

# Public Financing of Education in India

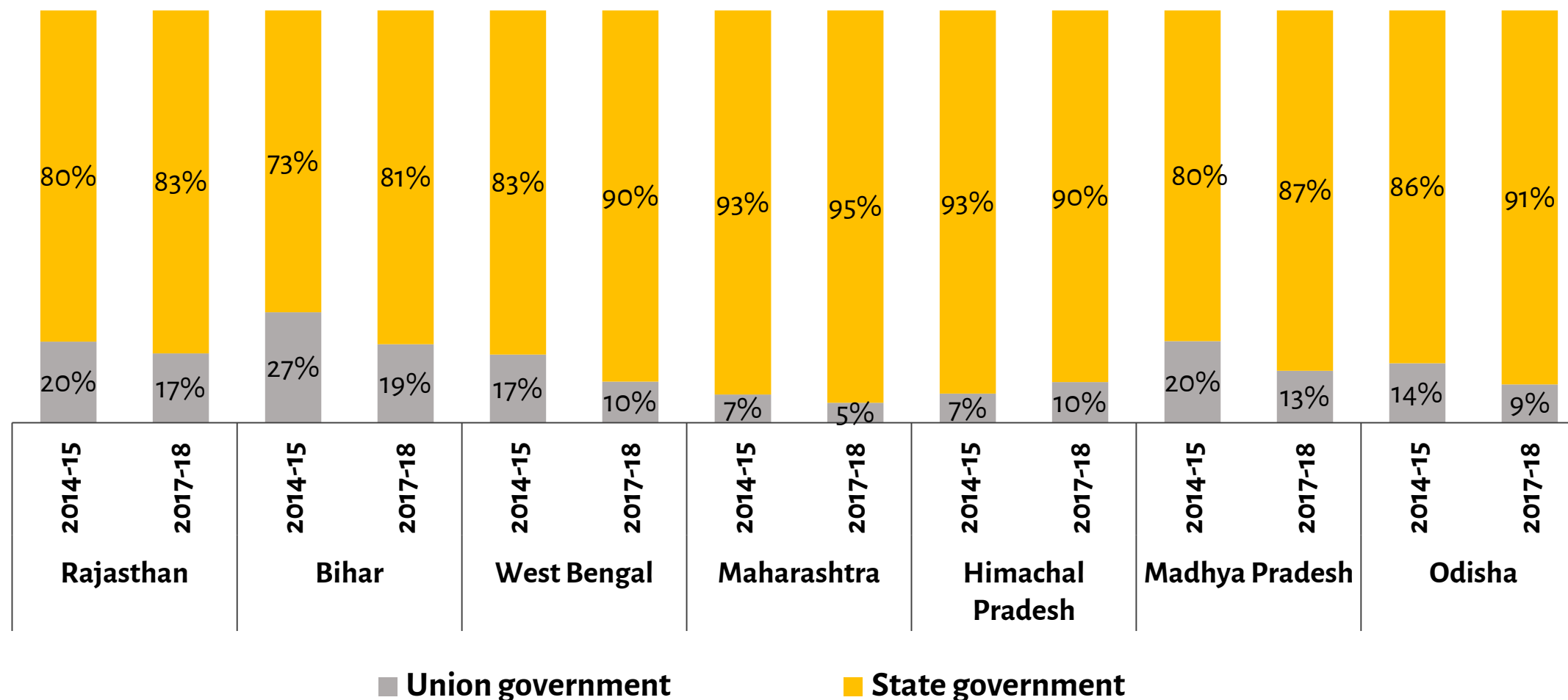
Mridusmita Bordoloi

PhD Scholar, IITG & Associate Fellow, CPR, Delhi

# Education financing: Role of Union and State Governments

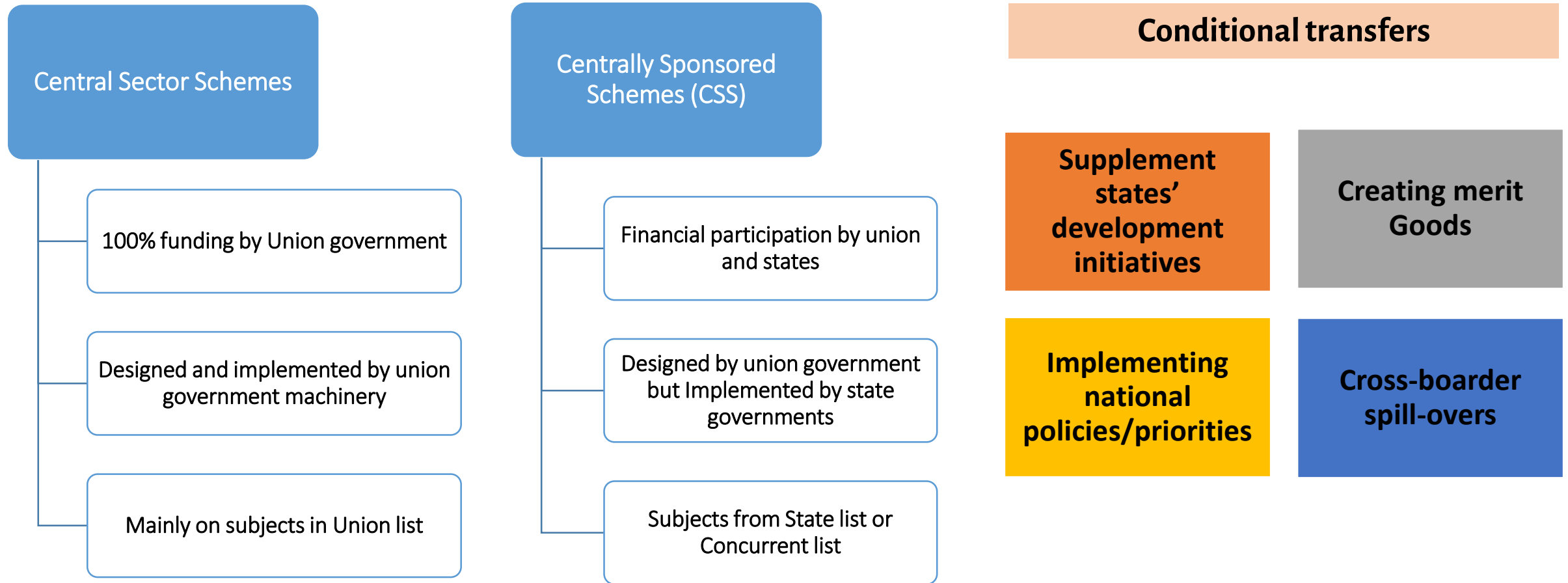
- The subject of education in India is a joint responsibility of the states and Union government. It is part of the concurrent list of subjects in the seventh schedule of India's constitution. Both the Union government and states can legislate on any aspect of education in the states.
- The Union government has played a central role in shaping the national agenda on education. Not only does it define national policy direction and priorities through the Ministry of Education, but it has also intervened in the fiscal architecture for the financing of education delivery through the commencement of key centrally sponsored schemes. These contributions have indeed been critical, and commentary on education policy has rightly scrutinized the union government's policies (Muralidharan, 2013).
- However, to understand education delivery in India, it is important to understand the role of the state governments. It is the administrative machinery of the state that is responsible for frontline delivery of education services.
- State governments spend on an average, over three-fourths of total expenditure on education in India through their own resources. For instance, between 2005-06 and 2013-14, the share of states in total expenditure on education, art and culture in the country hovered around 77 per cent to 83 per cent (Chattopadhyay, 2018)

