Public Financing of School Education in India: A Fact Sheet 2016
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## Abbreviations

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<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>A</td>
<td>Actuals</td>
</tr>
<tr>
<td>BE</td>
<td>Budget Estimates</td>
</tr>
<tr>
<td>CABE</td>
<td>Central Advisory Board of Education</td>
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<td>CBGA</td>
<td>Centre for Budget and Governance Accountability</td>
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<td>CRY</td>
<td>Child Rights and You</td>
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<td>DDGs</td>
<td>Detailed Demand for Grants</td>
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<td>FFC</td>
<td>Fourteenth Finance Commission</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GER</td>
<td>Gross Enrolment Rate</td>
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<td>GNP</td>
<td>Gross National Product</td>
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<td>GSDP</td>
<td>Gross State Domestic Product</td>
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<td>MHRD</td>
<td>Ministry of Human Resource Development</td>
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<td>NUEPA</td>
<td>National University of Educational Planning and Administration</td>
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<tr>
<td>RE</td>
<td>Revised Estimates</td>
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<tr>
<td>RMSA</td>
<td>Rashtriya Madhyamik Shiksha Abhiyan</td>
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<td>RTE</td>
<td>Right to Education</td>
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<td>SSA</td>
<td>Sarva Shiksha Abhiyan</td>
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Message from CBGA

Over the last couple of decades, a lot of substantive research has been done on public financing of education in India. In recent years, we have also seen some insightful and pertinent research on the gaps in implementation of prominent Central schemes for school education. Yet, in the policy debates on the issue of adequacy of public resources for school education in the country, the evidence cited with regard to quantum of budgetary spending has largely been at the aggregate levels. We, at CBGA, have felt that the intense debates on government financing of school education in India have happened with a somewhat limited set of evidence; the evidence used in these important discussions has been especially narrow with respect to the composition of school education budgets in different states.

This could have been due to the limited attention paid to questions like: how different states are designing the quantum of budget available for school education – in terms of the priorities across different components – and the implications of the design of school education budgets on different parameters including quality of teaching and learning in government schools. In such a context, CBGA and CRY have taken an initiative to analyse the budgets for school education across all states, covering all those departments that spend on school education related services or interventions, and at a disaggregated level of spending.

We are presenting the findings of this study in the form of this Fact Sheet, which shares some of the key trends and numbers for all states, and a Study Report (“How Have States Designed Their School-Education Budgets”), which unpacks the composition of the budget for school education across ten selected states. These two study outputs address only a few of the questions in the domain of government financing of school education in India; but they point towards a number of other pertinent issues that require deeper scrutiny and discussion.

However, the findings of this study do indicate clearly that India’s prevailing quantum of budgetary spending on education is inadequate not just because it falls short of the benchmark recommended decades ago by the Kothari Commission but also because the paucity of funds for almost all important areas of public provisioning of school education – be it availability of teachers, their training, their monitoring, the interventions for children from marginalised sections or those for strengthening community engagement with schools – is glaring in most of the poorer states. The overall deficiency in public financing of school education could not only be held responsible for gaps in coverage and quality of the outputs and services being delivered through government schools, but it could also be a major causal factor underlying the weak linkages between outlays, outputs and outcomes in this sector.

A mere re-prioritization of the existing quantum of budgets for school education would certainly not help most of the states address the deficiencies in their government schools system; there is clearly a need for a significant enhancement of the overall resource envelope for this sector. But when a state does move towards an expanded budget for school education, it would need to allocate the additional resources across the various components / areas of provisioning in a manner that addresses the requirements more comprehensively.

We sincerely hope the study report and this fact sheet would provide some useful evidence for deepening the policy discourse in the country on school education. We will be grateful for suggestions on how we can add more value through our work in the coming years.

