a direct relationship with each other. Therefore, for the development of a nation it is necessary to plan education properly within the framework of the finance available for it. During the British period there was no correlation between national progress and education and the same situation continued for a long time. But in the last few decades, an important feature of educational planning has been that education and economic development were brought into direct relationship with each other. There is no doubt that only through proper planning of education alone we can bring about the welfare of the people as well as that of the nation. So, economics and education must go hand in hand.

1.4 FORMS OF EXPENDITURE ON EDUCATION

Educational expenditure includes all financial charges incurred by schools for goods and services. Ordinarily, it refers the to charges of the current year and does not include the payments made for the services of the previous year or payment to be rendered in future period. In fact, the schools have to incure expenditure on different heads. Expenditure can be classified into different types, such as *plan and non-plan expenditure, recurring and non-recurring expenditure* and *direct and indirect* expenditure.

1.4.1 Expenditure on Plan and Non-plan Head

Expenditure of a school can be grouped under two heads-plan and non-plan. Expenditure under plan heads include all expenses for developmental activities like construction of new school building, introducing new programmes etc. Expenditure under non-plan heads include all expenses relating to the ongoing and regular programmes, maintenance etc.

1.4.2 Recurring Expenditure and Non-Recurring Expenditure

Recurring expenditure refers to those expenditure which occur regularly every year. This includes expenditure on salary component, office contingencies, electricity dues, water charges, telephone

expenses, maintenance expenditure etc. Non-recurring expenditure refers to those expenditure whcih do not occur regularly every year. This includes expenditure on special programmes, purchase of aids and equipments for science laboratory, library books etc. Such expenditure may not occur subsequently.

1.4.3 Direct and Indirect Expenditure

The expenditure incurred for the maintenance and development of education is classified as direct and indirect expenditure. The amount spent for directly running an institution and which can be specifically identified with reference to the objects of expenditure such as salaries of teaching staff and non-teaching staff, equipments and other appliances, come under 'direct expenditure'. There are certain types of expenditure which can not be classified specifically on the basis of the functions or actitivites or objects and such expenses are termed as indirect expenditure. For instance, the amount spent for the maintenance of a directorate or inspectorate for supervising higher educational institutions, for awarding scholarships, for the equipment and furniture or the expenses for repairing buildings, hostels and other miscellaneous items are termed as 'indirect expenditure'. Although the expenditure on education are divided mainly into these two types, there cannot be a rigid distinction between these two. Sometimes, it is a matter of policy and philosophy that determines whether the items of expenditure should be considered direct or indirect expenditure.

The total expenditure on introductory education is quite low. The major share is spent on school education, and with the industrialisation of society, the expenditure upon education has risen. Expenditure is also rising because education is being made compulsory and universal.



CHECK YOUR PROGRESS

Q 1: What is economics of education?

.....

.....

Q 2: Name the main types of expenditure on education.

.....

.....

Q 3: List the indirect expenditure on education.

.....

.....

1.5 SOURCE OF REVENUE IN EDUCATION

Availability of financial resources determines how the system of education will be financed. The increase in the number of schools and the increasing demand for buildings, staff and equipments involves a huge amount of money and makes a considerable claim on the country's financial resources. The money spent upon education in India does not come from any one single source. There are several sources for raising the revenue for financing education. These are also known as the methods of financing education or resources for educational financing. The central, state or regional, and local governments bear the burden of this expenditure. However, voluntary donations as well as donations from religious institutions are also included in resources for educational financing.

The pattern of expenditure by Union and State Governments on a particular sector reflects the priority for the sector in public policies. In this regard, the recommendations of the Kothari Education Commission (1964-66) on the issue of government financing of education are important benchmarks. The commission estimated the financial requirements of the educational system in India up to 1985-86, and recommended that “if education is to develop adequately, the proportion of Gross National Product (GNP) allocated to education will rise ... to 6.0 per cent in 1985-86”.

