Financing of Elementary Education in India with Special Reference to Kerala and Orissa

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DECLARATION

Certified that the dissertation entitled "FINANCING OF ELEMENTARY EDUCATION IN INDIA WITH SPECIAL REFERENCE TO KERALA AND ORISSA", submitted by Mr. Sushanta Kumar Kar in partial fulfilment of the requirements for the award of the degree of MASTER OF PHILOSOPHY, has not been previously submitted for any other degree of this or any other University and is his own work.

We recommend that this dissertation may be placed before the examiners for evaluation.

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C O N T E N T S

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INTRODUCTION

Financing of education deals with the questions like locating and mobilising resources for education and also with the pattern and processes of resource allocation among different subsectors of education with reference to the national economy as a whole. It is not easy to locate the source of finance for a particular sub-sector of education. This is because resources come for the educational sector as a whole and then are allocated among its different sub-sectors. Therefore financing of education is studied very often in terms of the patterns and processes of intra-sectoral resource allocation. Moreover, financing of education cannot be independent of the financing of other sectors in the national economy. Therefore this has to be considered in relative terms and under the broad political framework within which the economy operates.

In this context, the financing of elementary education in India becomes all the more important because of our failure to achieve the target of universalisation at this level. According to the Constitutional directive, we should have attained it by 1960. But the stipulated period is being extended from time to time and at present it is the terminal year of the

Seventh Five Year Plan, i.e., 1989-90. India has a very narrow base in elementary education though otherwise it is a country with the third largest scientific and technical manpower in the world. It shows an internal contradiction in the educational policies of the decision makers. Educationalists have attributed this unsatisfactory progress in the programme of the universalisation of elementary education to several factors. Some of them relevant in the present context are the inadequacy of finances, improper allocation of resources across different sectors of education, and the improper methods followed in allocations to the planning units within a state etc.

Studies in educational finances in India have primarily focused on higher education. Financing of elementary education has suffered a relative neglect. A few studies have been done by Atmanand Misra, J.L. Azad and J.B.G. Tilak on an inter-sectoral basis. One study by J.P. Naik and E.S. Lowler in financing of elementary education was published along with the Kothari Commission Report. The main objective of their study was to develop the procedures of financing on the principles of equalisation. They came out with a formula for central aid per pupil. The second study pertaining to elementary education had been done by

Pathak in 1967. His study was, however, more of a theory testing exercise devoted to testing Naik-Lowler formula to be applied in case of financing zilla parishads in U.P. The third study was by R.S. Sharma on the administrative and financial problems of elementary education in Punjab.[1] No specific study relating to the financing of elementary education in India are available for the recent period.

There is a general feeling that the problem of the universalisation of elementary education in India is essentially the problem of backward states. For the country to achieve the goal of universalisation, these states should step up their rate of growth in enrolment from the recently experienced rate of growth. In order to compensate for low level of expenditure made in the past by backward states, they have to spend substantially more in the 1980s for education. To study these propositions in detail, this study proposes to take a macro view of the financing of elementary education in India and then specifically the states of Kerala and Orissa. The former is educationally advanced while the latter is educationally

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1. Sharma, R.S., Administrative and Financial Problems of elementary education in Punjab, Ph.D. thesis, Panthnagar University, 1973.

backward. In terms of economic indicators like income per capita, state domestic product etc. both remain in the middle order among the Indian states. In the course of the study we can find out whether resources have played any role in creating the educational disparity.

Thus broadly the objectives of this study will be as follows. First, to find out the trend of finances from different sources for elementary education in India. Secondly, to ascertain the priorities, strategies and programmes devised for the universalisation of elementary education. Thirdly, to study the trend of the allocation and utilisation of resources for education in the states. Fourthly, to examine the nature and extent of diversions in the allocation of resources to elementary education. Finally, the political economy operating behind educational finance in an underdeveloped economy with reference to India and its constituent states will be dealt with.

The research questions before this study are as follows: What is the nature and extent of variation in the contribution of different sources of finance for elementary education in India? What is the behaviour of the plan and non-plan expenditure on education in

both centre and the states? What is behaviour of the allocation of resources to elementary education in relation to other subsectors of education? How do allocation and utilization of resources for education and elementary education in particular, deviate from each other?

The following are some of the tentative observations which will be elaborated in the subsequent chapters:

(1) There is no difference in the trend of the allocation of resources to education under both plan and non-plan in India;

(2) The share of the Government sector in the pool of educational resources is increasing over the years in India;

(3) The share of the non-Government sector in the pool of educational resources is declining over the years in India;

(4) Elementary education gets a low priority as compared to other levels of education in India and also in both Kerala and Orissa;

(5) Within the allocated resources, there is no diversion from elementary education to other sectors;

(6) The budget for education in an underdeveloped country and in India in particular is an arena of conflict between various interest groups trying to grab a major chunk of educational resources.

This is basically a study in economic history. Therefore the research will mainly rely on documentation and data interpretation. Further it is intended to use a comparative approach to study the behaviour of educational finances across Kerala and Orissa showing different levels of progress in elementary education followed by intra-state analysis of planning educational finances. This necessitates comparison of time series of educational finance components with time series of growth parameters of education at elementary level. The inter-state analysis requires a correlation and regression approach and the significance of the change of financial indicators over time. The study will largely use the statistical indicators like expenditure in millions of rupees, expenditure as a proportion of GNP, expenditure as a proportion of total budget, expenditure per head of population, average expenditure per student etc.

The plan of contents of the present study will be as follows.

Chapter I will deal with education and finance in India. Here we will examine, in brief, the methods of financing education in pre-independence and post-independence period, what are the different sources of finance upto date and the direct as well as indirect expenditure in education by objects. Reference will also be made to the allocation and actual utilisation of resources.