With regards,
Subrat Das
Executive Director,
Centre for Budget and Governance Accountability
Message from CRY

This year, India completes 25 years of the New Economic Policy whose stated purpose was to improve our country's fiscal health towards growth and progress for all including our most vulnerable citizens; children. The budget, both at the national and state level, is a concrete expression of the government's intentions and performance towards its citizens. Children comprising 40 percent of the total population gets mere 4 per cent of nation's gross domestic product (GDP) to themselves. India's Education budget has been stagnant for over last 5 years except a relative boost brought about by the Right to Free and Compulsory Education Act (RTE), 2009. It is a matter of grave concern where we have lakhs of children still out of the fold of education, and, of those in school, only 33 children out of every 100 children enrolled tend to complete Class XII. Along with addressing various socio-cultural aspects related to education, it is equally important to make adequate budgetary allocation for ensuring all children are in school and availing quality education. The recognition of child as a distinct stakeholder in the public discourse on budgeting as well as measure of state accountability started only a decade ago and it still remains a significant area of inquiry as change for children has been incremental and resource deficiency has been central to the debate.

The year 2015-16 has been significant for the country with policy measures that have changed the fiscal architecture of India. These are likely to have a direct impact on public provisioning of education at the state level. It is pertinent at this juncture to examine how states are prioritising their budgets in terms of allocations, estimations and revisions for school education.

We, at CRY, strongly believe adequacy of resources, including sufficient budgetary investments for 333 million children (6 to 18 years) has tremendous potential in shaping India's children. In fact, when CRY was started in 1979, by Rippan Kapur, the very first project it supported was on teacher training and education. Ever since, CRY has spread its mission to enable the realization of rights of more than 20 lakh under privileged children across 23 states in India. The learning from these experiences has only strengthened our conviction that Education helps in creating a sound foundation and is, therefore, crucial for a happy, healthy and creative childhood.

CRY is pleased to initiate a study series with CBGA that examines public expenditure on School Education in the post RTE era. It is interesting to note that all government departments administering funds for education are scrutinized in this study, which I am sure will shed new light on the way the state is planning and allocating financial resources towards ensuring the rights of its great citizens, our children.

With Faith and Goodwill,

Puja Marwaha
Chief Executive,
CRY- Child Rights and You
Acknowledgements

We would like to thank Mr. Basanta Nayak, Mr. Daya Ram, Dr. Nesar Ahmad, Ms. Pooja Parvati, Mr. Prasanta Pradhan, Prof. Praveen Jha, Prof. R. Govinda, Mr. Ravi Duggal, Prof. Tapas Sen and Mr. Vikash Singh for their valuable comments on the draft version of the report. Their insightful comments and suggestions on the draft report, in the discussion held on October 19, 2016, have helped us immensely in addressing some of the lacunae in our analysis. However, we have not been able to incorporate a number of very substantive suggestions made by them, which we will pursue as important ideas for deepening our research in this field in the coming years.

We extend our gratitude to Ms. Puja Marwaha, Ms. Rajni Bakshi, Ms. Vijayalakshmi Arora, and a number of other colleagues from CRY for their very helpful inputs and suggestions over the course of this study.

We would like to thank Mr. Abdul Muiz, Mr. Adnan Ul Hasan, Mr. Apoorv Jain, Ms. Devyani Singh, Mr. Imran Ansari, Mr. Khwaja Mohd. Wamiq, Mr. Khwaja Mohd. Zaid, Mr. Mohammad Arsalam, Ms. Nomy Katta, Mr. Rajkumar Byahut and Mr. Ramgati Singh for their invaluable contribution towards compilation of data for this study.

We convey our special acknowledgement to the library of NIPFP.

We would remain ever grateful to Dr. Komal Ganotra, Ms. Anuja Shah and Ms. Sangeeta M. from CRY for their constant guidance, support and encouragement.

Finally, we would like to thank all our colleagues at CBGA for their rich insights and suggestions, which have helped us a lot in deepening our analysis.

However, any errors or omissions are solely our responsibility.

