SUMMARY AND CONCLUSIONS

Education is one of the most important empowering tools for an individual. It lays the foundation for a better life. Education prepares and trains skilled workers at all level to manage capital, technology, services and administration in every sector of the economy. There is no denying the fact that education is important for economic and social development. Education supplies the economy with the necessary knowledge, training and qualification to meet the needs for economic development. Hence, education is an important factor not only to provide the new generation with skills so essential for earning a livelihood, but also to create among them awareness and sensitivity to social and environmental realities.

A country is not able to achieve sustainable economic development without substantial investment in human capital. It is the key for increasing economic efficiency and social consistency. By increasing the value and efficiency of labour, it helps to raise the poor from poverty line. It increases the overall productivity of the labour force. It helps to ensure that a country is competitive in world markets now characterized by changing technologies.

Education enriches people’s understanding of themselves and the world. It improves the quality of their lives and leads to broad social benefits to individuals and society. Education raises people’s productivity and creativity and promotes entrepreneurship and technological advances. It plays a crucial role in securing economic and social progress and improved income distribution all of which can be acquired by developing professional, social and communication skills through education.
Economic development of developed nations confirms the importance of non-material investment and also establishes that economic development depends vitally on the creation of educated labour force which is equipped with necessary technical skills for modern industrial production and ready to accept and promote economic development and technical change.

It is widely known that education contributes significantly to economic development. The developed world understood the fact much earlier that individual with education especially with higher education have an edge over their counterparts. The developed world always believed that large investment on higher education was justifiable.

The role of education in social and economic development, in reducing poverty and inequality, as a possible contributor to greater social and economic equality and as an enhancer of development was widely recognized from the days of Adam Smith. Education represents both consumption and investment on the one hand, it is valued for its immediate benefits; while on the other it helps to create income in the future by endowing workers with skills and knowledge that enable them to increase their productive capacities.

In the early 20th century, Marshall emphasized that “the most valuable of all capital is investment on human beings and that knowledge is our most powerful engine of production, it enables us to subdue nature and force to satisfy our wants”. According to the human capital theory, education transforms raw human beings into productive ‘Human Capital’ by imparting knowledge and improving skills required by both the traditional and modern sector of the economy, and make individual more productive members of the society, not only in the market place but also in the households and
also in the whole society human capital is also defined as the stock of skills and productive knowledge embodied in people. (Rosen, 1987)

A number of studies in India also show that education has contributed a great deal to India’s economic development in all its facets. Loh’s study of fourteen most populated states in India during the period 1961-81 revealed that one additional year of education of the workforce was associated with a fifteen percent increase in economic output (Loh, 1995). Mathur’s analysis of 306 districts of India laid bare the fact that there was a great correlation between human capital and India’s development (1993). He concluded that although higher levels of education have great bearing on economic development, primary and middle schooling were no less important as they created conditions conducive to economic development. The link between human capital and economic development was stronger at higher levels of education.

It acts as a catalyst for social upliftment enhancing the returns on investment made in almost every aspect of development effort, be it population control, health hygiene, environmental degradation control, empowerment of women and weaker section of society.

From ancient times, education especially higher education enjoyed a social place in Indian society. The modern higher education system dates back to little less than two centuries. After that in the next forty years, many such colleges were established in different parts of the country at Agra, Bombay, Madras, Nagpur, Patna, Calcutta and Nagapattinum. The first three universities were established in 1857 at Bombay, Calcutta and Madras. The next hundred years witnessed a period of slow development of institutions of higher education in India. They provided discourses in literature,
history, philosophy, political science, social science and natural sciences. In India’s higher education system science education occupied an insignificant place. Development of higher education was greatly influenced by Macaulay’s Minute, which had crippling effects on India’s higher education. Lord Macaulay, Law Member of the Governor’s Executive Council. He suggested a system of higher education which through the medium of English provided knowledge of European literature and science. The government policies of higher education were designed, in Macaulay’s words, to create, “a class who would be interpreters between us and the millions whom we govern, a class of persons Indian in blood and colour, but English in tastes, in opinion, in moral and in intellect. On the one hand these Indians would be consumers of British goods and provide manpower for subordinate ranks of civil services, and on the other, they would be loyal to the Raj”.