Because of the spread of education, the central and state governments will have to arrange for about 90 percent of the total expenditure on education. Accepting the importance of local agencies and voluntary donations, the Kothari Education Commission stated that although it is true that the major

share of responsibility for supporting education should fall on the government, it does not appear reasonable to put the entire financial burden for education upon the central government, since this will eliminate all incentives in financial matters among schools and local agencies. Though the finance thus made available may not amount to much, the fact remains that the administrative system under which this initiative functions or finds encouragement have great importance from the educational viewpoint. These initiatives or enterprises encourage the guardians and local elements to take interest in education and bring out improvements in the standards of education (Report of the Kothari Education Commission, p.537)

In view of the above, we may outline the sources of revenue in education in terms of the following—

Government Funds :

Since 1813, this source has been increasing in India, and presently it forms the largest single source of educational finance in any country. It includes the amounts of money received from the Central Government, State Government, University Grants Commission (UGC), National Council for Educational Research and Training (NCERT), and Distance Education Bureau (DEB). The central government may give grants either directly or through their autonomous bodies like UGC, NCERT or other bodies. These grants are always shown separately in the budget. Grants are the assignments in terms of money or material made by one government unit to another, i.e., from central government to state government or to local bodies. These grants also include contributions from government to private bodies such as private schools, universities, education boards, etc.

Donations from local autonomous bodies :

This category includes district boards, municipal boards, zila parishads and panchayat samitis. The money received from these bodies is out of their general funds or the special taxes levied by them for education. These bodies are responsible for organising various social services including education. Their source of income, in general, is the educational cess levied in the local area. The sources of income in cities are more than in rural

areas, as more money is collected by the municipalities. The municipalities can levy cess for all buildings and landed property though it depends upon the size of the population and the means available. The main responsibility of the local bodies in the past had been the primary education. But, now its boundaries are extending to other levels and areas of education also.

Endowments and Land Grants :

This source includes donation of land, buildings, equipment, cash etc. Endowments are the sums of money, the principals of which are to be maintained intact, and only the income from the interest on the principal amount may be consumed. Many schools and institutions in the past were supported largely from endowment funds. Many rulers, feudal lords used to donate funds for financing education. Many religious and philanthropy trusts also used to make provision for allocations of funds for education. Land grant scheme has been quite popular in ancient India and during the medieval times. Even today, this practice is going on. According to this method, some land are donated to the educational institution by the ruler, zamidar, some individual or by some organisations. The income generated from the land becomes a permanent source of income for the institution. The institution may use it to meet the expenditure of any type, such as-scholarship for the poor and needy students, renovation of school building, buying equipment etc. The authorities concerned should try to make the best use of it by planning everything judiciously and impartially.

Fee :

All kinds of money collected from the students are known as fee. The institution charges various kinds of fee from the students, such as, tuition fee, magazine fee, games and sports fee, library fee, building development fee etc. In ancient India, in order to meet the cost of maintenance, students used to raise food, reared cattle and did farming, gardening etc. Gandhiji's scheme of basic education put forth the idea of self supporting education. For the students, learning was co-related with life situations through some practical work, such as, spinning, weaving, farming, making handicraft etc. along with the learning of different subjects like arithmetic, language and social studies. Students developed sense of love for work, dignity of labour and sense of responsibility. But, the scheme was criticised on the ground that it curtails the freedom of the students, that their potentialities are not

fully realised and it also burdens the mind of the learners.

The government also lays down certain rules for fee exemption for the students of different categories. The government itself reimburses their amount. Some fee charged for specific purposes such as bus fee, mid-day meal fee etc. are excluded from the school deposit. There are also some refundable fee like caution money, laboratory fee, library caution money etc.

Other Sources :

Other sources of getting money to finance education include donation, gifts, subscriptions, fines, interest of bank balances, rent from buildings and foreign aid from the rich countries or international agencies to the government of poorer countries. This aid is received by the central government in the form of certain development programmes of education.



CHECK YOUR PROGRESS

Q 4: List the different methods of financing education.

.....

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Q 5: Write notes on government fund, donation from local autonomous bodies.

.....

.....

1.6 OF EDUCATION FINANCING AT VARIOUS LEVELS

Education is considered in terms of three stages: elementary, secondary and higher or tertiary. Generally, for the primary and secondary education, the fundings are bourne mostly by the State Government although there are many institutions where most of the expenditure is bourne by the Central Government. Reference can be made of various mission approaches like SSA (Sarva Shiksha Abhiyan), RMSA (Rashtirya Madhyamik Shiksha Abhiyan) under the plan sector for universalising elementary and secondary education and Navodaya Vidyalaya for secondary education etc.