Study Team
I. Context and Scope of the Analysis

In the Constitution of India, education appears in the concurrent list; accordingly, provisioning of resources for the same is a shared responsibility of the Union and State Governments. Public financing of education, to a large extent, depends on the policy and budgetary priorities for education. In order to assess the adequacy of the prevailing quantum of public financing for the sector, it is useful to have a rough estimate of how much the government should spend on financing quality education, taking into account the existing policy framework for public provisioning of education.

Such a process of estimation had started with the Kothari Commission (1964); it had recommended six percent of Gross National Product (GNP) per year as the total public expenditure on education in the country to be reached by 1985-86. The Commission had recommended for at least two-thirds of the allocation to be prioritised for school education at least for the first two to three decades. Subsequently, the National Policy on Education (1986) also reiterated the need to increase public expenditure on education till it reaches 6 percent of Gross Domestic Product (GDP). Later, Tapas Majumdar Committee (1999) estimated the amount of resources needed, in addition to the prevailing magnitude of public expenditure on education, during a ten-year period from 1998-99 to 2007-08 for universalising elementary education by 2007-08. CABE Committee (2005) opined that due to persistent underfunding in elementary education, around 1.1 percent to 1.5 percent of GDP in addition to the existing allocation was needed to achieve universalisation of elementary education by 2011-12. In the context of the enactment of the Right of Children to Free and Compulsory Education (RTE) legislation in 2009, NUEPA (2009) estimated the amount of resource required for successful implementation of RTE by 2015. That the country's total public expenditure on education needs to be increased to the level of six percent of GDP has been reiterated by a number of political parties in their election manifestos over the last few decades and it has also been the most popular benchmark for assessing public spending on the sector as referred to in the policy discourse in the country.

On the other hand, a number of economists have also questioned the sufficiency of six percent of GNP (or six percent of GDP) as a benchmark to assess adequacy of government spending on education now, given the large cumulative resource gap for the sector from 1985-86 (Jain and Dholakia, 2009). Also, in view of the constraints in resource mobilisation by the Centre as well as the State Governments and the concerns with the fiscal deficit (i.e. government borrowing), suggestions also have been made for alternative measures like seeking external sources of finance, private-public partnership or corpus dedicated for education for financing RTE (Mehrotra, 2012).

Though available literature throws light on the quantum of public resources required for education, relevant data on how much the Union and State Governments are spending on education is not available in a timely manner. The Analysis of Budgeted Expenditure on
Education, an annual publication of the Union Ministry of Human Resource Development (MHRD) provides a lot of useful information on government expenditure on the sector by levels of education. It also provides state wise information on the budgetary expenditure or allocations for education for three consecutive years. However, this publication is brought out with a time lag; the latest years for which the publication is available presently are 2011-12 to 2013-14 (BE). Besides this, there is no other publication with comprehensive statistics on government financing of the overall education sector or that for school education in India.

In the context of such a gap in the database for financial statistics on education, this Fact Sheet is an attempt to provide a holistic picture of public spending on school education across 30 states of India and for the country as a whole. A macro picture of public financing of school education in the country has been sketched with the help of three basic indicators, which are:

1) Expenditure on school education as percent of Gross State Domestic Product (GSDP);
2) Expenditure on school education as percent of total state budget; and
3) Per child spending on school education, and, Per child versus Per student spending on school education in a state.

Given the differences between states in terms of a number of parameters like their resource base, hilly and difficult terrain, population density etc., the states have been categorised into 'General' category and 'Special' category states (following the standard classification in this regard). Eight north-eastern states, viz. Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim, and, three Himalayan states, viz. Himachal Pradesh, Jammu and Kashmir and Uttarakhand, fall under 'Special' category while the rest of the states are considered under 'General' category. In this fact sheet, each of the indicators has been presented separately for 'General' and 'Special' category states.
II. Methodology

Public expenditure on school education covers expenditure at the elementary level and expenditure at the secondary and senior secondary level. The sources include expenditure by the Union Government, the State Governments, the local bodies, and foreign aid which is transferred primarily through Union Budget.

