensive framework including a "plan of action", assigning specific responsibilities for organizing, implementing and financing its proposals. Public spending on education as a percentage of GDP in India was last measured at 3.17 in 2011, according to the World Bank. Public expenditure on education consists of current and capital public expenditure on education includes government spending on educational institutions (both public and private), education administration as well as subsidies for private entities students/households and other private entities. The total educational expenditure expressed as a percentage of GDP gives a good indication of priority given to education in the society. Up

to 1980s, there was an increasing trend in educational expenditure as a per cent of GDP. However, with the onset of new economic policies of 1990s, the percent of educational expenditure started declining. This was due to reform process. Instead of providing a big increase in the funding for school education, the Central government has actually retracted by reducing its commitment on SarvaShikshaAbhiyan from 75 per cent to 50 per cent. This is a big blow, not only for those States where school education is still far from universal, but also for other States where there is a pressing need for more funds to improve the quality of schooling (Ghosh, 2011). All these issues initiate us to discuss the pattern of public expenditure in India and cross country comparison has been done in this regard.

## **Methodology**

This paper has been divided into three sections excluding introduction. In the first section across country comparison on trend of public expenditure in education is presented. In the second section total expenditure annually per student by government vis-à-vis private public discussed. In the third section, concluding remarks and policy implications are given.

### **SECTION –I**

#### **Public Expenditure on Education: A Cross Country Comparison**

The success story of developed nations is better traced through their public expenditure on education. No country can develop without the development of education. History has proved that higher level of education can be achieved only with the help of public expenditure on education. Statistical data reveals that percentage share of public expenditure of developed nations always remain more than that of developing nations. Public expenditure on education for India is an embarrassingly low ratio even by the standards of other developing countries. It is less than a quarter of the equivalent ratio in Cuba, but even well below the percentage of public spending on education to GDP in countries such as Kenya, Malawi and Ethiopia. Despite the UPA's promises and recent endeavors, the ratio in India is still substantially below than that of the weighted average of all the countries in the world (Ghosh, 2009). China and Russia heavily subsidize higher education. In India and Brazil, two-thirds to three-fourths of the students are in private institutions and most of them are not subsidized by the state. Table 1 exhibits public expenditure on education in the selected countries in the world. Sweden and Norway which possess highest ranking in Human Development Index also have highest public expenditure on education i.e. 7.4 and 7.7

respectively. U S A's public expenditure on education is 5.6 percent of GDP. Although USA is heart of capitalism yet its public expenditure on education is highest after Sweden and Norway. European countries like France and Germany's public expenditure on education is 5.9 and 4.6 percent of GDP respectively. Further, Saudi Arabia and Mexico's public expenditure on education is 6.8 and 5.4 percent of GDP respectively. Higher percentage of public expenditure on education ultimately reflects in higher level of development.

Table 1

Public Expenditure on Education in Selected Nations (2007)

Countries	Public Expenditure on Education as percent of GDP
United States of America	5.6
United Kingdom	5.4
France	5.9
Germany	4.6
Sweden	7.4
Norway	7.7
Mexico	5.4
Saudi-Arabia	6.8
India	3.8
Pakistan	2.3
Bangladesh	2.5
Brazil	4.4
Cuba	18
Global Average	4.9

Source: Global Education Digest – 2007 by UNESCO, UNDP

It is clear from the table values that developing nations' public expenditure on education as a ratio of the GDP is lower when compared with the developed nations. India accounted for 3.8 per cent share of GDP in 2005. Though, the Indian National Policy on Education, 1986 recommended that public investment in education would be more than 6 per cent of the national income, it still remains a distant dream. The development of Europe and Asian tigers highlights investment in was carved out of Pakistan has higher share of public expenditure on education (2.5 percent human capital formation as a key strategy of economic growth. Pakistan's percentage share of public expenditure is least (2.3 percent) among the selected nations. Even Bangladesh which) as compared to Pakistan.

## SECTION-II

### **Total expenditure Annually per Student by Government vis-à-vis Private**

A recent survey (India Human Development Survey 2010) shows the ratio of private enrolment in schools for children aged 6-14 years which varies dramatically across states, from a low of 6 percent in Assam to a high to 52 per cent in Punjab. Annual government expenditure per student is least (Rs 371) in Assam and highest (Rs.1709) in Himachal Pradesh among selected states. This corresponding figure is Rs. 688 for India. In India Punjab and Haryana have high ratios of private schooling, annual private expenditure per student is approximately four times as compared to government expenditure per student. Annual private expenditure per student is approximately five times as compared to government expenditure per student for Andhra Pradesh, Chhattisgarh, Delhi, Jharkhand, Orissa and Tamilnadu. Kerala which is generally acknowledged to have a good government schooling system and have one of the highest per capita spending values. The highest was found in Himachal Pradesh, which is one of the great recent success stories of school education, it has achieved universal and good-quality school education despite being a relatively less wealthy. State that has to deal with difficult terrain and logistical constraints (Ghosh, 2011).

TABLE -2

Schooling Cost of Children aged 6-14 years
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	Private school enrollment %age	Annual total Expenses per Student	
		Government	Private
All India	28	688	2920
Andhra Pradesh	31	574	3260
Assam	6	371	1636
Bihar	18	704	2468
Chhattisgarh	15	317	2039
Delhi	28	1044	5390
Gujrat	22	766	4221
Haryana	47	1043	4372
Himachal Pradesh	19	1709	6273
Jammu & Kashmir	47	1045	3719
Jharkhand	32	502	2932
Karnataka	28	638	3848
Kerala	31	1537	3259
Madhya Pradesh	27	333	1935
Maharashtra /Goa	20	599	2370
North east	34	1441	4237
Orissa	8	612	2851
Punjab	52	1444	5160
Rajasthan	32	676	2612
Tamilnadu	23	606	3811
Utter Pradesh	43	427	1733
Uttrakhand	27	972	3422
West Bengal	10	1136	5045

Source: Human Development in India: Challenges for Society in Transition, OUP 2010, page 84

### SECTION -III

#### Conclusion and Policy Implication

Public expenditure on education for India is an embarrassingly low ratio even by the standards of other developing countries. It is less than a quarter of the equivalent ratio in Cuba, but even well below the percentage of public spending on education to GDP in countries such as Kenya, Malawi and Ethiopia. Despite the UPA's promises and recent endeavors, the ratio in India is still substantially below that of the weighted average of all the countries in the world. China and Russia heavily subsidized higher education. In India and Brazil, two-thirds to three-fourths of the students are in private institutions and most of them are not subsidized by the state. Sweden and Norway which possess highest ranking in Human Development Index also have highest public expenditure on education. Annual government expenditure per student is least (Rs. 371) in Assam and highest (Rs. 1709) in Himachal Pradesh among selected states. This corresponding figure is Rs. 688 for India. India, Punjab and Haryana have high ratios of privatization of schooling, annual private expenditure per student is approximately four times as compared to government expenditure per student. Public expenditure on education should be increased to desired target of 6 per cent of GDP as outlined in the recommendations of the Education Commission in 1966 and reiterated by the national education policy, 1986 and 1992. Higher education should be fully sponsored by state at least for economically weaker section of the society.

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