The second chapter will deal with the financing of elementary education in India as compared to financing of other sectors in education. It will be divided into two parts, the first part dealing with the financing of elementary education in the British period and the second part that in independent India. In both cases the study will be with reference to the intra-sectoral break-up in education comparing the financing of elementary education with other sectors of education.

The third chapter will deal with the financing of elementary education in the states, in particular Kerala and Orissa. Here I will mention educational finance in Kerala and Orissa in brief before going into an in depth analysis of inter-sectoral and intra-sectoral break-up of expenditure on education in the year to year budget proposals. The budget estimates,

revised estimates and actual expenditure of each year will be considered to find out if there is any diversion of resources from education to other sectors in the economy or among different sub-sectors of education.

The fourth chapter will deal with the political economy of educational finance in underdeveloped countries in general and in India in particular. Here an attempt will be made to analyse the social and political forces operating in these countries to channalise the educational resources in a manner which suits them the best and the consequent deprivation of the masses to attain minimum educational credentials.

The last chapter will give suggestions for improving the current state of educational finances, resource mobilisation and the management of elementary education in India.

The non-availability of the latest data about educational finance presents the most formidable problem, mainly in the case of state financing. The analysis has to be, therefore, restricted to the latest available documents wherever possible. The sources of data are draft Five Year Plan documents of the Central government and the states, annual analysis of budgeted expenditure

on education by Government of India, Handbooks of educational and allied statistics by Government of India, Annual Progress report of the States and other publications of NIEPA and the Planning Commission.

CHAPTER I

EDUCATIONAL FINANCES IN INDIA

Financing of education involves both resource mobilisation for education and expenditure on education. In the course of an analysis of educational finances in India, we will take both of them into consideration. However, a relative emphasis will be on the latter for the reasons specified in the previous chapter. For convenience, we divide the history of educational financing in India into two parts, namely, the British period and the post-independence period.

FINANCING IN THE BRITISH PERIOD:

Financing of education during the British period took some important forms which later became the basis of modern educational finance system. Education remained no more dependent on the religious institutions or the sweet will of the monarch or nobles. State provided statutory and stable maintenance to education supplemented by compulsory tuition fees from students and contributions of local self-governments. Thus there emerged five different sources of financing education in India, namely, state revenues, student fees, taxes on public for education, local bodies and

other sources.[1]

(a) Sources of educational expenditure:

The Charter Act of 1813 contained the first legislative admission of the right of education to participate in the public revenue. This was further enhanced with Wood's Education Despatch which organised the system of education from the primary to the university stage. The decentralisation of administration in 1871 shifted the responsibility of educational expenditure to the provinces. However, the natural calamities and financial stringency in the provinces affected their subvention to education. It was only the early decades of the twentieth century that saw an increase in both central and provincial grants to education. The dawn of diarchy placed more powers to the Indian ministers, but they did not get the power of the purse. Again it was followed by the economic depression of the 1930s. Therefore, it was only the provincial autonomy in 1937, which entrusted the purse to Indian ministers, led to an unprecedented acceleration in educational expenditure till Independence.

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1. Misra, Atmananda, The Financing of Indian Education, Asia Publishing House, Bombay, 1967, P.184

The second source of educational finance was the fees from pupils which were levied initially to apply the filtration theory of educating a class only and also increased the revenues for education. The charging of fees from the pupils seems to have started earlier than 1822 as indicated by Thomas Munroe's study on Madras education. However it was in 1844 that the government of West Bengal made the payment of fees compulsory followed by the Board of Education in the Bombay Presidency in 1845. Finally the educational despatch of 1854 made the payment of fees a condition for grant-in-aid to schools.[2] Thus tuition fees began to be charged in all institutions and gradually became an important source of school revenues. The Acts incorporating the three universities in 1837 provided for other types of fees namely, fees for conferring degrees and fees for admission to the universities. As education expanded more facilities began to be provided and other types of fees like medical, refreshment, games, examination, building fees etc. came to be charged.

Lack of funds for education in the early days led to the evolution of another source of educational

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2. The Educational despatch of 1854, Para 54.

finance, namely taxes, rates or cess. The first rate for education was levied in 1851, called Halkabandi cess in the vernacular schools in the north-western provinces. It was such a success that the educational despatch of 1854 recommended it to other provinces.[3] The Punjab followed the example and in 1856, imposed a voluntary cess at one per cent of land revenue which was made compulsory in 1864. The government of India encouraged the imposition of such taxes in the provinces and later enlarged their scope by including all objects of local utility in addition to education to get benefits from the local rates. Accordingly a cess was imposed in all provinces of West Bengal during the following decade. Bengal could not levy any local rates of account of the legal difficulties arising out of permanent settlement and for fear of public agitation.

The transfer of general departments including education consequent on Lord Mayo's decentralisation of administration in 1871 created difficulties for the provincial governments in fulfilling the financing of education. It became necessary to meet the deficit from local taxation by developing the institution of local self-governments. Lord Ripon's resolution of

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3. The Educational despatch of 1854, Paras 91, 92, 93 as given in Misra, A., op. cit.

1882 reorganised the local bodies and strengthened the association of primary education with them. These local bodies - municipalities in urban areas and local, rural or local fund boards or councils in rural areas - were responsible for the control and financing of education. The first educational duty of local bodies was towards primary education as directed by the Indian Education Commission of 1882 and the Government resolutions of 1904, 1913, 1916 and 1919.

The main sources of educational finance in the pre-British period were endowments, donations and gifts; but during this period the State subvention, fees and local bodies assignments assumed such importance that they receded to the background and were grouped together under the name of other sources. As government shouldered the responsibility of financing education, the people thought that their obligation towards education lessened. The religious incentives that impelled people to contribute liberally for education were also gone with the separation of education from religion and the declaration of education as being secular.