Both at the Union and the state level, besides the Department of School Education, several other departments incur sizable amounts of expenditure on education. The present analysis covers all such departments that report expenditure on school education in their budgets. These departments include Department of Women and Child Development, Department of Social Security and Welfare, Department of Minority Welfare, Department of Tribal Welfare, Department of Rural Development, Department of Urban Development, Panchayati Raj Department, Department of Public Works, Department of Drinking Water and Sanitation, and Department of Planning (the names of these departments differ slightly across states).

After the 73rd and 74th constitutional amendments, along with the Union and State Governments, both rural and urban local bodies are also responsible for providing elementary education. The expenditure on elementary education by the local bodies could be financed by any of three possible sources – (a) the funds disbursed to them by the Union Government or State Government departments (i.e. funds meant specifically for elementary education), (b) expenditure financed from the untied funds devolved to the local bodies, and (c) expenditure financed from their own sources of revenue mobilised by the local bodies. The analysis presented here includes the first source [i.e. (a) completely], but it does not cover expenditures that may be financed from the other two sources. However, both the level of devolution of untied funds to local bodies and the level of revenue mobilised by them from their own sources differ widely across states, and, except for a few states, these are low in most cases. Hence, the analysis has not excluded any significant proportion of public spending on education at the level of local bodies.

The Ministry of Human Resource Development at the Union level and the Department of Education\(^1\) at the state level together financed more than 80 percent of the school education budget (elementary and secondary together), in the years covered in our analysis. There is some expenditure by states’ Education Departments, which is not meant exclusively for elementary or secondary education; it is spent on the schools as a whole or for school administration or education secretariat. The analysis presented here does include these amounts in the figures for total expenditure on school education.

\(^1\) The name of the Education Department varies with state.
The expenditure incurred by other departments is also designed mostly to cater to children studying in classes I to X, or post matric students, or to students of classes I-XII altogether. Due to this sizable amount of government expenditure on schools and students overall, the figures (presented in this fact sheet) for the budgetary expenditure specifically at the elementary level or that at the secondary level are underestimations. Nonetheless, the figures for the total budgetary expenditure on school education are far more comprehensive as explained earlier.

In order to capture the total budgetary spending on school education, both Union Budget and states’ budgets have been analysed at the most disaggregated level. Hence, the Detailed Demand for Grants (DDGs) of all the departments mentioned above have been analysed for the data pertaining to four years: 2012-13 (Actuals), 2013-14 (Actuals), 2014-15 (Budget Estimates), 2014-15 (Revised Estimates) and 2015-16 (Budget Estimates, including the supplementary budgets that states presented throughout 2015-16). It was important to capture the information from the supplementary budgets presented by states in 2015-16, since, following the changes in Union-State sharing of resources (as per the Fourteenth Finance Commission recommendations and the NITI Aayog’s sub-group of Chief Ministers in 2015), most states depended on supplementary budgets to adapt to the new fiscal arrangements that started in 2015-16.

Until 2013-14, the State Budgets did not report the Union Government’s share of funds for two major centrally sponsored schemes in school education, viz. Sarva Shiksha Abhiyan (SSA) and Rashtriya Madhyamik Shiksha Abhiyan (RMSA); because, the central shares of funds for these two schemes was directly flowing from the Union Government to the SSA and RMSA society bypassing the state budgets and state treasury. From 2014-15, however, the fund flow mechanism has changed in all central schemes including SSA and RMSA, and, Union Government support for SSA and RMSA is reflected in the state budgets. In such a situation, in order to capture the total SSA and RMSA expenditure in a state (i.e. both the Union and State shares combined) for 2012-13 and 2013-14, the data on funds released to different states for SSA and RMSA by the Union Government were collected from the SSA portal2 and the MHRD portal3; and, the states’ budgetary expenditure on SSA and RMSA (reflected in State Budgets)were added to the Union Government releases to arrive at the total SSA and RMSA expenditure figures. Thus, for 2012-13 and 2013-14, there is some amount of approximation in arriving at the total ‘actual’ expenditure figures for SSA and RMSA, since the state share of the expenditure is actual while the Union share of the expenditure is funds ‘released’. However, for 2014-15 and 2015-16, the figures are entirely from the State Budget documents and hence no such approximation is involved there. The analysis does not cover budgets for Union Territories.