# States are the primary spenders of school education



**Source:** Bordoloi M., Pandey S., Irava, V., and Junnarkar, R. (2020), "State Education Finances", Accountability Initiative, Centre for Policy Research, Delhi, India  
[State Education Finances: A Deep-Dive into School Education Finances in Eight States - CPR \(cprindia.org\)](https://cprindia.org/publications/state-education-finances-a-deep-dive-into-school-education-finances-in-eight-states)

# Union Government Schemes or Central Schemes



- CSSs are essentially specific-purpose programmes designed by the Union Government and implemented by the states.
- Over time they have become the primary mode in which Government of India promotes development initiatives across the country by supplementing the efforts of state governments. Majority of these finances are tied to pre-designed budget line-items and states do not have the flexibility of using these funds for any other activity within the scheme.

# CSS: Importance in a Federal Economy

- **Rationale:** Equalization to ensure that minimum standards of public services are provided to all citizens
- Has a focussed goal, mission mode approach
- Should ideally discontinue once the purpose is fulfilled
- Politics?

**Source of Non-  
Wage, Non-  
Committed Funds**

**A vehicle to  
implement an Act of  
national importance**

- Lack of clear accountability as the union exercised control and states guided implementation
- Centres intervention in States domain
  - *Sanitation : **Swachh Bharat Abhiyan***
  - *Health: **National Health Mission***
  - *Water: **Jal Jeevan Mission***
- Inimical to federal principles with central decisions on state priorities especially given that poorer states have less to spend

# Change in Fiscal Architecture after 14th Finance Commission

- Increase in the share of devolution to states from the central divisible pool of taxes.
- Reduction in central share of CSS schemes (Ex: 60:40 from 75:25). **North-Eastern and Himalayan States: Centre: State= 90:10**
- Rationalisation of CSSs: CSSs consolidation
  - **2021-22 Union Budget: Core of core: 6      Core: 28**
- Only 5 schemes— MGNREGS, NHM, Umbrella ICDS, PMAY, National Education Mission, constituted 61% of expenditures in FY 2019-20
- Performance based financing model

# 15<sup>th</sup> FC Recommendation: Further consolidation of schemes?

- **Further consolidation of CSSs**

- Too many smaller schemes within the umbrella schemes (2019-20: 131 CSSs)
- Gradually stop those who either outlived their utility or have insignificant budgetary outlays
- A minimum threshold funding size for the approval of a CSS.
- Ensuring the rights-based schemes are adequately funded.

- **CSSs should be flexible enough to allow states to:**

- Adapt and innovate, tailor implementation modalities to local realities.
- Choose their own pathways to achieve results.

- **Focus of central transfers should shift from line-items and activities to outputs and outcomes**

- Regular flow of monitoring information: financial and physical progress, output and outcome indicators

# School Education Funding: Channels

## CSSs

- Samagra Shiksha, PM-POSHAN, Strengthening Teaching-Learning and Results for States (STARS), PM Schools for Rising India (PM SHRI)

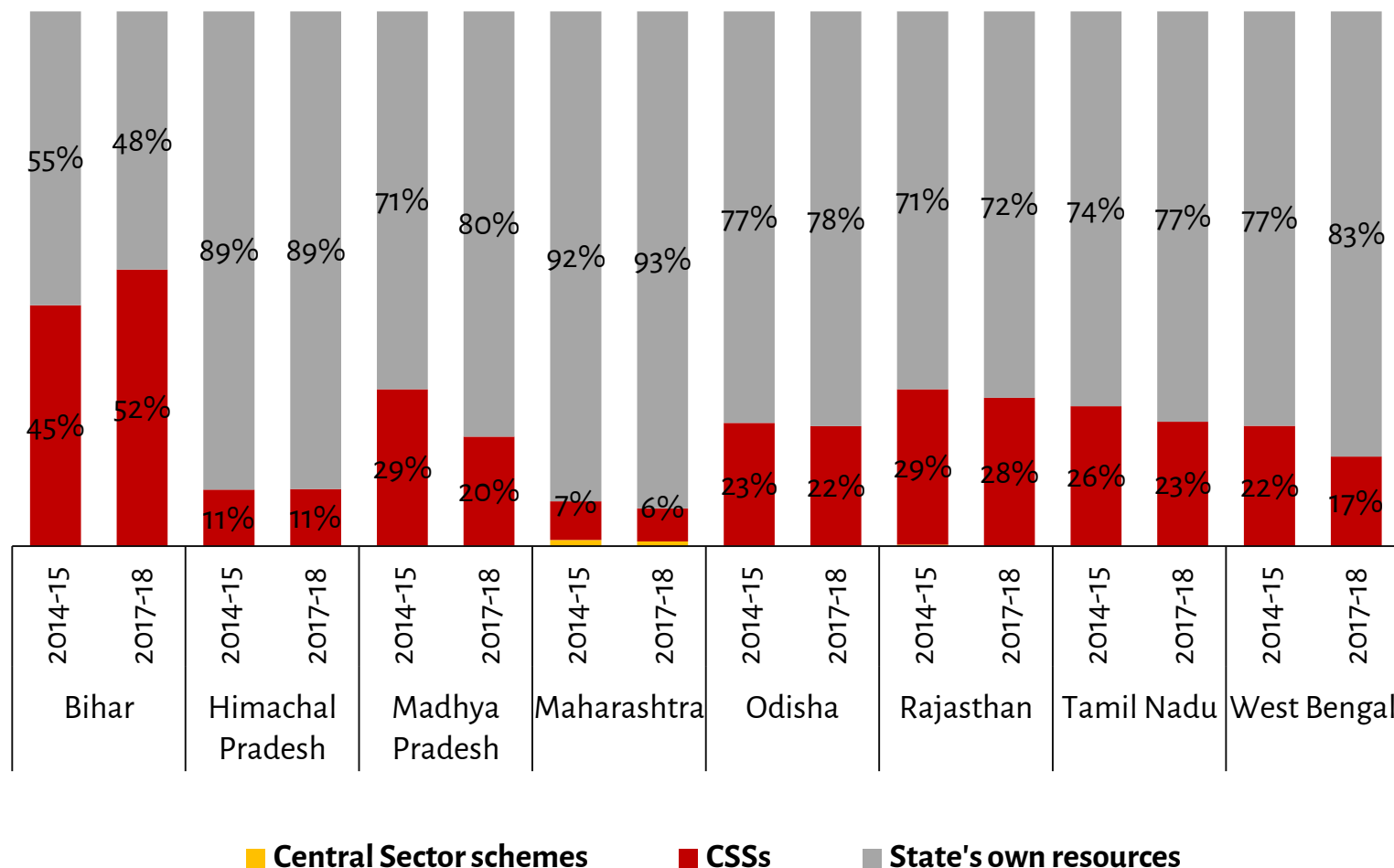
## Central Sector schemes/projects

- National Means cum Merit Scholarship Scheme, National Award to Teachers, Pradhan Mantri Innovative Learning Programme,