(b) Objects of expenditure in education:

After this brief account of the sources of educational expenditure in the British period we proceed to a

study of the objects of expenditure in education in that period. There were mainly two objects. The direct objects were primary, secondary, higher and technical education while the indirect objects were expenditure on direction and inspection; stipends and scholarships; building, furniture and equipment; boards of secondary and intermediate education etc.[4] This study is related primarily to the direct objects.

Elementary education was imparted through domestic system and indigenous schools till Wood's educational despatch (1854) strongly recommended the government to take it over. The revenue authorities looked to their finances and the staff, and the education department to the supervision of instruction. Later Lord Curzon sanctioned huge recurring and non-recurring grants for expansion and improvement of primary education.

The missionaries started a number of secondary schools. But a graded system only evolved after the educational despatch of 1854. These secondary schools were either maintained by the government which bore the whole cost or by private bodies which received grant-in-aid from the government. The Indian Education

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4. Misra, Atmananda, Educational Finance in India, Bombay: Asia Publishing House, 1962, p.424.

Commission of 1882 recommended that the government should withdraw from the management of secondary schools, but Lord Curzon in the beginning of the twentieth century emphasized the quality of the secondary education and opened one government school at almost every district headquarters. Secondary education underwent further expansion on the advent of diarchy in the provinces.

As far as higher education is concerned, although the first institution on modern lines started as early as 1816, the establishment of universities, in Calcutta, Bombay and Madras in 1857 was the actual beginning. This provided incentives for opening new colleges which could be affiliated to the universities. But a larger part of the government expenditure on higher education went to its own colleges and the privately managed colleges received less than one-third of it. The disparity was so sharp that the Indian Education Commission of 1882 recommended special grants for the private colleges. In the last quarter of the nineteenth century two more universities, the Punjab and Allahabad, were started and the government resolution of 1913 envisaged one university in each province. During provincial autonomy higher education considerably expanded and co-ordination developed. An analysis of

the expenditure on higher education during that period in absolute terms and relatively to the expenditure in elementary education will be taken up in details in the next chapter when we will study the financing of elementary education in British period.

The professional and technical education developed out of the Government's provisions for the technical training of its subordinate officers. The survey, engineering, normal, industrial, forestry, agriculture, and arts school were first started. Lord Curzon improved and opened new institutions for teacher training and agricultural education. In the first two decades of twentieth century efforts were made to develop this hitherto neglected branch of education. The financial stringency during diarchy and the political upheaval during the provincial autonomy slowed down the progress. In implementing the recommendations of Abbott-Wood Committee of 1938 and to meet the requirements of the Second World War industrial and technical training was encouraged. In order to coordinate and organise things better, the government of India established a Council of Technical Education in 1945.

To conclude, we will outline certain significant aspects of financing of education in British period. The important achievement of the British period was

the legislative provision for the appropriation of state revenues in financing education. Education no more remained at the sweet will of the rulers in the princely states. The second important departure was the separation of education from religion that made education secular although it deprived education of considerable amount of charities. The third change was the shifting of emphasis among the financial sources of education. Those which were the most important and stable sources in the former times were relegated to last position and a multiple system of sources was developed which liberated education from dependence on any one source of financing it. The fourth change came in the expansion of the objects of educational expenditure, both direct and indirect, and the development of graded system (primary, secondary and higher) of education in the direct expenditure. Thus, on the whole, we find that educational finance was systematised and put on a sound and more scientific basis during the British period.

EDUCATIONAL FINANCE IN POST-INDEPENDENCE INDIA:

(a) Sources of educational expenditure:

The sources and objects of expenditure in educational financing can be similarly studied in the post-

independence era. The various sources of finances for education in India can be classified as follows:[5]

(a) The Public Sector:

i) Central government,
ii) State government,
iii) Local governments/bodies (Zila Parishads, Municipalities & Panchayats);

(b) The Private Sector:

i) Students/parents, e.g. fees/maintenance costs,
ii) Endowments and donations;

(c) Other sources including foreign aid.

The Central government started giving grants to universities and scholarships to students for training and research in physical and applied sciences, and reorganising some technical institutes of higher studies. In 1953 the University Grants Commission was established to coordinate facilities, maintain standards and allocate grants. Besides these, the Centre gives proportional or matching grants or the whole cost of general educational projects and schemes in various states and maintains its own institutions and education in the Union Territories.

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5. Tilak, J.B.G., Education Finances in India, NIEPA, 1985.

Education, after independence, was the sole responsibility of the states. After education was brought into the concurrent list in 1976 both Centre and State shouldered the responsibility of diversification and expansion of education. Table 1 gives the educational effort by states in India.

The table 1 shows that in some states like West Bengal the proportion of state income (SDP) invested in education remained more or less constant during 1960-61 to 1976-77 at 2.6%. Remarkable increase can be noted in case of Orissa where the proportion has increased from 1.9% to 4.1% and in Jammu & Kashmir where it has increased to the same level from 2.2%. It was only Kerala and Himachal Pradesh wherein the proportion has crossed 6%, a goal set by the Education Commission (1964-66) for the country as a whole. In per capita terms the increase has been by about 3-5 times in most states. The exception is only West Bengal where the increase has been less than 2.5%. Expenditure per people also increased remarkably in [illegible] states and it has been the highest in Orissa, an increase of 6.5 times, followed by six time increase in Kerala. The budget expenditure on education as a proportion of total revenue budget has not increased even at the state level, except in few backward states