2 http://ssa.nic.in/financial-management/audit-reports
3 http://mhrd.gov.in/rmsa_recent_releases
III. Public Expenditure on School Education as Percent of GDP

Total expenditure by the government in any country, when presented as a proportion of the size of its economy (i.e. the GDP of the country), reflects the scope of government’s fiscal policy interventions in the economy. Accordingly, international comparisons of public expenditure, at the aggregate level or for specific sectors, are usually facilitated by figures of public spending by a country as proportions of GDP of the country.

**Figure 1: Trends in Public Expenditure on School Education as Percent of GDP**

Note: RE Revised Estimate; BE- Budgeted Estimate, GDP figures are at current market price with 2011-12 as base year; Budgets of UTs are not covered.

Source: (i) For 2004-05 to 2013-14 (BE): Analysis of Budgeted Expenditure on Education2011-12 to 2013-14, Planning and Monitoring Unit, Department of Higher Education, MHRD (2014); and
(ii) For 2012-13 (Actuals) to 2015-16 (BE): authors’ calculations based on Union and State Budget documents, various years.

The latest data provided by MHRD shows that till 2013-14 (BE), 2.9 percent of GDP was allocated for school education, which is a 0.8 percentage point increase from the 2004-06 level. Our analysis has shown the expenditure pattern for last four financial years, i.e. 2012-13
actuals, 2013-14 actuals, revised estimates for 2014-15 and budgetary allocation for 2015-16 (see box inside figure 1). The figure shows that in last four years, there is a decline in the overall quantum of budgetary spending / allocation for school education as a proportion of the country’s GDP. In fact, after the implementation of RTE in 2010, the school education expenditure has increased just by 0.2 percentage point (from 2.5 percent of GDP in 2009-10 to nearly 2.7 percent of GDP in 2015-16 BE). It seems states have not injected any substantially higher magnitude of resources for school education even after the enactment of RTE; rather they have mostly followed incremental budgeting over the last six years. The analysis looks at the school education budget at the disaggregated level to see if this small increase (of 0.2 percentage point) is due to increase in expenditure at the elementary level or secondary level.

**Figure 2: Public Expenditure on School Education as Percent of GDP by Level of Education**

The total school education budget of India, as presented here, is a summation of what all states are spending on school education. The break-up of the total budgetary expenditure on school education shows a small decline in budgetary expenditure on elementary level (as a proportion of GDP) between 2012-13 and 2014-15 (RE); there is an increase in the elementary education budget as percent of GDP in 2015-16. The small increase in the overall school education budget, during 2012-13 to 2015-16 (BE), has been more on account of the increase in expenditure at the secondary level (see Figure 2).
IV. School Education Budget as Percent of GSDP

Here, an effort is made to see how different states have provisioned budgetary resources for school education (including the central share of funds for SSA and RMSA) over the last four years.

In Madhya Pradesh, West Bengal, Andhra Pradesh (undivided), Maharashtra, Karnataka and Tamil Nadu, the size of school education budget as a proportion of GSDP has declined between 2012-13 and 2015-16 (BE). The remaining five general category states have shown an increase in this expenditure as a proportion of GSDP, with Bihar recording the highest figure (5.6 percent of GSDP for school education in 2015-16 BE) [see figure 3].

The total budgetary spending / allocation for school education as percent of GSDP in the special category states is relatively higher than those in general category states; this is primarily because of higher central share of funds and lower magnitudes of GSDP (i.e. smaller sizes of state economies) in case of the special category states. Mizoram, Himachal Pradesh, Sikkim, which are relatively better performing
states in terms of educational achievements are showing a decreasing trend, whereas states like Manipur, Arunachal Pradesh, Tripura, Assam, Jammu & Kashmir have increased their spending in school education (as compared to the size of their economies) over the last four years (see figure 4).