## Other Central Expenditure

- Kendriya Vidyalaya Sangathan (KVS), Navodaya Vidyalaya Samiti (NVS), NCERT

## State Schemes and Programmes





# Higher Education Funding: Channels

## CSSs

- Rashtriya Uchhatar Shiksha Abhiyan (RUSA)

## Central Sector schemes/Projects

- Higher Education Financing Agency (HEFA) , World Class Institutions, Scholarship for College and University students, PM Uchchatar Shiksha Protsahan (PM-USP) Yojna, PM Research Fellowship,
- Setting up of virtual classrooms and massive open online courses (MOOCs), Higher Education Statistics and Public Information System (HESPIS), Startup India Initiative in Higher Educational Institutions, National Apprenticeship Training Scheme (NATS), National Institutional Ranking Framework etc.

## Other Central Expenditure

- . All India Council for Technical Education (AICTE), UGC, IITs, IIMs, IIITs.

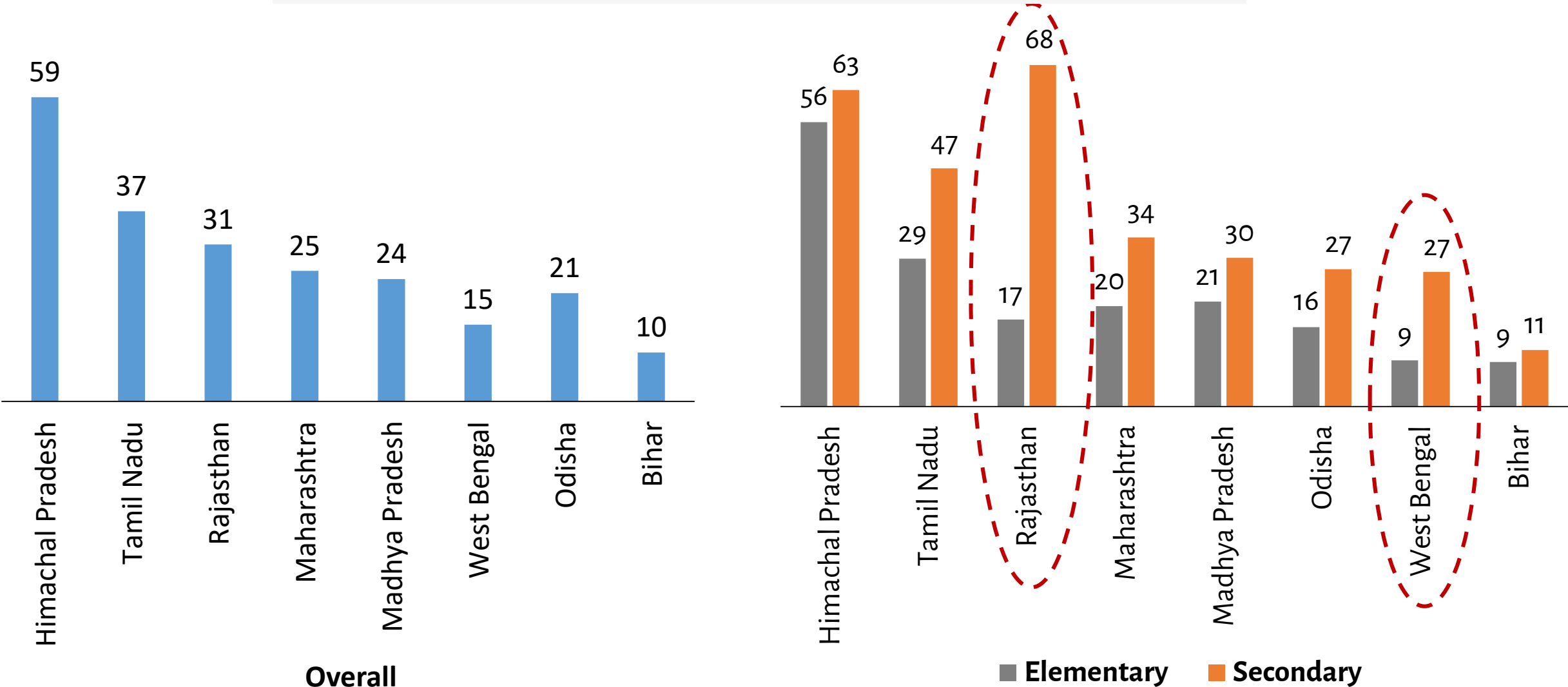
## State Schemes and Programmes

# Elementary Education is a Legal Right in India, Secondary Education is not

- School education in India can broadly be divided into two levels- Elementary (Grades I to VIII) and Secondary (Grades IX to XII). As part of the Right of Children to Free and Compulsory Education (RTE) Act passed in 2009, every child in the 6 to 14 years age-group is entitled to free and compulsory elementary education in India.
- Unlike elementary, till now access to secondary education is not legally mandated in India under the RTE Act.
- This has implications on public finance investment in secondary education
- However, National Education Policy (NEP) of India released in 2020, envisages universal access to school education from pre-primary to higher secondary levels for each child in India by 2030. This goal is in sink with Sustainable Development Goal for universalisation of school education.
- The funding requirements of secondary schools are different from elementary as there are requirements for specialised subject teachers as well as infrastructure facilities such as science laboratories and scientific equipment. Therefore, it becomes interesting to look at the differences in funding pattern across the two levels of education.
- Per-capita expenditures vary widely across elementary and secondary education