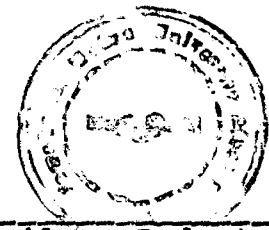

Table 1: Educational efforts by States in India

STATE	Educational expenditure % of S.D.P.		Total Educational expenditure per capita (Rs.)		Cost per pupil (Direct/Recurring) (Rs.)		Budget expend. on Edu. as % of total (Rev.) Budget	
	1960-61	1976-77	1961-62	1975-76	1960-71	1976-77	1960-61	1982-83
Andhra Pradesh	2.3	3.6	7.5	25	53.1	235	23.2	26.9
Assam	2.2	3.2	8.4	29	42.7	166	21.1	27.5
Bihar	2.3	3.1	5.2	17	32.9	150	18.9	30.0
Gujarat	2.5	3.6	10.1	41	5	254	23.4	23.1
Haryana	NA	2.5	NA	35	NA	234	NA	21.0
H.P.	NA	6.2	NA	65	NA	312	NA	23.0
J&K	2.2	4.1	8.4	40	55.4	232	16.3	14.8
Karnataka	2.6	3.6	9.0	35	46.7	187	21.2	23.5
Kerala	4.2	7.4	12.7	60	47.2	284	36.0	36.1
M.P.	2.3	3.5	7.4	37	63.5	202	24.2	20.3
Maharashtra	3.0	3.3	13.9	51	59.6	233	25.2	21.3
Orissa	1.9	4.1	4.5	26	28.9	189	12.8	23.6
Punjab	2.7	3.0	10.3*	60	64.8	261	20.6	27.3
Rajasthan	2.4	3.5	7.1	29	65.2	275	24.5	26.9
Tamil Nadu	2.8	4.4	11.4	37	51.1	198	23.3	26.4
Tripura	NA	5.3	-	49	NA	245	-	-
U.P.	2.2	3.5	6.0	27	54.3	149	14.5	20.6
W. Bengal	2.6	2.6	10.6	25	60.2	170	37.1	26.8
All India	2.5	3.2	8.8	-	53.7	211	22.5	24.3

* includes Haryana.

Source: computed on the basis of Education in India and Budget Expenditure on Education and (Various volumes), as in Tilak, J.B.G., Educational Finances in India, NIEPA, 1985.

like Bihar (the growth has been from 18.9% in 1960-61 to 30.0% in 1982-83), Orissa (from 12.8% to 23.6%) and U.P. (from 14.5% to 20.6%). This is essentially because of a very low base at which the backward states started. In equally good number of states the proportion has declined. The most striking case is West Bengal where a decline by 10% points can be noted. Other states include M.P., Maharashtra, J&K and Gujarat.

The other source of educational finance are the local bodies including municipal boards and panchayats etc. The municipalities are primarily responsible for primary education in their areas but some of them spend on secondary education and sometimes on colleges as well. There is no uniform policy of allocating funds for education. Separate rules are prevalent in various states. According to the available data, the proportional share borne by municipal boards has been steadily decreasing (Table 2). The proportion may have diminished on account of the larger contribution made by other sources, particularly the state funds, for the Constitution of India laid the responsibility of elementary education on the states. Constitutionally, the panchayats are also given the authority in the administration of primary education. Certain states give them discretionary

authority while others make it an obligatory duty on them to finance primary education. However, the financial resources of the panchayats are so limited that they can only exercise superficial control on primary education. These local boards showed better efforts in some states like Bihar, M.P., Tamil Nadu, Orissa and Uttar Pradesh.

Fees are another important source of income which depends mostly on enrolment and rate of fees. After Independence, due to various incentives there was large scale increase in enrolment. Since the cost of living rose the fee rates were also enhanced. Private institutions began to charge fees on a par with the government institutions and wherever better facilities could be provided the rates could be even higher. Hence, the income from fees rose considerably although this rise was limited by the free education provided at the elementary stage and large number of fees concessions provided to SC/ST or other backward groups. Various types of fees are being charged the main being admission fee, tuition fee, library fee, examination fee etc. The rates of each of those types of fees vary from state to state and sometimes from region to region. The fee structure in government institutions is fixed but in private

institutions it is varied by including other type of fees like building fees, hot & cold weather changes etc. The amount realised on fees as a percentage has been gradually decreasing over the years. It is because more students came under compulsion and more students concessions are being granted partly due to the increased government expenditure on education.

As with endowments and other sources, the contribution has not been substantial due to the general feeling that education is the responsibility of the elected government (Table 2). In case of foreign aid to education we have international bodies like the UNO, UNESCO and the Colombo plan and several Philanthropic organisations. The help came in the form of (i) providing expert personnel, (ii) aiding certain projects and (iii) giving scholarships and travel grants for studies abroad. The experts served on our education commissions, planning boards and survey teams. The Governments that offer facilities are those of USA, UK, USSR, Italy, Germany, France etc. The Philanthropic organisations are Ford Foundation, Brush-Abol Group Commonwealth, Federation of British Industries etc.

Table 2 shows sectorwise contribution of resources to education in India during 1950-51 to 1980-81.

Table 2: Sector-wise Contribution of Resources to Education in India

(Per cent)

	1950-51	1960-61	1970-71	1980-81
Government Sector:				
Central and State Governments	57.1	68.0	75.6	80.0
Local Governments (Zila Parishads, Municipalities, Panchayats)	10.9	6.5	5.7	5.0
Private Sector:				
Fees	20.4	11.2	12.8	12.0
Endowments etc.	11.6	8.3	5.9	3.0
Total	100.0 (1144)	100.0 (3444)	100.0 (11183)	100.0 (46875)*

* Estimate, ( ) Rs. in millions

Source: Education in India vol.1 (Various Years); and Planning Commission for 1980-81.

Of the total educational finance that excludes the household expenditure, the share of the Central and State governments has increased from 57% at the inception of planning in the country to 80% by 1980-81. The share of every other sector declined. Fees used to contribute 20% to 30% of the total income of the educational sector during the pre-independence period. But it too declined to 12% in 1980-81 from about 20% in 1950-51.