The Five Year Plans ushered in an era of systematic economic and social development in India including development of higher education. An unprecedented expansion took place in the number of institutions as well as enrolments, as higher education was viewed as the only means to acquire social and vertical mobility. While in earlier Plans emphasis was on expansion, from Seventh Plan onwards emphasis shifted to consolidation and improvement in standards and reforms to make higher education more relevant to national needs and to form linkages with employment and economic development.

At present, India possess a highly developed higher education system which offers facility of education and training in almost all aspects of human being’s creative and intellectual activities such as arts and humanities, natural, mathematical and social sciences, engineering, medicine, dentistry, agriculture, education, law, commerce and
management, music and performing arts, national and foreign languages, culture, communications etc.

A phenomenal growth in higher education has taken place since 1951 with number of colleges for general education from 370 in 1950-51 to 14,300 in 2009-10 and number of colleges for professional education going up from 208 to 11,600 and number of universities from 27 in 1950-51 to 620 during the same period. (Source: Selected Educational Statistics, MHRD, various years)

Another growth parameter of higher education is the increase in student enrolment. At the national level, since independence up to 2011 there has been twenty threefold increase in the number of universities while colleges for general education registered a thirty nine fold increase from 1951 to 2009-10. In the same period colleges for professional education have registered a fifty six fold increase, while in student enrolment the increase was ninety eight fold in the period from 1950-51 to 2010-11.

On the eve of independence there were 20 universities in India. By 2011 there were a total of 611 universities in India out of which 289 were State Universities, 130 Deemed Universities, 94 Private Universities and 43 Central Universities. (Source: UGC, 2012)

With the increase in enrolment and number of institutions, number of teachers in educational institutions (including universities and affiliated colleges) went up from 2,63,819 in 1990-91 to 6,52,665 in 2007-08.

During the Eleventh Five Year Plan emphasis was placed on Expansion, inclusion and rapid improvement in quality throughout the higher and technical education system by
enhancing public spending, encouraging private initiatives and initiating the long overdue major institutional and policy reforms.

The Planning Commission has constituted a Working Group on Higher Education for the formulation of the Twelfth Plan. Education is acknowledged as one of the important elements of the national development effort and higher education, in particular, is one of vital importance for the nation, as it is a powerful tool to build the knowledge-based society of the 21st century. The activities of department of higher education are focused towards developing India as a knowledge society. The department’s continuous effort is to improve and spread out education in all sectors, with a view to remove disparities in access and lay greater emphasis on the improvement in the quality and relevance of education at all levels.

On examination of financial allocations we find that the Centre had allocated 24 percent to the social sector in the First Plan which however got reduced in subsequent Plans to 18 percent in Eighth Plan but again in Eleventh Plan it increased to 28 percent. As government intervention in the economy increased, social sector expenditure expanded with government taking up the responsibility of providing nutrition to the poor women and children, replacing family planning with family welfare, spending on adult literacy, providing cheap land/houses to the poor and spending on different welfare schemes. Of this, 7.6 percent was allotted to education in First Five Year Plan which also got reduced to 4.37 percent in Eighth Five Year Plan and then increased to 7 percent in Eleventh Plan. In absolute terms expenditure on education increased enormously from Rs. 149 crores in First Five Year Plan to Rs. 2,74,228 crores in the Eleventh Five Year Plan.
Expenditure on higher education increased from Rs.14 crores in the First Plan to Rs.64715 crores in the Eleventh Five Year Plan. The ratio of higher educational expenditure was 9 percent in First Five Year Plan and in Eleventh Plan it was 23.2 percent.

Over the planning period percentage contribution of different sources of finance has undergone remarkable change with the government has emerging as the most important source, both at the level of total education as well as at the level of higher education. There is a strong justification of public financing of higher education. University education is a merit good with large spillover benefits to society both in the present as well as in the future.

However a comparison with other countries of the world, developed and underdeveloped, shows that India is spending much less on education and higher education in terms of budgetary expenditures. Per capita expenditure on education and higher education is also much lower than it is in other parts of the world.

The expansion of education that has taken place in India during the post-independence period is also reflected in the growth of public expenditure on education. In fact, the growth in public expenditure on education could be regarded as one important factor that contributed to its expansion of education.