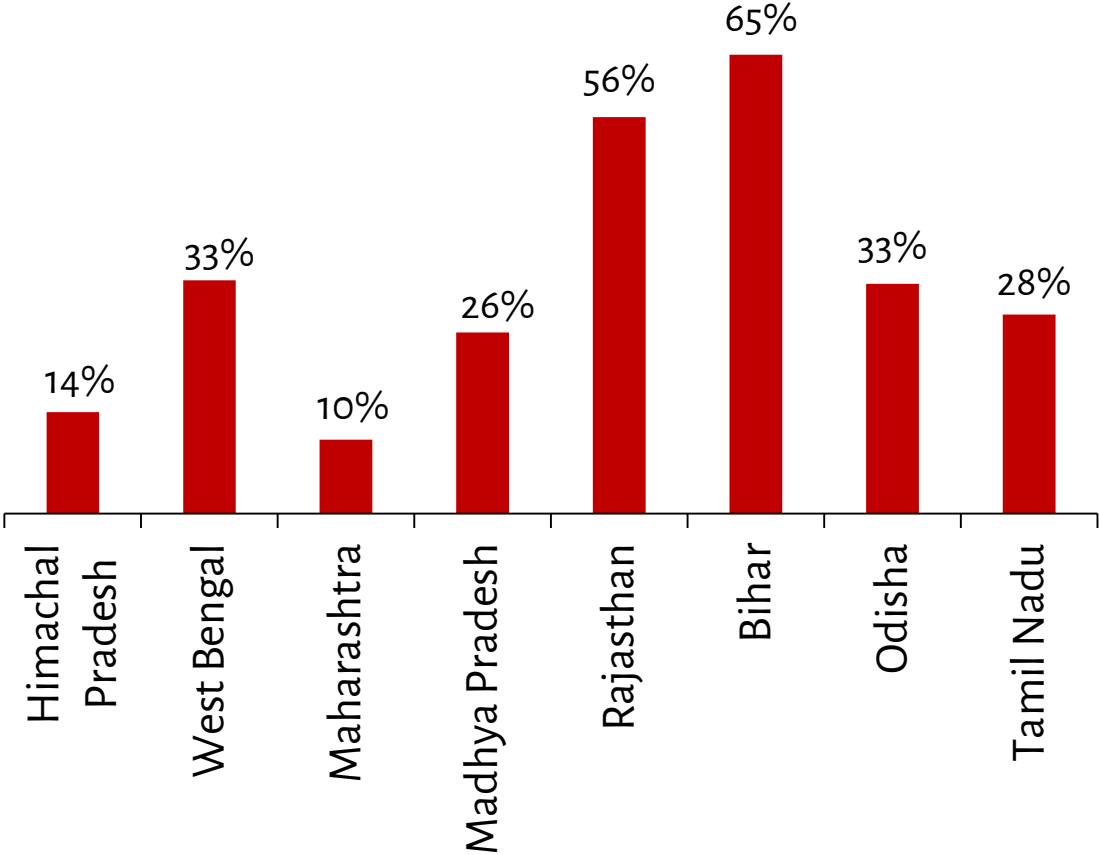
# Wide variation in per-student expenditure across states

Per-student expenditure, 2017-18 (Rs. thousand)

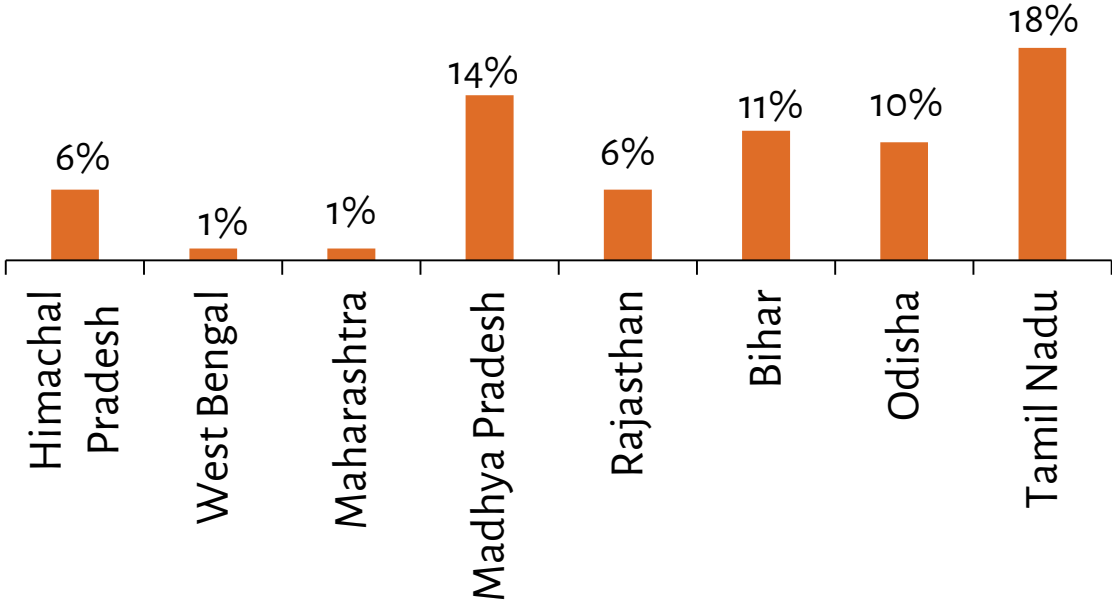


# Reliance of States on Centrally-Sponsored Schemes(CSSs)

Elementary school education, 2017-18



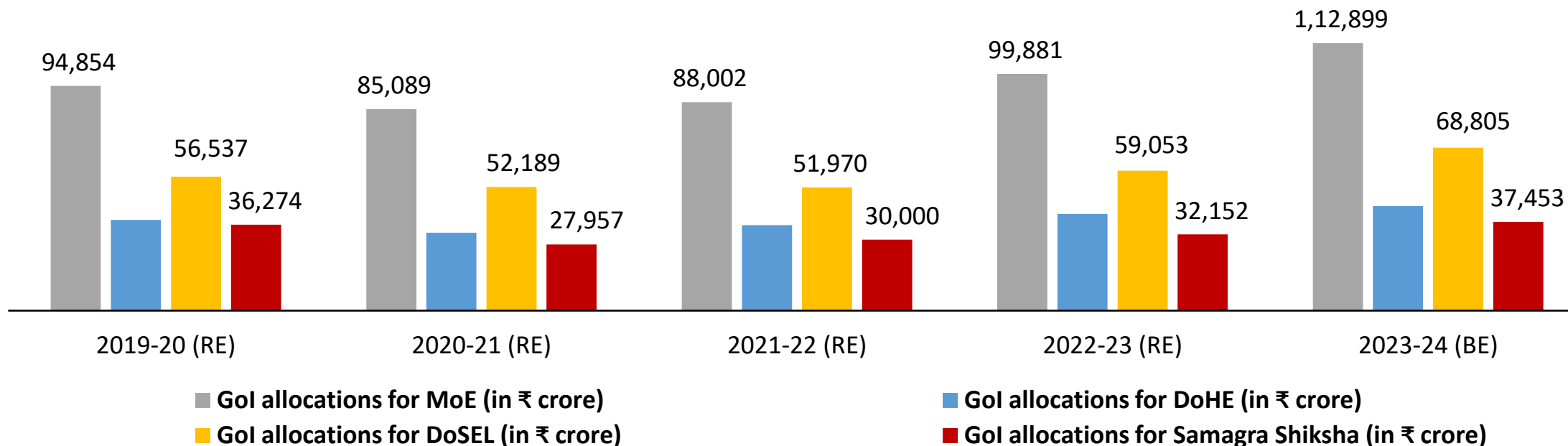
Secondary school education, 2017-18



**Samagra Shiksha, MDM, TE, Other scholarships**

# Gol Allocations for Education: Pre and Post Pandemic

Union Budget Allocations for MoE, DoHE, DoSEL and Samagra Shiksha: FY 2019-20 to FY 2023-24