TABLE 1

Sector	1st Plan expd 1951-56	2nd Plan expd 1951-56	3rd Plan expd 1961-66	Plan expd 1966-69	4th Plan expd 1969-74	5th Plan expd 1974-79	6th plan expd 1980-85	7th plan expd 1985-90	1990-92 expd	8th plan outlay 1992-97	9th plan outlay 1997-02 cent. setr
1	2	3	4	5	6	7	8	9	10	11	12
Elementary	56	35	34	24	30	35	33	37	37	47	58
education	(850)	(950)	(2010)	(750)	(2390)	(3170)	(8360)	(28490)	(17290)	(92010)	(118428)
Secondary	13	19	18	16	18	17	21	24	22	18	13
Education	(200)	(510)	(1030)	(530)	(1400)	(1560)	(5300)	(18320)	(10530)	(34980)	(26035)
Adult Education	-	-	-	-	-	-	9	6	9	9	3
							(2240)	(4700)	(4160)	(18480)	(6304)
Higher	9	18	15	24	25	22	22	16	12	8	12
Secondary	(140)	(480)	(870)	(770)	(1950)	(2050)	(5590)	(12010)	(5880)	(15160)	(25000)
Others	9	10	12	11	14	14	4	3	2	4	2
	(140)	(300)	(730)	(370)	(1060)	(1060)	(1080)	(1980)	(1180)	(7510)	(4314)
Technical	13	18	21	25	13	12	11	14	17	14	12
Education	(200)	(490)	(1250)	(810)	(1060)	(1070)	(2730)	(10830)	(8230)	(27860)	(23735)
Total-	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
	(1530)	**(2730)**	**(5890)**	**(3230)**	**(7860)**	**(9120)**	**(25300)**	**(76330)**	**(47270)**	**(196000)**	**(203816)**

Note : Figures in parenthesis in millions of rupees.

Excludes the sum of Rs. 4,526.74 crore for Nutritional support to Primary Education (Mid Day Meals) for the last three years of the plan.

Source : *Dr. R. V. Vaidyanatha Ayyar, Eductional Planning and Administration in India : Retrospect and Prospect, Journal of Educational Planning and Administration, Vol. VII, Number 2, NIEPA, new Delhi.*

TABLE 2

1. Allocation of total out lay propsed for the 11th Plan period (2007-2012) in Elementary Education is Rs. 210 crores, as follows:

Year		Proposed Budgetary Outlay (in Rs. Crores)
2007-08		34
2008-09		38
2009-10		42
2010-11		46
2011-12		50
Total	=	210

Source: Report of 11th Five Year Plan

2. Budget allocation (in Percentage) and expenditure (in Percentage) during 10th plan(2002-2007) for the Secondary, Higher & University, Technical and Adult Education.

Educational level	Total % of Allocation	Total % of Expenditure
Secondary	9.87	6
University & Higher	9.53	7
Technical	10.72	6
Adult	2.85	2

Source: Annual Financial Statistics of Education Sector 2003-04, MURD, Govt. of India, New Delhi, 2005 and Expenditure budget 2006-07, Volume 2, Government of India, February 2006

For the higher education, most of the expenses are done by the autonomous Central Government agencies like UGC (University Grant Commission, CABE (Central Advisory Board of Education), DEB (Distance Education Bureau) etc. In fact, for the higher education, the role of the State Government is minimal which is quite invisible in nature. Today for the higher education, the public-private partnership plays the major role for spreading education in India.

Before 1976, education was the exclusive responsibility of the states.

The central Government was only concerned with certain areas like coordination and determination of standards in technical and higher education. But through 42nd Constitutional amendment, education was incorporated in the concurrent list and it became a joint responsibility of the state governments and central governments. The was to facilitate evaluation of all India policies in the field of education. In addition to policy formulation, the Ministry of Human Resource Development shares with the states the responsibility for educational planning.



Concurrent List: it falls under the seventh schedule of the Indian Constitution. It incorporates 97 items or subjects over which Union Parliament and the State Legislature can make Laws.