Because of financial crises and increasing demands for funds for different sectors of the economy, the State and Central Governments have not been able to allocate adequate resources for higher education. India is far behind the target of spending six percent of the GNP on education as recommended by the Kothari Commission (1964-66). The Kothari Commission also suggested sequencing of priorities in investment in
the education sector, with more emphasis on school education at the beginning and on higher education with the advancement in industrialization. And in recent years the relative share of higher education in the allocation of funds has also declined, due to resource constraints as well as shift in government policy towards higher education in the post reform period. Although the overall government contribution has been increasing throughout the plan periods, it has not kept pace with the rapid rise in enrolment and increase in prices. Often inadequacy of financial resources leads to poor infrastructure and physical facilities, low investment in research and development, having adverse impact on the quality of the higher education system. So, to overcome these problems

(a) The government should increase the public expenditure to a reasonable level.

(b) The participation of private sector should be encouraged. Its regulation, however, is very important.

(c) Necessary control and maintaining mechanism must be developed to ensure quality education at reasonable cost.

On examining education expenditure in the states, following points emerge:

(1) Total public expenditure on education (centre and state) never crossed the 4% GDP (suggested 6%).

(2) Except Tamil Nadu (10%) and North Eastern states (Sikkim 9.8, Mizoram 9.1, Manipur 6.4, Arunachal Pradesh 7.1) majority of other states spent 2 – 4% barely on education as percent of SDP.
Summary and Conclusions

(3) Level-wise expenditure as percentage GDP over 1981-2007-08 was highest on elementary education at less than 2 percent, secondary education less than 1 percent while on higher education it varied between 0.3 to 0.7 percent.

(4) Higher education as percentage of educational expenditure in states during two decades 1990-91 to 2009-10 for most states was around 10 percent, exceeding it only in some years in some states. Andhra Pradesh spent around 17 percent, falling to 15 and 12 percent in last two years. Five big states namely Uttar Pradesh, Madhya Pradesh, Rajasthan, Maharashtra and Gujarat spent barely 6 – 7 percent in the last year.

(5) As percentage of budgetary expenditure, educational expenditure for states varied approximately between 15 and 27 percent with Kerala having a high of nearly 29 percent in 1990-91 and 2009-10. In the last year, 2009-10, Uttar Pradesh spent a phenomenal percentage of the budget on education other than higher education.

(6) Higher education as percentage of the budget was dismal for all the states, varying between 2 to 4 percent only with some states e.g. Gujarat spending only 1.1 percent to 1.77 percent of its budget on higher education. Almost all the states showed reduction in budgetary expenditure on higher education. Only in the last year there was a significant increase in higher educational expenditure in Uttar Pradesh.

It is apparent that governments’ commitment towards higher education is a low priority with only 10 percent of educational expenditure and a miserly 2 to 4 percent of the budget only devoted to higher education. And this is true for all the states.
Elementary education has got the maximum support, followed by secondary education. Government in the post reform period has given a free hand to the private sector in higher education. Hence we find a proliferation of institutions of higher education. However a skewed development has taken place with a marked preference given to certain discipline such as engineering, medicine, management, finance, law, hospitality sector, journalism, information technology and the like rather than general higher education. Besides many of the private institutions are of doubtful credentials and compromise on quality. Fees are high and hence accessibility limited, being a big burden on many who are kept out of the system.

In terms of composition of higher educational expenditure in selected fifteen states we find that

(1) As far as Assistance to University is concerned

   (a) There is a great variation from one period to another and from one state to another ranging from 10 percent to 40 percent.

   (b) While Bihar was an exception where financing to universities was more than 90 percent.

(2) Assistance Government Colleges and Institutions

   (a) It varied from 4 percent to 45 percent in the states during the period from 1990-91 to 2009-10.

   (b) In Madhya Pradesh financing was high at 70 percent to 80 percent throughout the period.
(c) Among all states, Assam in 2009-10 spent 70 percent on government colleges which in all other years was just 4 to 7 percent, and 73 percent was allocated by Rajasthan which in other years was less than 50 percent.

(3) Regarding Assistance to non-government colleges

(a) Expenditure varied from 10 percent to 80 percent in different states.