The steep increase in the role of the government and relative fall of all other sources in financial education can be attributed to three factors. First, it is in conformity with the 'law of increasing state activity' working in several countries of the world. Second, the government has to expand educational investment to build a socio-economic system after the colonial rule. Thirdly, the government policy toward equality in higher education through subsidies to weaker section led to the growth of educational expenditure.[6]

This pattern of financing has serious implications. The contribution of fee being insignificant and government funding 90% of the educational expenditure makes education in India relatively free for all. Since education system caters to the needs of the better off families especially in case of higher levels of education, this makes the education system highly regressive. It is because the poor has to bear the burden of indirect taxes that goes to the public exchequer to be spent on education that actually benefits the rich. This aspect has been analysed further in chapter IV.

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6. Tilak, J.B.G., "Investment in Education", Eastern Economist, Annual No., 1980.

(b) Objects of expenditure in education:

The objects of expenditure in the post-independence period remained almost the same as in the British period but they were classified again to provide more detailed information in respect of various sectors of education. The direct objects were: (1) general education including, primary, secondary and higher education, (2) professional or vocational education, (3) special education. The indirect objects of expenditure were; (1) Direction and Inspection, (2) Buildings and Furnitures, (3) Scholarships and other financial concessions, (4) Hostel charges and (5) miscellaneous.

Elementary education caters to the age group 6 to 14 years and includes the primary and middle school education from class I to VIII. Article 45 of the Constitution of India directs that the state shall endeavour to provide within a period of ten years from the commencement of the Constitution for free and compulsory education for all children until they complete the age of fourteen years. In 1957 an all India Council for elementary education was established to prepare programme for early fulfilment of the directive. But that task was so gigantic that it is unfulfilled till today and currently the government expects to fulfil

it by 1989-90. In the course of our discussion on intra-sectoral allocation of resources in the next chapter, we will highlight this problem further.

Secondary education, the other object of direct expenditure, has been the weakest link between school and university. The Mudaliar Commission on Secondary education recommended in 1953 that (a) the period of school education preceding a three year degree course should be eleven years, (b) multi-purpose schools should be started with diversified courses as science, arts, commerce, agriculture etc., (c) educational and vocational guidance should be provided. There are a number of organisations to help in the construction and improvement of various aspects of secondary education. The Central Institute of Education for teacher education and research was established in 1947. The Directorate of extension programme for secondary education in 1959 and National Council of Education research and training was established in 1961.

Higher education commands a substantial chunk of educational resources. Higher education was modelled after the recommendations of the Radhakrishnan Commission. The University Grants Commission was established in 1953 for promotion and coordination of higher education and determination and maintenance of standards of instruction,

examination and research. The allocation of grants to institutions of higher education is one of its responsibilities. With the help of this there has been tremendous increase in the institution and enrolment of higher education in the post-independence period. Apart from creating the problems like overcrowding of universities and lowering the standard of instruction, this has enhanced the pressure of higher education on educational budget. In the next chapter, we will examine the financing of higher education as compared to primary education in the post-independence period.

The expenditure on professional education in agriculture, applied art and architecture, commerce, engineering, forestry, law, medicine, physical education, teacher training, veterinary and other is made at two levels, viz., (a) college level and (b) secondary level. The All India Council of Technical Education set up in 1945 organises and coordinates the development of technical education in the country. The Medical Council of India prescribes and maintains uniform standards in medical education. The Indian Council of Agricultural Research coordinates research work in the field. Similar All India bodies in other areas are also operating for the promotion of professional education. Data show that, from the total plan and non-plan resources, the share

of technical education is declining over the years while that of higher education is on the rise.

Plan & non-Plan expenditure on education:

Government resources flow into the educational sector in India in the form of (a) Plan resources and (b) non-Plan resources. Plan resources are invested in the further development of education including marginal expansion of the system such as construction of new buildings, recruitment of new teachers, facilities for new enrolment, expenditure on innovations etc. Non-plan expenditure denotes maintenance expenditure incurred in the existing educational infrastructure. Small plan outlays get translated into huge non-plan outlays at the end of each plan. While the plan expenditure sets the direction for future development, non-plan expenditure maintains the existing structure. The non-plan expenditure constitutes more than four-fifths of the total expenditure and it has increased at a rate of growth of 14.8% per annum during 1950-51 to 1980-81 (Table 3). In contrast, the plan expenditure forms a small per cent, i.e. 15%. However the rate of growth is about 15%.

In this context it is very important to ask such questions as (a) What is the actual mechanism of allocation of plan resources for education, (b) What is the

Table 3: Plan & Non-Plan Expenditure on Education in India (Rs. in millions)

	Plan Expenditure	Non-Plan Expenditure	Total
1950-51	20 (28)*	51 (72)	71 (100)
1960-61	90 (38)	144 (62)	234 (100)
1965-66	178 (41)	259 (59)	437 (100)
1970-71	115 (14)	731 (86)	846 (100)
1973-74	225 (17)	1086 (83)	1311 (100)
1977-78	324 (14)	1991 (86)	2315 (100)
1978-79	413 (16)	2245 (84)	2658 (100)
1980-81	520 (14)	3226 (86)	3746 (100)
Percentage rate of growth	11.5	14.8	15.0

* Figures in brackets show percentages.

Source: Tilak, J.B.G., Centre-State relations in financing education in India - Occasional Paper No.5, NIEPA, New Delhi, 1984.

rationale behind such a drastic cut in the outlays for education particularly when the inflationary trends are on.[7] These questions are specially important when the government is boasting to universalise the elementary education through proper mobilisation of

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7. Tilak, J.B.G., Educational Finance in India, NIEPA, 1985.

resources during the seventh plan.