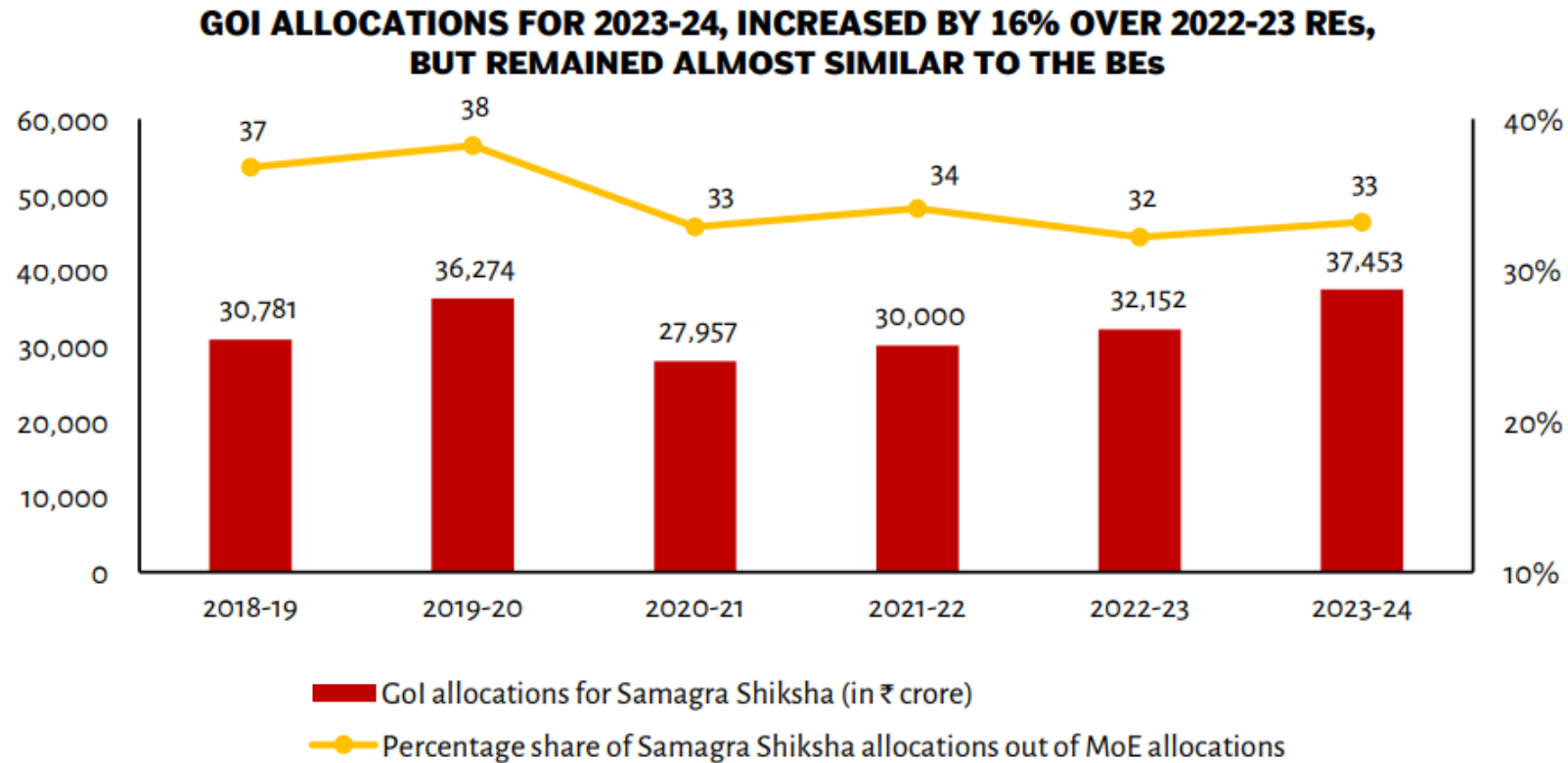


- After funding cuts in DoSEL budget for two consecutive years during the peak COVID period, it saw a rise of 14% in FY 2023-24.
- However, we witness this growth rate because the budget for FY 2022-23 is revised downwards in the current Union Budget due to relatively low releases and expenditure by Gol. Thus, we are comparing the BEs for FY 2023-24 with relatively lower base figures than BEs announced last year. When compared with BEs for FY 2022-23, the increase appears to be only 8% for both DoSEL and MoE.

# **Samagra Shiksha**

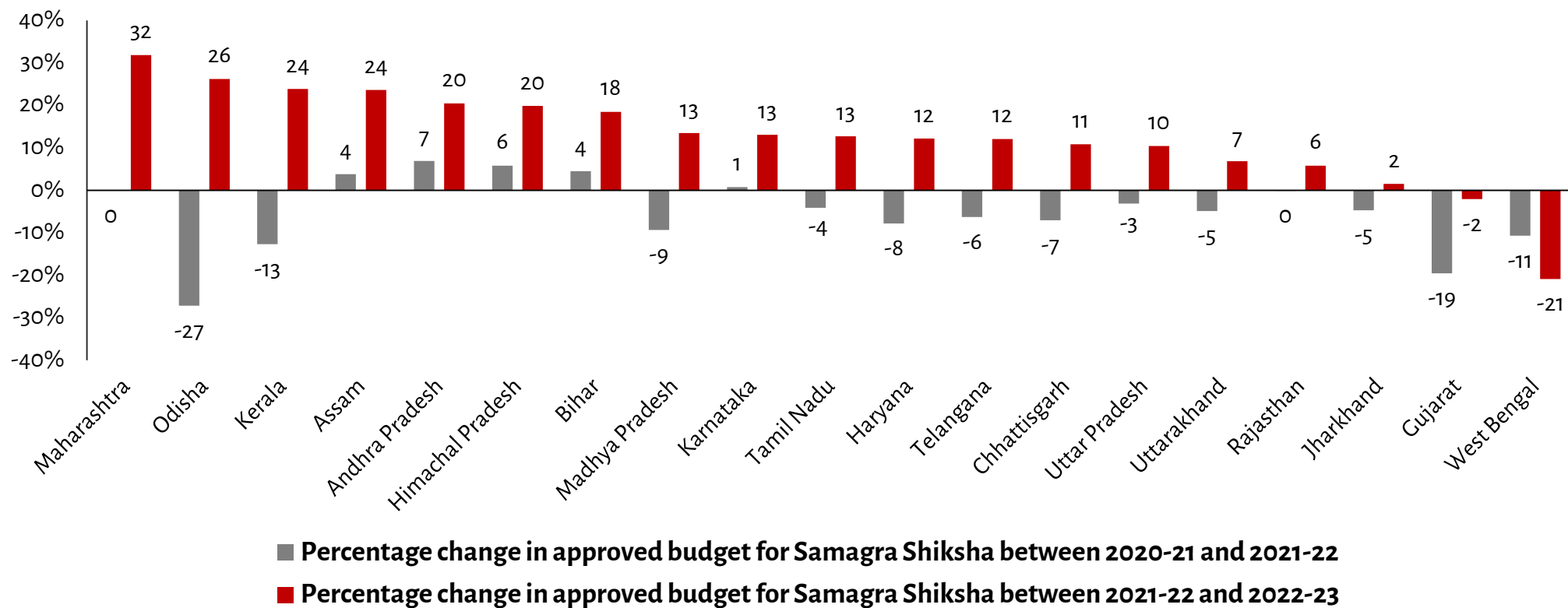
**The largest CSS for School Education in India**

# Samagra Shiksha scheme



- Samagra Shiksha is a CSS for school education in India covering pre-primary to higher secondary grades. It provides support for implementation of the provisions under the RTE Act, 2009. It is aligned with the recommendations of the National Education Policy (NEP) 2020, to ensure that all children have access to quality education in an equitable and inclusive environment.
- The Department of School Education and Literacy, under the Ministry of Education (MoE) of the Union Government implements this scheme along with the corresponding government departments of the states.
- For FY 2023-24, GoI allocations were 13 per cent higher than FY 2022-23 REs, but only 0.2 per cent higher than the BEs.