However, we must note here that a state’s budgetary spending/allocation on school education as a proportion of its GSDP shows an upward bias, in inter-state comparisons, when the state’s GSDP is smaller as compared to other states; this is the case not only with most of the special category states but also with some of the poorer states in general category. The economically more advanced states, like, Tamil Nadu or Maharashtra, for example, show relatively lower magnitudes of budgetary spending on school education as proportions of their GSDP; but these figures translate into much higher levels of per child or per student spending in Tamil Nadu and Maharashtra (relative to the poorer states like Bihar or Uttar Pradesh) due to their GSDPs being much larger (please refer to section VI of this fact sheet for comparisons at per child level of spending).
V. School Education Budget as Percent of Total State Budget

The share of school education expenditure in the state’s total expenditure reflects the budgetary priority of the state for school education. The figure shows that some of the educationally backward states like Bihar, Uttar Pradesh, Chhattisgarh, Rajasthan and Madhya Pradesh are spending a higher share of the state budget on school education as compared to states like Karnataka and Tamil Nadu. However, it cannot be concluded from this finding alone that these states are investing more on school education on a per child or per student level; because if the overall public resource envelop of the state (i.e. the total magnitude of State Budget) is small, then even a small increase in expenditure on school education will show a higher share of expenditure in the total State Budget. However, the fact is that during 2012-13 to 2015-16 (BE), except for Delhi and Haryana, in all other general category states, the share of school education in the total State Budget has declined.

Note: BE- Budget Estimates, RE- revised Estimates, 2015-16 (BE) includes Supplementary Budget; School education refers to class I-XII
This includes expenditure by Education Department and all other departments spending on school education at Union and State level on (6-18) age group children;
Source: Detailed Demand for Grants of relevant departments from state budget documents, SSA portal, RMSA portal
Unlike general category states, in the special category states the pattern of spending varies a lot across these states. Between 2012-13 and 2015-16 (BE), in states like Assam and Uttarakhand, the share of school education budget in the total budget has declined by more than five percentage points; on the other hand, Nagaland has increased its share by more than 10 percentage points. However, the important point to note here is that all the states are spending at least 10 percent of their total budget on school education.

Note: BE- Budget Estimates, RE- revised Estimates, 2015-16 (BE) includes Supplementary Budget; School education refers to class I-XII; This includes expenditure by Education Department and all other departments spending on school education at Union and State level on (6-18) age group children; Source: Detailed Demand for Grants of relevant departments from state budget documents, SSA portal, RMSA portal.

### Table: School Education Budget as Percent of State Budget: Special Category States

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Figure 6: School Education Budget as Percent of State Budget: Special Category States
VI. Per Child Spending on School Education

Per child spending on school education captures the relative resource availability for the sector taking into account the variations in child populations across states. It is expected that a state’s planning and budgeting for school education should be based on the number of 6-17 age group children in the state; hence per child allocation / spending does serve as an important pointer on spending across states.

Figure 7: Per Child Spending on School Education (Rs.): General Category States

Note: BE - Budget Estimates, RE - revised Estimates, 2015-16 (BE) includes Supplementary Budget; School education refers to class I-XII
This includes expenditure by Education Department and all other departments spending on school education at Union and State level on (6-17) age group children;
In the last four years, the per child spending figure has increased in all general category as well as special category states. As the per child figure depends on the total budgetary spending as well as the number of 6-17 age group children in the respective states, the states with either a relatively lower child population or a relatively higher amount of allocation are also the states with higher per capita figures in this assessment. That is also the reason for high per child spending figures for the north eastern and Himalayan states. In 2015-16 (BE), except Bihar, Jharkhand and Uttar Pradesh, rest of the general category states have allocated more than Rs. 10,000 per child per annum to provide education at the school level. It is also important to mention that Goa and Sikkim, two states with the highest per capita income levels in the country, are also the states with the highest per capita spending on school education.