At present, there are *three main agencies financing education* in India, the central government, the state government and the local bodies including private enterprises. The resources of the centre are very wide. It has more taxation and monetary power. It occupies a superior position in the management of national economy. The states have limited resources and money raising power and the local bodies have still less means for supporting education. Despite these limitations, it is agreed that regard for local effort has to be paid. Consequently, the major part of educational expenditure has to be borne by the state. Local bodies also discharge their educational responsibility with support from the state.

With the commitment of argumenting resources for education, the allocation for education over the years has increased significantly. Plan outlay on education increased from Rs. 153 crore in the First Five Year Plan to Rs. 7,443 crore in the Eight Five Year Plan (1992-97). The expenditure on Education as a parentage of GDP (Gross Domestic Product) also rose from 0.7 percent in 1951-52 to 3.94 percent in 1999-2000. The Ninth Five Year Plan for education in the central plan is higher than the Eight Plan outlay by 2.7 times. The outlay for the education sector for the Ninth Plan was 20,381.64 crores. It excludes the sum of Rs. 4,526 crores for national support to primary education. The central plan outlay for education has been substantially increased from 1,825 crores in 1995-96 to 5,450 crores in 2000-2001 and Rs. 5,920 crores in 2001-2002 plan expenditure on different sectors of education is given in ***Table 1***. In the 11th Five Year Plan, the propsed budgetary allocation for elementray education was 210 crores, which can be seen year wise in ***Table 2.*** Again, the budget expenditure for

the Secondary and Technical education during the 10th Plan (2002-2007) was not more than 6% and for the higher/ university and Adult education, the expenditure was 7% and 2% respectively.

The present level of total public spending on education in the country (taking the spending by not just Education Departments at the Centre and in the States but also by the other Departments that spent on educational services) works out to 3.5 percent of the GDP (2010-11). But, even this proportion falls much short of the 6 percent of GDP recommended in 1966 by the Kothari Commission and reiterated again in 2006 by the CABE (Central Advisory Board of education) committee.

If we look at the shares of spending on education by the Centre and the States separately, we find that Centre's share has been showing an increasing trend over the years and moving up from 0.5 percent of GDP in 2000-01to 0.9 percent of GDP in 2009-10 (Revised Estimates), while the State' s share has declined from 3.3 percent of GDP in 2000-01 to 2.7 percent of GDP in 2010-11. However, the Centre bears only one fourth of the total government spending on education, whereas the rest three-fourth of the spending comes from the State Governments.

The primary education acts as a resource for secondary education, which in turn acts as a resource for higher education. Thus, all the three sectors create the final demand for and output of education for the country as a whole. Therefore, it is the right time to know how much the public expenditure on education as a proportion of GDP (Gross Domestic Product) was invested in sector wise. The following Table shows the percentage of public expenditure on total education system in India from 2007-08 to 2010-11.

Table 3: Sector Wise Trend in Public Expenditure on Education as a Proportion of GDP (Fig.in Percentage)

Sector	2007-08			2008-09			2009-10 (RE)			2010-11 (BE)		
	State	Centre	Total	State	Centre	Total	State	Centre	Total	State	Centre	Total
Primary	1.03	0.36	1.39	1.07	0.35	1.42	1.22	0.33	1.55	1.13	0.33	1.46
Secondary	0.67	0.05	0.72	0.75	0.07	0.82	0.88	0.09	0.97	0.83	0.09	0.92
Higher/University	0.49	0.28	0.77	0.53	0.29	0.82	0.58	0.31	0.89	0.55	0.28	0.83
Technical	0.13	0.10	0.23	0.16	0.14	0.30	0.18	0.16	0.34	0.17	0.14	0.31
Total Education	2.32	0.79	3.11	2.51	0.85	3.36	2.86	0.89	3.75	2.68	0.84	3.52

Source: Ministry of Human Resource Development, Government of India (2012), RE- Revised Estimates BE-Budget Estimates

The above shows the composition of the total budgetary expenditure on education by the Centre and State Governments- through its budgetary provision for the three broad education subsectors, viz. elementary, secondary and higher education. A brief look at the overall composition reveals that the inter-sector allocations have been stagnant over the last few years. In fact, the Government's expenditure in elementary education as a proportion of GDP is declining overtime.

Let us discuss educational financing at various levels of education in the following subsections.