# Total Budget Approved for Samagra Shiksha



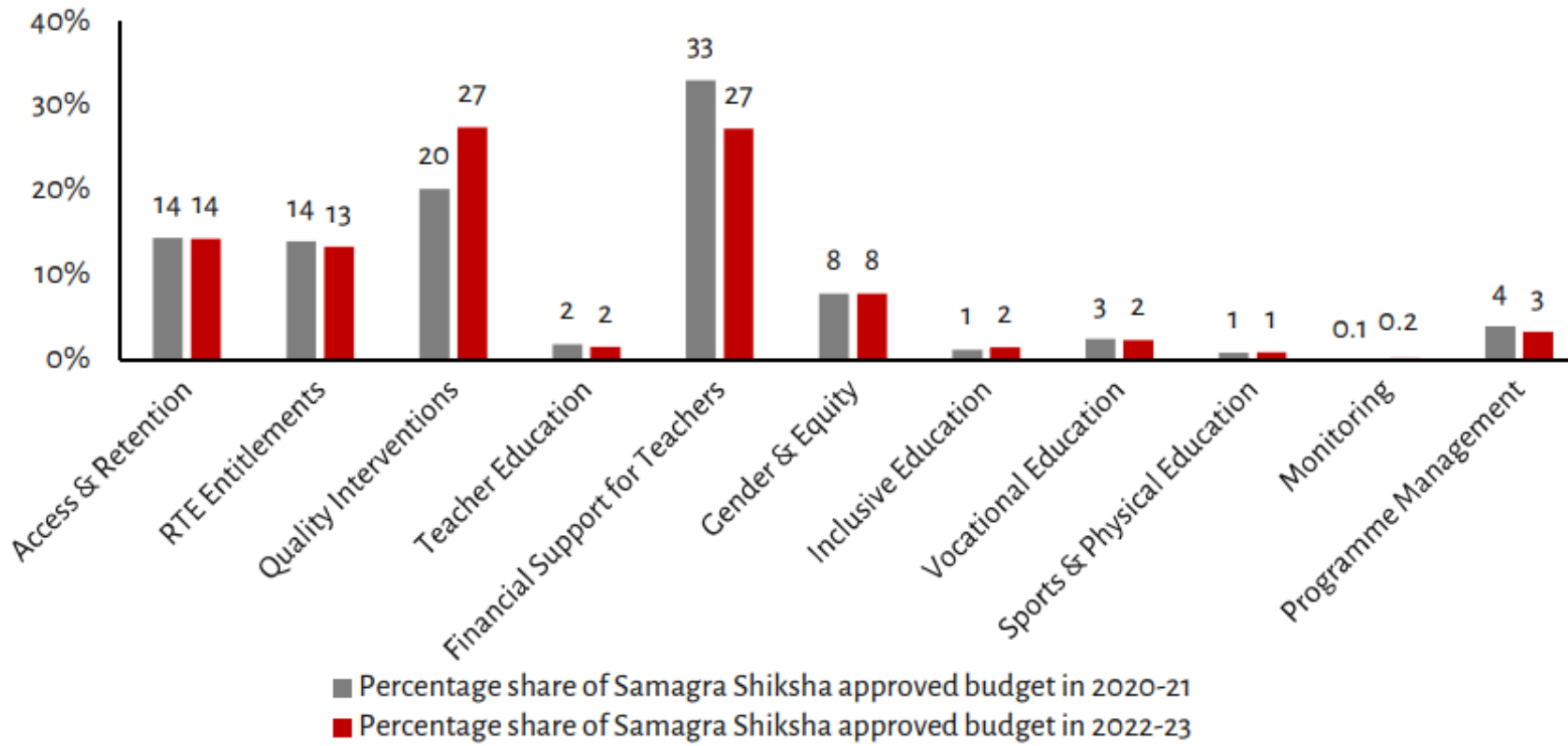
**Source:** Budget Brief: Samagra Shiksha, 2023-24, CPR. Available online at: <https://accountabilityindia.in/publication/samagra-shiksha-budget-briefs-2023-accountability-initiative-centre-for-policy-research/>

- A significant decline in total approved budgets (including state share) during COVID-19 pandemic in FY 2020-21 and FY 2021-22, compared to the pre-pandemic levels.
- In FY 2022-23, there was a trend reversal and total approved budget has increased by 12%, to stand at ₹75,488 crore. But this remains lower than pre-pandemic levels.
- The budget approved under Samagra Shiksha for FY 2022-23 increased in comparison to that for FY 2021-22, in most large states except Gujarat and West Bengal.