(b) In Bihar expenditure was nil except for 1990-91, at 0.1 percent.

(c) States in which more than 50 percent expenditure was on non-government colleges were Karnataka, Gujarat, Kerala, Tamil Nadu, West Bengal, Uttar Pradesh, Maharashtra and Assam with the latter three spending 80 percent or more on non-government colleges.

(4) If we look at the case of institutes of higher learning, very little amount was spent on this head in all states in the period of 1990-91 to 2009-10.

(5) In case of other expenditure, the expenditure varied from 0.2 percent to 10 percent approximately. Only in West Bengal it was 15 percent in 1990-91.

Education is an important component of social services in India’s Plan. An analysis of educational expenditure as percentage of social service expenditure in selected states in India shows that educational expenditure as percentage of social service expenditure is more than 50 percent among all states in all the years except in 2004-05. In 2004-05, out of fifteen states five states namely Andhra Pradesh, Gujarat, Madhya Pradesh, Rajasthan and Tamil Nadu incurred expenditure less than 50 percent of social service expenditure.
Summary and Conclusions

From year 1990-91 to 1999-2000, the educational expenditure as percentage of social service expenditure in almost all states varied approximately between 50 percent to 77 percent except in Andhra Pradesh, Gujarat, Karnataka, Kerala and Orissa. Educational expenditure in these five states decreased in 1999-2000. In 2004-05 again educational expenditure decreased in all states except in Karnataka and Orissa, there were slight increase in these two states. In 2007-08, educational expenditure increased for all states compared to other years.

From the year 1990-91 to 2007-08, educational expenditure (excluding university and higher education) as percentage of social service expenditure in selected states has increased except in Andhra Pradesh. In most of the year Bihar spent highest. In ten of the fifteen selected states more than 70 percent of social service expenditure was on education.

The share of higher educational expenditure in social service is much less as compared to share of educational expenditure. If we examine the share of higher education as percentage of social service in fifteen selected states we find that four states namely, Gujarat, Madhya Pradesh, Rajasthan and Uttar Pradesh had the lowest share (5% or less) throughout the period under consideration. In 2007-08, Orissa had spent highest on higher education (12.84%). In majority of the states there was an increase in expenditure on higher education over the period under consideration, with Maharashtra, Madhya Pradesh showing a negligible change.

Educational expenditure as percentage of GSDP in selected states in India reveals that only in Assam and Rajasthan educational expenditure as percentage of GSDP increased from 1990-91 to 2009-10. In most of the years Bihar spent the highest in the
two decade period. In eight of the fifteen states educational expenditure as percentage of GSDP decreased while its range was between 2 to 5 percent. Remaining five states had almost equal educational expenditure as a share of GSDP remained the same during the period under consideration.

Higher educational expenditure as percentage of GSDP in all the fifteen states was not even 1 percent, and varied from 0.1 percent to 0.8 percent. Bihar had highest higher educational expenditure in terms of GSDP ranging from 0.6 to 0.8 percent. Except Assam, Haryana and Orissa educational expenditure as percentage of GSDP had decreased in remaining twelve states and ranged between 0.1 percent to 0.3 percent in 2009-10.

Expenditure per student is a measure of the public investment that a country devotes annually, on an average, to each student’s education. Per-pupil expenditure recorded an upward trend over the period 1999-2000 to 2009-10 except for five states namely, Andhra Pradesh, Gujarat, Karnataka, Madhya Pradesh and Tamil Nadu which showed a declining trend. Out of fifteen states, there was an increase in per-pupil expenditure in nine states, only Uttar Pradesh recorded more or less the same expenditure per student throughout the period. Further per-pupil expenditure in Uttar Pradesh was the lowest throughout ranging between 3 thousand to 5 thousand. In Kerala, per-pupil expenditure ranged from 15 thousand to more than 22 thousand and fell subsequently to 18 thousand in 2009-10. However, for all the years, this expenditure was highest compared to rest of the states. Although highest percentage of budgetary expenditure went to elementary education, when we consider per-pupil expenditure it was higher for higher education because of the nature of higher educational expenditure.
In the present study, two hypotheses were formulated. They are as follows:

(1) Educational expenditure as percentage of GDP has remained constant over the period under study.