Another aspect of plan resources are the year-wise allocation of resources in the plan and the actual utilisation of plan outlays. In ideal conditions one expects that about one-fifth of the five year plan will be allocated for each year of the plan. But in general during the initial years a disproportionately small amount is allocated and it gains momentum towards the end. In the sixth plan the first two years saw an allocation of 12% and 15% while the last ten years 24% and 30% out of the total allocated plan resources. Similarly (Table 4) shows that the actual expenditure in five year plan turns out to be much less than the allocation made in the beginning of the plan. Except in the third five year plan, expenditure has always been less than the allocation. Another exception may be the sixth five year plan. This is quite surprising particularly when it is argued that the plan outlays themselves are inadequate for the educational system.

All these present only a partial picture because plan expenditure forms only a part of the total expenditure on education and the larger chunk is the non-plan expenditure. The major problem in this respect is the distinction between plan and non-plan expenditure.

Table 4: Outlay for and expenditure on Education in the Five year Plans

(Rs. in 10 Millions)

Plan	Outlay	Expenditure	Column (3)-(2)	Column (4) as % of (2)
(1)	(2)	(3)	(4)	(5)
First Five Year Plan	170 (7.2)	153 (7.9)	17	10.0
Second Five Year Plan	277 (6.2)	273 (5.8)	4	1.4
Third Five Year Plan	560 (7.5)	589 (6.9)	-29	-5.2
Fourth Five Year Plan	822 (5.2)	786 (5.0)	36	4.4
Fifth Five Year Plan	1284 (3.3)	930	354	27.6
Sixth Five Year Plan	2524 (2.6)	2835 (2.6)	-311	-12.3

Source: A Handbook of Education and Allied Statistics, Ministry of Education, GOI, and Economic Survey 1984-85.

For example, how can we distinguish between a new building for an old school. But in case of total plan and non-plan expenditure also, the trend is the same as that of plan expenditure. (Table 3)

CHAPTER II

FINANCING ELEMENTARY EDUCATION

So far we dealt with the financing of education in India at different levels, namely, elementary, secondary, higher or technical education. In this chapter, we will try to assess the place of elementary education as compared to other levels of education in terms of the allocation of resources. Both the pre-Independence period and the post-Independence period will be taken into account. It is intended to find out if any lopsided emphasis is given on any layer of education. The sources of educational finance as well as the objects of expenditure will be considered. In this connection the plan expenditure and also the non-plan expenditure on education in the post-Independence period are to be analysed.

Financing Elementary education in the British period:

As mentioned earlier, primary education continued to be neglected in the British period till Wood's educational dispatch in 1854 recommended: "a wise encouragement of indigenous schools for imparting correct elementary knowledge to the great mass of the people."[1]

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1. The Educational despatch of 1854, Para 50 - as in Misra, A., Financing of Indian Education, Asia Publishing House, Bombay, 1967.

Data are available[2] from 1881-82 which shows that there were 86,269 primary schools with 21.6 lakhs of pupils which increased to 97,854 schools with 32 lakhs of pupils in 1901-02. Two decades later the number of schools went upto 1,60,070 and that of pupils to 63 lakhs. In 1946-47 the primary schools were 1,72,661 in number and total number of pupils went upto 1.3 crores. The expenditure on primary education in 1881-82 was Rs.76.3 lakhs, in 1901-02, Rs.1.19 crores, in 1921-22, Rs.5.09 crores and in 1946-47, Rs.18.48 crores. The proportion of the total educational expenditure allocated to primary education in these years was respectively 41%, 29.6%, 27.7% and 31.2% which show a decreasing allocation proportionately except in the last year. We have to compare these estimates with that of secondary education and higher education because data on middle school education, i.e. the other component of elementary education in pre-independence India in terms of resources is not clear.

After a graded system of schools was evolved after the Education Despatch of 1854 a number of secondary schools also came into existence. There were 4,122 secondary schools with 2.2 lakhs of pupils in 1881-82 which increased to 5,493 with 6.2 lakhs of pupils in

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2. Misra, Atmanand, op. cit.

1901-02, and 8,987 schools with 12.4 lakhs of pupils in 1921-22. In the last year of British rule in India, the number of schools rose to 18,140 and pupils to 39.7 lakhs. Private bodies managed more than 50% of these schools on the grant-in-aid system. The expenditure on secondary schools rose from Rs.48.1 lakhs in 1881-82 to Rs.1.27 crores in 1901-02 to Rs.4.87 crores in 1921-22 and finally to Rs.11.93 crores in 1946-47. The allocations to secondary education in these years were respectively 25.8%, 31.6%, 26.5% and 30% of the total expenditure on education.

As far as higher education is concerned, it expanded considerably during provincial autonomy and surprisingly large number of girls sought admission into colleges in spite of the war and political upheaval. There were four universities and sixty seven colleges with six thousand students in 1881-82. These increased respectively to five universities, one hundred and forty five colleges with 17.6 thousand students in 1901-02, to 14 universities, 167 colleges with 45.9 thousand students in 1921-22 and 21 universities and 496 colleges with nearly 2 lakhs of students in 1946-47. The expenditure on universities increased from Rs.178 lakhs in 1881-82 to Rs.7.73 lakhs in 1901-02, to Rs.73.41 lakhs in 1921-22

and Rs.2.3 crores in 1946-47. These amounts were 1.0, 1.9, 4.0, 5.1 and 5.0 per cent of the total educational expenditure in these years. The expenditure on colleges was Rs.12.38 lakhs in 1881-82, Rs.26.01 lakhs in 1901-02, Rs.110.42 lakhs in 1921-22 and Rs.3.54 crores in 1945-46. The expenditure on colleges in these years was 6.7%, 6.5%, 6.0% and 7.7% of the total educational expenditure respectively.