1.6.1 Elementary Education

The central government plays the lead role in the evolution and monitoring of educational policies and programmes and the most notable of which are National Policy on Education,1986 and the updated Programme of Action,1992. Universalisation of Elementary Education (UEE) has been accepted as a national goal. The Ninth Five Year Plan envisages UEE to mean universal access, universal retention and universal achievement. The outlay on elementary education is 64.19 percent of the total central sector plan outlay in 2001-2002.

The central and state governments have, over a period of time, evolved strategies to check drop out rates and improve the levels of achievements in the schools by creating parental awareness, community mobilisation, improvement of infrastructure facilities in schools, providing nutritional support and teacher education schemes. Adoption of District Primary Education Programme (DPEP) and the Sarva Siksha Abhiyan (SSA) are the important measures undertaken to universalise elementary education.

The Ministry has released grants amouting to 88.50 crores to 28 states and union territories for starting the preparatory activities. The guidelines finalised for SSA have been sent to the states and union territories. A national level mission has been set up under the chairmanship of Prime Minister vide resolution dated January 2nd, 2001. The states have been requested to formulate and submit District Elementary Education Plans.

The District Primary Education Programme (DPEP) was launched in 1994 as a major initiative to achieve the objectives of universalisation of Primary Education. DPEP is a centrally sponsored scheme. Eighty five percent of the project cost is shared by Government of India and 15 percent by the concerned state governments. Both the central share and the state share are passed on to state implementation societies directly as grant. The government of India share is resource by external funding. Several bilateral and multilateral agencies are providing financial assistance for the DPEP. In Assam, DPEP scheme is going on in nine districts— Goalpara, Kokrajhar, Dhubri, Bongaigaon, Barpeta, Darrang, Sonitpur, Morigaon and Karbi Anglong.

The Sarva Siksha Abhiyan (SSA) evolved from the recommendations of the conference of the state Education Minister held in October,1998 to pursue UEE as a mission. The government of India approved the scheme in November,2000. The sharing ratio of SSA between the centre and the state basically reveals different parameters. The support of teachers salary appointed under SSA programme could be shared between the centre and the state government in a ratio of 85.15 during the Ninth Plan, 75:25 during the Tenth Plan and 50:50 thereafter, in Assam the centre released 3252.04 lakhs and the state released

754.00 lakhs in 2001-02. This was increased gradually and in 2006-07 it reached 38426.77 lakhs from the centre and 1001.3 lakhs from the state.

1.6.2 Secondary Education

Secondary education starts with classes IX and XII. It serves as a bridge between elementary and higher education and prepares the young persons between the age group of 14 to 18 years for entry into the world of work or for entry in higher education. The enrolment at secondary and senior secondary stage increased from 1.5 million in 1950 to 27.8 million in 1998-99. There are about 1.10 lakh secondary level institutions to accommodate these children. The total plan outlay for secondary and higher secondary education includes 648 crores in 2001-02. Adolescents, which form the population for secondary education, constitute nearly one fifth of the total population of the country.

The centrally sponsored scheme of vocationalisation of secondary education is being implemented since 1998 and a revised programme is in operation since 1993. The planning commission categorised this scheme for transfer to the states along with other centrally sponsored schemes. But, as a concrete decision has not emerged in the initial stage of the Nineth Plan, the pace of implementation was slow. In August,1999 it was decided to revitalise the scheme and accordingly the states were advised to send expansion plan proposals. Subsequently, the states like Kerala, Madhya Pradesh, Haryana, Assam and Uttar Pradesh have ventured into a big expansion plan to cover more number of schools and introduce demand driven courses.

Education about India's common cultural heritage has been identified in NPE as one of the core areas under the national system of education. A centrally sponsored scheme of assistance for strengthening culture and values in education is being implemented for providing assistance to government agencies, educational institutions, panchayatraj institutions, registered societies, public trusts and non-profit making companies. A total grant of Rs. 123 lakh was approved for sanction of organisations during 1999-2000. The budget

provision for the year 2000-01 was kept at Rs. 5 crore.

Under the scheme for strengthening of boarding and hostel facilities for girl students of secondary and higher secondary schools, financial assistance is being given to the eligible voluntary organisations to improve the enrolment of adolescent girls belonging to the rural areas and weaker sections. Rs. 5000 per anum per girl student was granted for food and salary for the cook and warden.