Subsequent to independence and adoption of planning, government has been engaged in planned development of education in the country. Even since the Kothari Commission recommendation of investing 6 percent GDP on education, the same was reiterated time and again in the plans. It was therefore expected that government would abide by the above recommendation and incur adequate expenditure on education to meet the need of social development. However, this share of education on GDP remained very low throughout the period.

On examining the relevant data it was found that public expenditure on education by central and state governments was around 3 percent of GDP for almost the entire period. And this was distributed among the three levels of education, with higher education expenditure varying between a very narrow margin, i.e. 0.4 percent to 0.7 percent. (Table 6.1 and 6.3)

The hypothesis mentioned above is thus proved.

If we examine educational expenditure in relation to gross state domestic product during the last almost 20 years the same pattern is observed. For most of the major 15 states for most of the years it varied between 2.5 percent to 4 percent, exceeding in a few states occasionally. The only exception was Bihar which witnessed higher expenditure on education varying between 5 percent to 8 percent. Regarding higher education expenditure as percent GSDP we come to the same general conclusion,
between 0.2 percent to 0.5 percent and even lower (e.g., 0.16 in Gujarat in 2009-10) spent on higher education.

In fact not only developed countries, but many developing countries are also devoting a much larger part of their GDP towards education, including higher education (Norway spending 7.3% of GDP on education in 2009, New Zealand spending 7.2% in 2010, Sweden spending 7.3% in 2009, Malaysia spending 5.8% of GDP on education in 2009. Similarly Brazil, Thailand, Botswana, Ghana and Senegal spending 5.7%, 3.8%, 7.8%, 5.5% and 5.6% of their GDP on education in 2009, 2010, 2009, 2010 and 2010 respectively).

We therefore need to have a relook at our education system, in particular higher education, in the present global scenario where intensive competition calls for greater efficiency and productivity in all sectors of the economy. Percentage of India’s GDP that is being spent both on education and higher education is dismally low and quality improved, so essential for a competitive scenario calls for a much higher amount to be devoted to education at all levels.

The second hypothesis formulated is

(2) Higher educational expenditure as percentage social service expenditure has remained constant over the period under study.

The two most important components of social sector are education and health. It was expected that the share of education and consequently of higher education has remained constant over the period under study, though in terms of actual expenditures a phenomenal increase in both has taken place and this shown in the data
in relevant tables. As the state of health as well as that of education was poor when planned development was launched in India, both these sectors required heavy investments. It was therefore expected that over the period their relative significance would remain the same.

Data on Education Expenditure as a ratio of Social Service Expenditure in selected 15 states over the period 1990-91 to 2007-08 shows that an increasing percentage of social service expenditure has been devoted to education, which obviously means that the other important component, i.e., health as well as other components has been receiving a smaller share over time [table 6.12(a)]. Higher educations’ share in total education was between 5 percent to 12 percent on an average. Besides, over the entire period the share of higher education in total educational expenditure has fallen for almost all the major states except Assam, Bihar and Orissa [table 6.12(c)]. However, because the share of education in total social service expenditure increased the share of higher education expenditure in eight out of fifteen states actually increased, in two states there was a reduction while in the rest it remained more or less the same. Thus an inconclusive picture has emerged as the percentage of higher education expenditure to social sector expenditure has been inconsistent. If we examine the plan data, from the First to the Eleventh, we find that the share of higher education in social sector expenditure in the First Plan was low, then almost doubled in the Second Plan. Subsequently there was a consistent fall to as low as 0.96 in the Tenth Plan (table 4.7). A sharp reduction after the Seventh Plan is notable which was not unexpected as it was during this period that economic reforms were undertaken. Higher education sector started to be viewed as a non-merit good by the government. An era of large scale privatization set in, especially in the sector of higher education.
Government gave a free hand to the private sector which led to sprouting of a large number of higher education institutions, especially in areas like business management, finance, engineering, law, hospital sector, information technology etc. many of these were of dubious quality. So far as government expenditure on higher education was concerned, its emphasis was on consolidation of existing facilities rather than expansion.

The above hypothesis that, “Higher educational expenditure as percentage of social service expenditure has remained constant over the period under study”, therefore stands negated as it is clear that higher education as percentage of social sector expenditure did not remain constant.