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Note: BE- Budget Estimates, RE- revised Estimates, 2015-16 (BE) includes Supplementary Budget; School education refers to class I-XII. This includes expenditure by Education Department and all other departments spending on school education at Union and State level on (6-17) age group children. Source: Detailed Demand for Grants of relevant departments from state budget documents, SSA portal, RMSA portal, Census 2011, Population Projection for 2012, 2013, 2014 and 2015 by MHRD (Link: http://mhrd.gov.in/statist?field_statistics_category_tid=All&page=2)
VII. Per Child Spending vis-à-vis Per Student Spending

Per child expenditure provides a measure of the resources a state is spending per annum on each child of the school going age group, whereas per student expenditure provides a measure for the resource it is spending on each child enrolled in government and government-aided schools. In a country like India, where a huge number of children are out of school, it is obvious that the per student spending figures would be higher than the per child spending. There is a debate over which indicator is more suitable for policy prescription. Though per student spending represents the unit cost of the prevailing government school education system as a whole, the comparisons with per child spending figures reflect the degree of inclusivity of the government school education system in a state. In this section, a comparison has been drawn between per child spending and per student spending across states for the year 2014-15 (RE).

![Figure 9: Per Student Spending (Rs.) vs Per Child Spending (Rs.): General Category States (2014-15 RE)](source: Authors' calculation)
In all the states, per student spending is higher than per child spending. However, in some of the states like Goa, Kerala, Maharashtra, Tamil Nadu and Jammu & Kashmir, the difference between the per child and the per student spending is significant. This indicates a gap between the total population of the 6-17 age group and the total population of the school enrolled children. However, these are the states where number of out of school children are not very high which implies a demographic change in the 6-17 group population and a relatively higher percentage of the children going to private schools.

In this context, it is important to note that Kendriya Vidyalayas and Navodaya Vidyalayas, which are considered as ‘model’ schools financed by the Union Government, also spend much higher amounts on their students (Table 1).

### Table 1: Per Student Spending on School Education (Rs.)

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Source: MHRD annual report, NVS portal (http://nvshq.org/display_page.php?page=Budget%20and%20Accounts); KVS portal (http://kvsangathan.nic.in/GeneralDocuments/StudentCost.PDF)
VIII. Preliminary Evidence on the Impact of Fourteenth FC Recommendations

Our study has covered the status of the budgetary spending / allocations for school education till 2015-16. However, the year 2015-16 was a transition year as a number of changes happened in the country’s fiscal architecture that year. On 14th December 2014, the Fourteenth Finance Commission (FFC) had tabled its report with a recommendation of increasing the states’ share in the divisible pool of central taxes from 32 percent to 42 percent every year. In a spirit of strengthening cooperative federalism in the country, the Union Government accepted this recommendation. But this has been accompanied by a reduction in the Union Government’s Plan grants to states. This change has happened in view of enhanced ‘untied’ resources available with the states. However, in this changed structure, the overall adequacy of budgetary resources for school education, to a large extent, would be dependent on how much priorities are accorded by states to this sector in their budgets.

In this section, we present an assessment of the budgetary priority for the entire Education sector (i.e. the combined budget for: school education, university and higher education, technical education, adult education and literacy etc.) across states during the last three financial years, which includes the Revised Estimates for 2015-16 and the Budget Estimates for 2016-17. We look at two indicators here:
1. Budget for Education Sector as Percent of Total State Budget; and
2. The Extent of Increase in the Total State Budget vis-à-vis that in Allocation for ‘Education’ Sector from 2014-15 to 2016-17 (BE).

Figure 11: Budget for Education Sector as Percent of Total State Budget: General Category States

Note: BE- Budget Estimates, RE- revised Estimates; this includes expenditure on Education, sports, arts and Culture and technical education.
Source: Compiled from State Budgets for 2016-17.
As discussed earlier, 2015-16 was a year of transition in the domain of Centre-State sharing of resources. Hence, a comparison has been made here between 2014-15 and 2016-17 (BE), with regard to the total budgetary resources provided by the states to Education sector.