1.6.3 Higher Education

An activity can be performed efficiently only if the money invested in it is adequate. In education, we find that standards have declined owing to the lack of funds, and money has to be necessarily spent for the salaries of teachers, students' welfare, libraries, curriculum and other educational activities.

One major problem faced by the universities and colleges is that of finance. The administrative organisation of the state and its policies have a profound impact upon the university's economy. The expenses of a university are met

(i) 50% from the treasury

(ii) Fees

(iii) Local councils.

The colleges affiliated to a university do not receive their grants directly from the university, instead it is the state department of education which provides them with grants and other financial help. The Radhakrishnan Commission has offered the following suggestions for strengthening the economy of the universities—

- The state must accept its responsibility of providing financial aid to higher education.
- Individual colleges should be given aid for constructing buildings and other activities.
- The income tax laws should be reformed so that the money invested in education should be free from taxation.

- The government should provide additional grants wherever necessary.
- A grants commission should be appointed for determining the grants to be given to educational institutions.

The ***Kothari Commission*** has offered the following suggestions for putting the finances of the universities on a sound footing.

- State governments should conduct themselves, with reference to universities, in such a manner that necessary financial resources should be available to universities for performing their necessary functions. If the state governments take the advice of the UGC, it will prove beneficial for both.
- Whenever there is a need for suitable economy, it is necessary to ensure that rules are simplified so that progress and efficiency are not hindered. The commission admitted that it is difficult to make a valid and accurate projection of the expenditure in higher education, but suggested that Rs.42,22,021 should be spent on it by 1985-86.
- Central universities should obtain money from the University Grants Commission.
- The UGC should be authorised to give grants to universities in the states. If the state government fail to give adequate grants, the UGC should compensate the difference.
- State governments should finance the state universities in the following manner—
  - (a) Matching grants for the funds provided by the UGC for developmental activities in the sphere of student welfare.
  - (b) Non-plan grants for the development of the university.
  - (c) Grants for the authorised expenditure.
  - (d) The UGC and the state government should share equally all developmental expenditure.
  - (e) The state government should also give freedom to spend money and the universities should be set free from governmental audit and interference.



LET US KNOW

BUDGET:

In the budget session held in July 2014, the Government has made some provisions for Primary, secondary and higher ducation. The Government would strive to provide toilets and drinking water in all the girls school in first phase.

For *Primary* and *Secondary Education*, the following are the issues on which special focus has been given by the present NDA Government :

- An amount of Rs. 28635 crore is being funded for Sarva Shiksha Abhiyan (SSA) and 4966 crore for Rashtriya Madhyamic Shiksha Abhiyan (RMSA).
- A School Assessment Programme is being initiated at a cost of 30 crore.
- 500 crore provided for "Pandit Madan Mohan Malviya New Teachers Training Programme" to infuse new training tools and motivate teachers.
- 100 crore provided for setting up virtual classrooms as Communication Linked Interface for Cultivating Knowledge (CLICK) and online courses.

For *Higher Education*:

- Jai Prakash Narayan National Centre for Excellence in Humanities to be set up in MP.
- 500 crore provided for setting up 5 more IITs in Jammu, Chhattisgarh, Goa, Andhra Pradesh and Kerala respectively.
- 5 IIMs in the States of HP, Punjab, Bihar, Odisha and Rajasthan.
- Simplification of norms to facilitate education loans for higher studies.

OUTLAYS TOWARDS EDUCATION IN THE 12TH PLAN:

The 12th Plan document provides a Ministry-wise comparison of previous Plan realisation with the 12th Plan projections. For education, the overall 11th Plan education expenditures was Rs. 1,37,734 crore, which is being projected to be about Rs. 3,43,028 crore in the 12th Plan period, which is more than twice the 11th Plan expenditures.