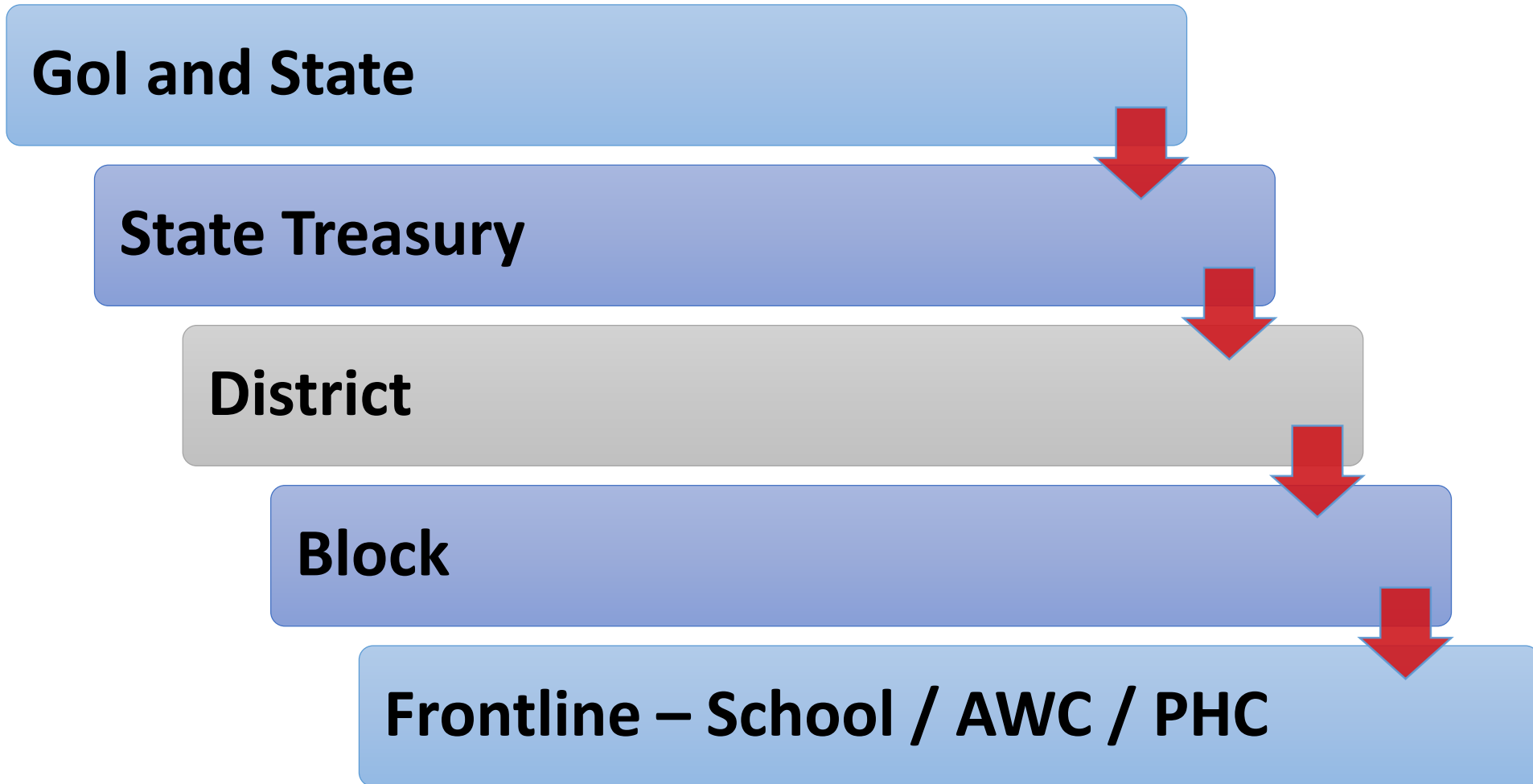
# Budgets for quality interventions

**In FY 2022-23, share for 'Quality Interventions' saw a 7-percentage point increase, from 20% in FY 2020-21.**



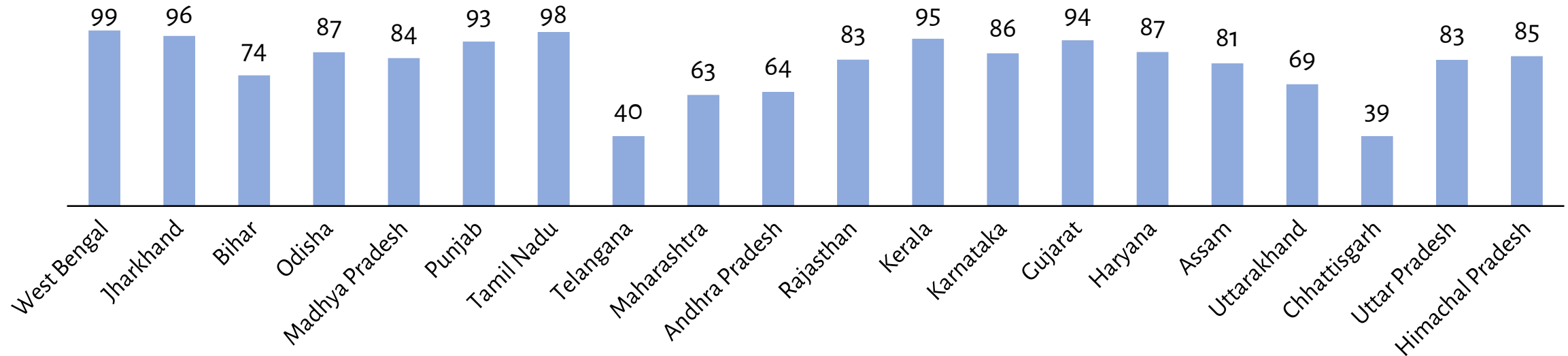
- Quality Includes ICT and digital initiatives, pre-primary education, learning assessments, learning enhancement programmes (LEP), school maintenance of schools.
- States prioritised bridging learning loss through 'School Readiness Programme', Baseline Assessment in all Grades from 1 to 10, and designing and distributing bridge course material for Grade 10 students, 'Learning Recovery Packages', etc.