One can make the assumption that if the extent of increase in the budget for Education sector is significantly higher than the extent of increase in the overall State Budget during the two year period (i.e. from 2014-15 to 2016-17), it reflects an increase in priority for the sector in the state concerned in the post FFC recommendations phase.

Figure 11 and figure 12 together portray a mixed picture for the trend in the budgetary priority for Education sector across states. Chhattisgarh, Jharkhand, Delhi and Uttar Pradesh are the four states, where Education sector has witnessed a higher budgetary priority in the last two State Budgets. On the other hand, we do not find any such encouraging trend of a significant increase in the absolute amount of budget allocation for the Education sector in the last two State Budgets in the other general category states.

Figure 12: Extent of Increase in the Total State Budget and the Allocation for 'Education' Sector (from 2014-15 to 2016-17 BE)

Note: BE- Budget Estimates, RE- revised Estimates, This includes expenditure on Education, sports, arts and Culture and technical education; Source: State Budgets for 2016-17
IX. Key Findings:

- India's total public expenditure on school education as percentage of GDP has increased gradually over time. It was 2.1 percent of GDP in 2004-05 and had reached 2.7 percent of GDP in 2012-13, before declining to 2.53 percent of GDP in 2014-15 (RE). It revived to 2.7 percent of GDP in 2015-16 (BE). Since 2010, in the post RTE Act phase, i.e. in the last four financial years, the budgetary expenditure on school education has increased by only 0.2 percentage point of GDP.

- Among the 18 'general' category states, Madhya Pradesh, West Bengal, Andhra Pradesh (undivided), Maharashtra, Karnataka and Tamil Nadu are the states, where the school education budget as a proportion of the GSDP has declined between 2012-13 and 2015-16 (BE). In the remaining 'general' category states, the budgetary expenditure on school education as percent of GSDP has shown an increase during these four years, with Bihar recording the highest figure of 5.6 percent of GSDP allocated for school education in 2015-16 (BE).

- In the 'special' category states, the budgetary expenditure on school education as percent of GSDP is relatively higher in comparison to general category states mainly due to the smaller size of their state economies and higher central shares of funding. The north eastern states are spending more than the Himalayan states. In the last four years, Manipur, Arunachal Pradesh, Tripura, Assam and Jammu & Kashmir have increased their spending on school education as proportions of their GSDP.

- Between 2012-13 and 2015-16(BE), except Delhi and Haryana, in all other general category states, the share of school education in the total state budget has declined. The picture is different for special category states, as all these states are spending at least 10 percent of their total state budget on school education. Between 2012-13 and 2015-16(BE), in states like Assam and Uttarakhand, the share of school education budget in the total budget has declined by more than five percentage points, whereas Nagaland has increased its share by more than 10 percentage points.

- Value of both the indicators – per child spending and per student spending– varies across states. However, in all the 30 states, per student spending is higher than per child spending. In the case of some of the states like Goa, Kerala, Maharashtra, Tamil Nadu and Jammu & Kashmir, the difference between per student and per child spending is significant. While Goa spends the highest amount of Rs. 67041 per student per annum, it is Rs. 7613 in Uttar Pradesh. A similar picture is seen in case of per child spending, where for the highest spending State, Goa, the amount is Rs. 30747, it is only Rs. 6657 in Uttar Pradesh. It is important to note that Kendriya Vidyalayas and Navodaya Vidyalayas, which are considered as 'model' schools financed by the Union Government, also spend much higher amounts on their students.

- In Chhattisgarh, Jharkhand, Delhi and Uttar Pradesh, the Education sector has been accorded a higher priority in the last two State Budgets (i.e. for 2015-16 and 2016-17); we do not find any such encouraging trend of a significant increase in the absolute amount of budget allocation for the Education sector in the last two State Budgets in the other general category states.
References:

Education Commission (1966): Education and National Development (New Delhi: Ministry of Education), (Also known as Kothari Commission)