Table 4 - Recommended 12th Plan Outlay vs. Budgetary Allocations in Education

Plan/Scheme	12th Five year Plan Outlay	Union Budget Allocation (in Rs. Crore)			Union Budget Allocation corresponding t 12th Plan Period (in Rs. Crore)	% of Outlay
		2012-13 (actual)	2013-14 (RE)	2014-15 (BE)		
SSA	19 2726	23873	26608	28258	78739	40.9
MDM	90155	10849	12189	13215	36253	40.2
RMSA	27466	3172	3123	5000	11295	41.1
Dept.of School Education & Literacy	343028	45631	50136	55115.1	150883	44.0
State Universities & Colleges including RUSA*	25000	107	2093	4090	6290	25.2
Dept of Higher Education	110700	20423	24485	27656	72564	65.6

Note: RUSA*: Rashtriya Uchcha Shiksha Abhiyan

RE: Revenue Expenditure

BE: Budget Expenditure

Source: 12th Five Year Plan document, Vol-III, Government of India



CHECK YOUR PROGRESS

Q 6: Fill in the blanks :

i) Education as a subject incorporated in the ..... list by 42nd amendment of the constitution.

ii) Education is a ..... responsibility of the central and state government.

iii) The main funding agency of education is the ..... government.

iv) Expenditure on education as a percentage of GDP rose from 0.7 percent to ..... percent.

Q 7: Name the two important measures undertaken for the universalisation of primary education.

Q 8: Name the year in which the centrally sponsored scheme of vocationalisation of secondary education was implemented.

Q 9: Name the agency from which the central universities receive their funds.



1.7 LET US SUM UP

- At the beginning of this unit, we have discussed the meaning of economics of education.
- We have learnt that there are mainly three types of expenditure on education, i.e., plan and non-plan expenditure, recurring and non-recurring expenditure and direct and indirect expenditure.
- The main sources of revenue of education are government funds. The money received from central government, state government, UGC, NCERT etc. forms the largest source of educational finance in our country.
- Donations from local autonomous bodies like district boards, municipalities, zila parishads and panchayat samittis are also another

source of revenue for education. Beside these, donation of land, building, equipment, cash, fee by students, fines, subscriptions etc. are also the sources of educational finance.

- We have discussed educational financing at various levels of education and it is observed that the plan outlay on education has increased significantly in every five year plan.
- The National Policy of Education 1986 and the updated programme of Action 1992 have accepted universalisation of elementary education as the national goal.
- District Primary Education Programme (DPEP) and Sarva Siksha Abhiyan (SSA) are the two important measures adopted by the government for universalisation of elementary education.
- Secondary education serves as a bridge between elementary and higher education. The total plan outlay for secondary and higher secondary education was 648 crore in 2001-02. Regarding higher education, the colleges and universities receive grants from the state government, central government and also from the University Grants Commission.



1.8 FURTHER READING

1) Chandra, S. S. & Chakraborty, A. K. (2008): *School Administration, Organisation and Management*. R.Lau Book Depot, Meerut.

2) Sachdeva, M. S. (2000): *School Organisation, Administration and Management*. Sandan Publication, Ludhiana.



1.9 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Economics of education means the systematic and deliberate planning of educational system in order to accelerate the

economic development of the country.

Ans to Q No 2: Direct and indirect expenditure, recurring and non-recurring expenditure, plan and non-plan expenditure.

Ans to Q No 3: Indirect expenditure referes to the expences for inspection, building, scholarships, canteens, staff quarter, purchase and developing land furniture etc.

Ans to Q No 4: Government funds, donations from local autonomous bodies, endowments and land grants, fees from students and public donation or gifts.

Ans to Q No 5: Goverment fund means both central and state government grants. Donation from autonomous bodies means the fund from district boards, municipalities, panchayat samittis etc.

Ans to Q No 6: i) Concurrent

(ii) Joint

(iii) Central

(iv) 3.94

Ans to Q No 7: District Primary Education Programme (DPEP) and Sarva Siksha Abhiyan (SSA)

Ans to Q No 8: 1998.

Ans to Q No 9: University Grants Commission (UGC).



1.10 MODEL QUESTIONS

A) Short Question (Answer each question in 150 words)

Q 1: What do you mean by economics of education?

Q 2: What do you mean by fee and what is the importance of fees in an education system?

Q 3: What do you mean by direct expenditure?

Q 4: What do you mean by indirect expenditure?

Q 5: What are the sources of revenue in education?

B) Long Question (Answer each question in about 300-500 words)

Q 1: What are the methods of financing education? Explain with the help of examples.

Q 2: Explain the problems of educational finance.