As mentioned before, the financial stringency during diarchy and the political upheaval during the provincial autonomy slowed down the progress initiated in the field of professional or technical education. In 1946-47, there were sixteen law colleges with nine thousand students, thirty medical and veterinary colleges with 9.5 thousand students, thirty medical schools with 5.6 thousand students, twenty-four colleges of engineering and technology with 5.7 thousand students and nineteen institutions of agriculture with 1.5 thousand students. The expenditure on professional and technical education was Rs.13.3 lakhs in 1880-81, Rs.34.8 lakhs in 1901-02, Rs.1.97 crores in 1921-22 and Rs.3.88 crores in 1946-47. The proportional expenditure on this branch was in these years respectively 7.1%, 8.7%, 10.8% and 6.7% of the total expenditure on education.

Thus, on the whole, it is observed that although the British government desired in its Resolution and reports that primary education should be a special charge on the provincial and local finances, it did not work out properly. They were lacking in zeal and interest and dilating in the discharge of their responsibility. The British government submitted to the popular demand for free and compulsory elementary education, but the proportional expenditure on it was always less than the combined cost of higher and secondary education and only sometimes more than that on secondary education only by a narrow margin. The proportion of the total educational expenditure during this period ranged between 21 and 41 per cent in primary education, 25 and 32 per cent on secondary education, 7 and 13 per cent in higher education and 7 and 11 per cent of professional and technical education. As a percentage of total educational expenditure, the share of secondary education and higher education, both in terms of data on universities and colleges, an increasing trend over the years from 1881-82 to 1946-47 while that of the primary education had a decreasing trend except for a marginal increase in the last year. It was altogether unfortunate in view of the mass illiteracy prevailing during that period. The expenditure on technical education show no definite trend.

Financing elementary education in the post-independence period:

In order to study the financing of elementary education in the post-Independence period vis-a-vis other sub-sectors of education, it is essential to study both plan and non-plan expenditure and its actual utilisation, per pupil expenditure, statewise expenditure and expenditure from different sources on various levels of education in India.

An analysis of intra-sectoral allocation of resources in India during the plan period shows a lop-sided emphasis on different layers of education. A clear cut shift in the priorities is apparent from Table 5. In the First Plan 56% of the total plan resources to education were allocated to elementary education, 13% to secondary, 9% to university education and 13% to technical education. The allocation to elementary education came down drastically in the subsequent plans, to 35% in the second plan, to 34% in the Third Plan and to 30% in the Fourth Plan. Then it has increased to 35% in the Fifth Plan and 36% in the Sixth Five Year Plan. At the same time expenditure on other levels increased, for example, that on secondary education rose from 13% in the first Plan to 18% in the Third and Fourth Plan and fell marginally to 16% in

Table 5: Intra-Sectoral Resource Allocation in Education in India in the Five Year Plans

(Rs. in millions)

Educational level	EXPENDITURE						
	First plan	Second plan	Third plan	Plan holiday+	Fourth plan	Fifth plan+	Sixth plan++
Elementary*	85 (56)	95 (35)	201 (34)	75 (24)	239 (30)	317 (35)	906 (36)
Secondary	20 (13)	51 (19)	103 (18)	53 (16)	140 (18)	156 (17)	398 (16)
University	14 (9)	48 (18)	87 (15)	77 (24)	195 (25)	205 (22)	486 (19)
Other General**	14 (9)	30 (10)	73 (12)	37 (11)	106 (14)	127 (14)	457 (18)
Total general	133 (87)	224 (82)	464 (79)	241 (75)	680 (87)	805 (88)	2247 (89)
Technical	20 (13)	49 (18)	125 (21)	81 (25)	106 (13)	107 (12)	278 (11)
Grand total	153 (100)	273 (100)	589 (100)	322 (100)	786 (100)	912 (100)	2524 (100)
% to total Plan outlay	7.86	5.83	6.87		5.04	3.27	2.59

Note: * includes pre-school education.

** includes teacher education, social education (youth services), cultural programmes etc.

\+ anticipated expenditure.

++ outlay.

Source: A Handbook of Education and Allied Statistics, Ministry of Education, Government of India.

the Sixth Plan. On the other hand, expenditure on higher education rose from 9% in the first Plan to as much as 25% in the fourth Plan and then declined to 19% in the Sixth Plan. The share of technical education rose from 13% in the First Plan to 21% in the Third Plan, but came down to 11% in the Sixth Plan.

We can divide the plan period into three phases depending on the pattern of the allocation of resources to education,[3] namely, Phase I: 1951-56; Phase II: 1956-69; and Phase III: 1969 and onwards. Phase I witnessed a substantial part (nearly three-fifths of the total plan educational resources) being allocated to elementary education a small proportion (only one-tenth) to higher education, i.e. high priority was given to elementary education. Phase II shared a drastic decline of resources allocated to primary and a doubling or trebling of the resources allocated for university education. Phase III, i.e. period after 1969 shared a slight reversal of these trends, when the proportion of elementary education showed an increasing trend and that of university and technical education shared a gradual decline. However, it is evident from the data that had the pattern of intra-

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3. Tilak & Varghese, "Resources for Education in India", Occasional Paper No.2, NIEPA, New Delhi, 1983.

sectoral allocation of resources adopted in the first Five Year Plan continued, universalisation of elementary education could have been easier. This was necessary due to the rise in population over the years which resulted in the increase in the number of illiterates despite rising literacy ratio.

All this may present a partial picture because non-plan expenditure is also equally important. But the trend in total, i.e. plan plus non-plan, expenditure was also the same. The share of elementary education in the total direct educational expenditure, plan and non-plan combined together, also showed a similar steep decline. It declined from 48% in 1950-51 to 39% in 1965-66, then had a marginal rise to 44% in 1976-77. At the same time the share of secondary education rose from 25% in 1950-51 to 32% in 1965-66 and then marginally fell to 28% in 1976-77. The share of higher education in the total direct educational expenditure kept on rising from 20% in 1950-51 to 30% in 1975-76 and then had a slight fall to 28% in 1976-77 (Table 6).