# Several Links in the Chain



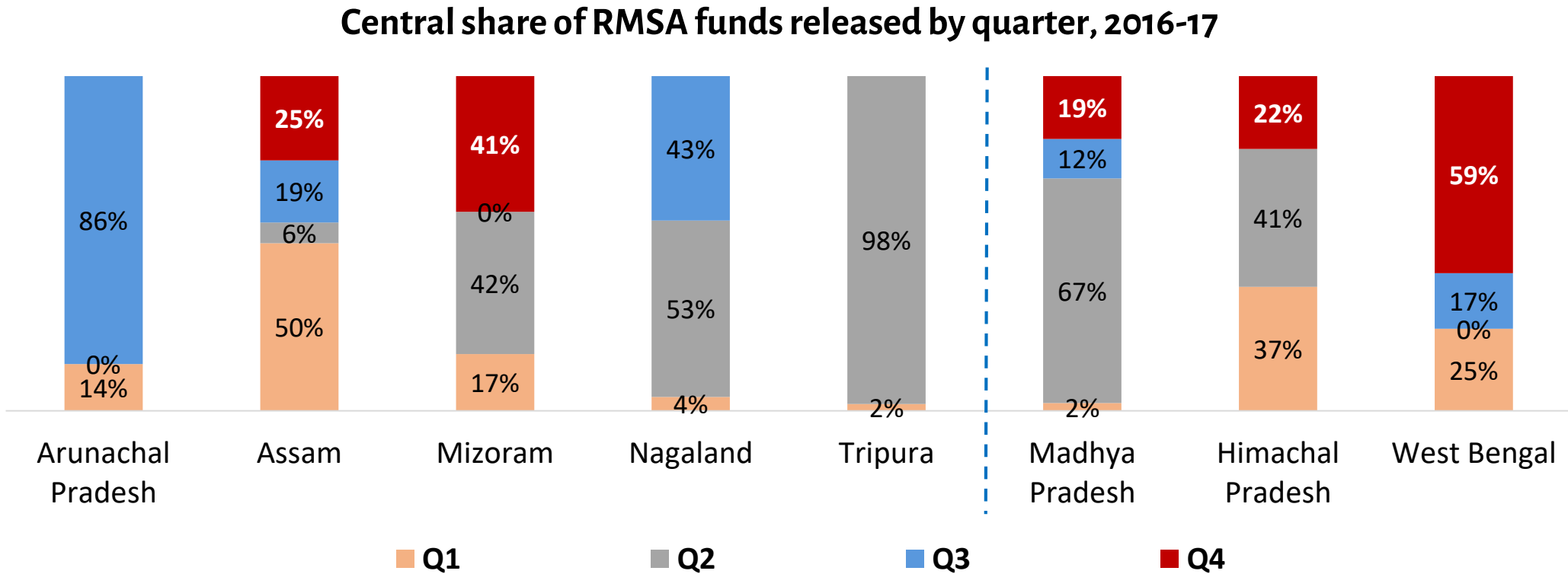
# Not All Funds are Released

Gol releases as % Gol share approved: Samagra Shiksha, 2020-21



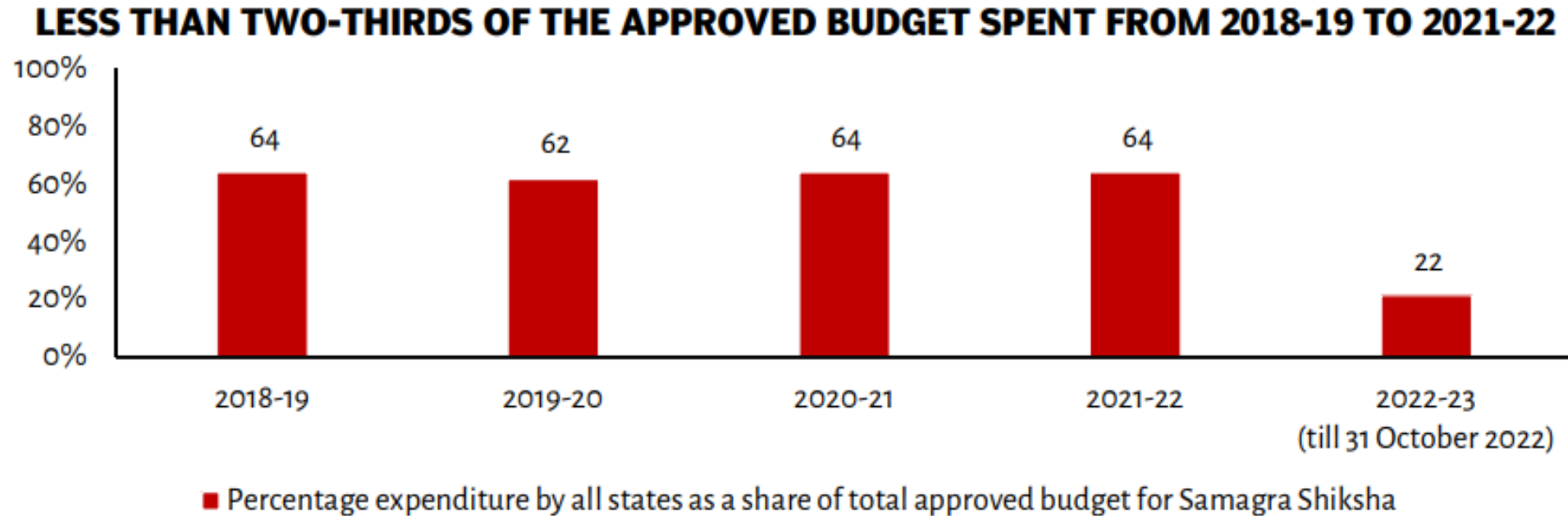
- Multiple reasons behind lower releases: CSS scheme design, lack of funds at the top, states' inability to contribute their share of budgets,
- Creates disincentive to bottom-up decentralised planning: There are huge differences between funds proposed vs. actual approvals.

# Significant Delays in Fund Flows: Union to State



- Many states receive a considerable share of total GoI releases only during the last quarter of a financial year.
- This has an adverse impact on the state's planning and quality of spending. As a result, most routine activities get funds, however, those interventions aimed at quality improvement, remain under-funded.

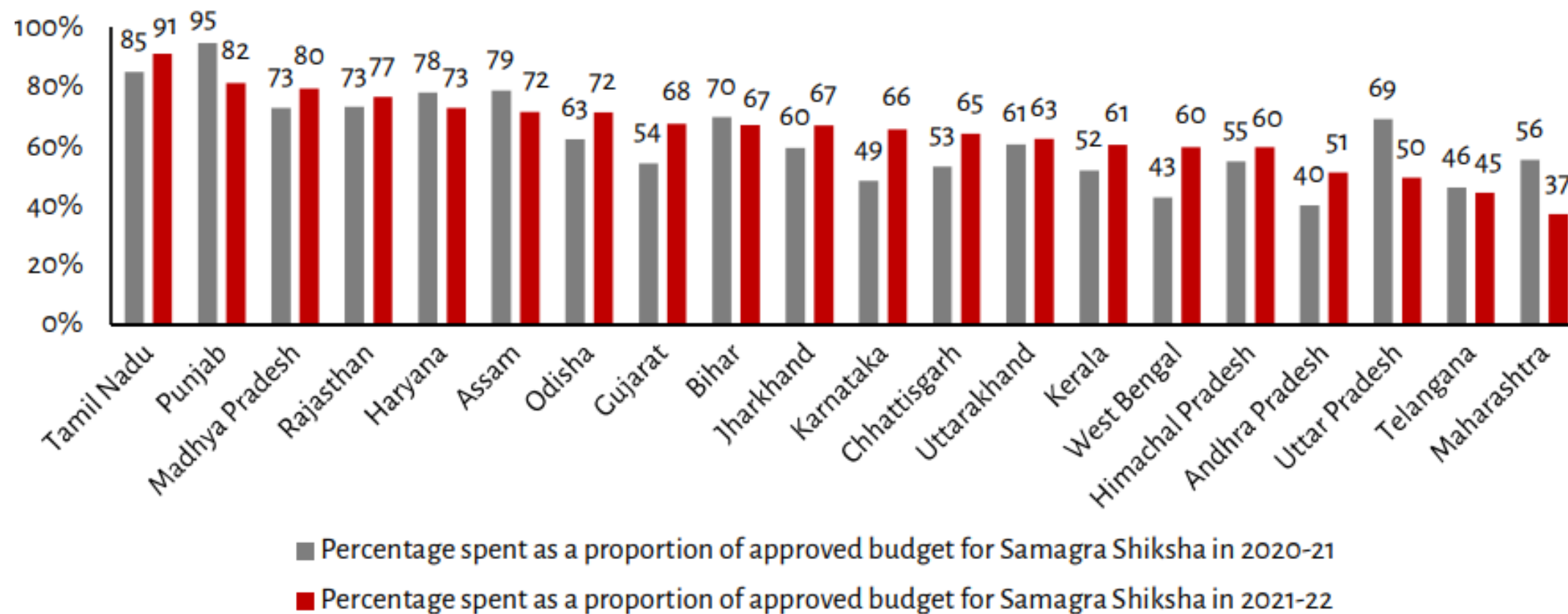
# Not all funds get spent



- Utilisation or rate of expenditures has been low: Around 60% - 65% from FY 18-19 to FY 21-22; 22% till October for FY 2022-23
- Multiple reasons behind lower utilisation of budget: Lower release of budget, delay in releases at various stages, and states' capacity to spend (human resources, skillsets, physical resources, overall social infrastructure etc., loose accountability mechanism, overburdened frontline officials with too many over-lapping lines of responsibility.
- Impacts implementation of scheme objectives.

# Wide variation across states in capacity to spend

Samagra Shiksha: Expenditure as % of approved budget, 2020-21



Thank you