Q 3: Write an essay on educational finance at various levels of education.

Q 4: Describe the types of educational expenditure

Q 5: Differentiate between recurring and non-recurring expenditure.

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UNIT 2: EDUCATION AND ECONOMIC DEVELOPMENT

UNIT STRUCTURE

2.1 Learning Objectives

2.2 Introduction

2.3 Concept of Education and Economic Development

2.3.1 Relationship between Education and Economic Development

2.3.2 Education and Human Capital Formation

2.4 Education and Manpower Planning

2.5 Let us Sum Up

2.6 Further Reading

2.7 Answers to Check Your Progress

2.8 Model Questions

2.1 LEARNING OBJECTIVES

After going through this unit, you will be able to-

- explain the concept of economic development
- discuss the relation between education and economic development
- identify the role of education in human capital formation
- describe the role of education in manpower planning

2.2 INTRODUCTION

This unit will familiarise you with the concept of economic development and its relation with education as well as human capital formation and manpower planning. We know that economic development indicates the development of economic prosperity and upward mobility of the people in society and the country as a whole. Economic development plays a crucial role in the development of per capita income of the individual and eventually plays the dominant role in enhancing the Gross Domestic

Product of the country. But whenever we talk about economic development of a country or the people living in a society, we can not deny the role of education in paving the way for economic development. In fact, economic development of any country is possible only through better education system only and better education system is a mirror that reflects the adequate, up-to-date and advanced educational facilities and infrastructure and academic environment. Moreover, it is also very well-known to us that the levels of education differ drastically between developing and developed countries. Even within the country, it has been observed that there are varied education systems from place to place, regional to region etc. Apart from these, we can not deny the prevalent gender disparity in terms of equity and quality education which is a major challenge for a country like ours.

In the present globalised world, we need such type of education that can contribute to the formulation of human capital in order to increase the productivity level of the nation. Even several decades ago, it was rightly identified by eminent economists, educationists and thinkers that human capital and education are productive development strategies that would be raised through an increase in the schooling levels of the population. But there are certain problems with this strategy. Firstly, the developed and developing countries differ in many ways other than in the schooling levels. Secondly, a number of countries have expanded schooling opportunities without seeing any catch-up with developed countries in terms of economic well-being. Thirdly, countries that do not function well in general might not be able to mount effective education programmes. Besides all the problems, we also cannot deny the fact that during the last few decades, the developing countries have achieved substantial progress in education. The involvement of the Government has encouraged educational improvements, modified traditional methods, helped raise local management capacity and provided a strong source of funding for building and equipment. This unit is thus going to throw light on the relationship between education and economic development and the role of education in human capital formation and manpower planning.

2.3 CONCEPT OF EDUCATION AND ECONOMIC DEVELOPMENT

There is a close connection between the economic development of a country and development in the field of education. Economic development refers to economic wellbeing of the people and the society. So economic development comprises individual wellbeing as well as social wellbeing. Social wellbeing refers to improvement in common facilities and infrastructures like transportation and communication, housing and sanitation, healthcare facilities, improved educational facilities , provision of safe drinking water, common facilities for recreation of the people, provision of high standard social welfare facilities, increase in employment and income etc. But economic wellbeing of individuals refers to the achievement of better and higher standard of living of the people. The higher standard of living of the people in terms of good individual housing and sanitation, good healthcare services, better education, higher level of individual income and employment etc. The various components of economic wellbeing that have different measuring of the ***per capita annual income*** of the people can be taken as a common measuring road for all the indicators of economic development.



Annual per Capita income means income per person per year

On the other hand, educational development is reflected in terms of improvement in educational facilities and infrastructures. These educational facilities and infrastructures refer to better student-teacher ratio, availability of competent and adequately qualified teachers, good class-room facilities with good building and adequate accommodation, improved and adequate provision of educational apparatus and technology, good library facilities, good laboratory facilities etc. The outcome of improvement of educational development can be measured in terms of the increase in ***general literacy rate***, increase in adult literacy rate, fall in the drop-out rate, improvement in skill and capacity building etc. Usually, either improvement in the general literacy rate or improvement in the ***adult literacy rate*** can be taken as a single indicator of improvement in educational development.



Gross National Product (GNP) means total income of a country during a financial year