Table 6: Trends in Intra-sectoral Resource (total) Allocation in Education in India (in Rs. in millions)

Year	Direct expenditure on						Total indirect Expenditure	Grand Total
	Primary	Middle	Secondary	Sch Profile	Higher	Total		
1	2	3	4	5	6	7	8	9
1950-51	366 (40)	77 (8)	231 (25)	60 (7)	184 (20)	921 (100)	232	1153
1955-56	540 (37)	154 (11)	376 (26)	81 (6)	293 (20)	1148 (100)	449	1897
1960-61	630 (25)	429 (17)	689 (27)	146 (6)	565 (22)	2573 (100)	870	3444
1965-66	1213 (26)	810 (13)	1504 (32)	105 (2)	1241 (27)	4673 (100)	1192	5853
1970-71	2365 (25)	1709 (18)	2700 (28)	128 (1)	2709 (23)	9611 (100)	1572	11183
1975-76	4463 (25)	3410 (19)	4636 (25)	206 (1)	5410 (30)	17925 (100)	3122	21047
1976-77+	5467 (25)	4121 (19)	6051 (28)	210 ( )	6033 (28)	21883 (100)	1220	23103
Annual Compound Growth %	11.0	16.5	13.4	4.9	14.3	13.0	6.6	12.2

* includes professional, technical, vocational and special types.
\+ Cols. 2 to 7: recurring expenditure; Col. 3: non-recurring expenditure.

Source: Education in India (various years) as in Tilak, J.B.G., Educational Finances in India, NIEPA, 1985.

Table 7: Cutting Resource for Education in the Fifth Five Year Plan (1974-1979)

(Rs. in 10 millions)

	Proposed Outlay			Actual Expen-ture
	Approach	Draft	Plan Document	
1	2	3	4	5
Elementary Education	1600 (50)	743 (43)	410 (32)	317 (35)
Secondary Education	600 (19)	241 (14)	250 (19)	156 (18)
University Education	400 (13)	337 (20)	292 (23)	205 (22)
Others	400 (13)	201 (14)	140 (10)	127 (14)
Total General	3000 (94)	1562 (91)	1092 (85)	805 (88)
Technical	200 (6)	164 (9)	156 (12)	107 (12)
Grand Total	3200 (100)	1726 (100)	1285 (100)	912 (100)

+ 1974-78.

Source: Tilak, J.B.G., "On allocating plan resources to Education", Margin 17/3 (October), 1983, p.101.

More important is the fact that not only the pattern of allocation of resources discriminated against lower levels of education, but also the lower level of education suffered the most whenever the resources were to be axed. For example, let us take the varying impact of the difference

between the draft and plan proposals on various levels of education in the Fifth Five Year Plan. (Table 7) The plan outlay on elementary education was reduced by 45% of the draft proposal, while that of university education was cut by 13% only and technical education by 5%. Further the approach suggested allocating 50% of the total educational resources on elementary education and the draft suggested the figure to be 43%, while the final plan expenditure turned out to be 35%. On the other hand, the corresponding figures for university education were 13% in the approach, 20% in the draft, 23% in the plan and 22% was actual expenditure.

The plan allocation of resources and their actual utilisation will be analysed when we come to the specific studies of states in the next chapter. Further, we will analyse the reasons behind this distorted allocation of resources with respect to the political, economic and social factors in another chapter. For the time being it is enough to understand that though elementary education should be given greater importance in the initial stages of development, that has not been the case in India. The Education Commission (1964-66) suggested that at least two-thirds of the total should be in school education and one-third in higher education.

But experience reveals that even that is not adequate and at least three-fourths of the educational budget should have been invested in elementary education, if we are serious to achieve the objective of universalisation of elementary education.[4]

But when we look at the state-wise figures on intra-sectoral allocation of resources, we note that in no state the allocation for primary education exceeds 30% of the total direct expenditure on education (Table 8). Same is also the case for middle school education, another component of elementary education. Orissa is an exception in case of primary education because it spends 35% on the same and Gujarat, interestingly, spends 33% on middle school education. In contrast the share of higher education is more than one-fourth in many states and 30% in Karnataka. In several states, including backward states like Jammu and Kashmir and West Bengal, and in states like Karnataka and Maharashtra, the share of higher education exceeds that of primary education. If we take elementary education as a whole its share has been as high as 49% in Orissa, but never exceeded 50% in any states. In contrast it is as low as 24% and 28% in the economically

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4. Tilak & Varghese, op. cit.

Table 8: Intra-Sectoral Distribution of Resources in Education (1975-76)

(Per cent)

State	Primary	Middle	Elementary	Higher Sec.	Higher	Total Direct	Total Indirect	Grand Total
Andhra Pradesh	28.9	11.6	40.4	28.7	25.7	94.5	5.1	100
Assam	30.3	12.7	43.0	21.7	21.9	87.0	13.0	100
Bihar	27.7	19.3	47.0	13.8	28.4	87.0	13.0	100
Gujarat	8.6	33.0	41.6	23.7	20.5	85.5	14.5	100
Haryana	18.2	9.5	27.8	36.6	25.0	89.3	10.7	100
Himachal Pradesh	17.9	22.4	40.2	32.9	18.7	91.7	8.3	100
Jammu & Kashmir	13.6	18.5	32.2	22.4	20.0	74.6	25.4	100
Kerala	21.3	20.1	41.5	32.4	18.0	91.7	8.3	100
Karnataka	13.9	27.1	41.0	14.8	30.2	86.2	13.8	100
Madhya Pradesh	22.0	10.7	33.3	13.8	13.7	60.7	39.4	100
Maharashtra	14.0	25.2	39.1	26.8	22.6	88.5	11.5	100
Orissa	35.4	13.8	49.2	18.9	18.6	86.9	13.1	100
Punjab	15.1	9.0	24.1	28.1	28.1	84.1	16.0	100
Rajasthan	22.9	23.5	46.4	25.5	21.3	93.5	6.5	100
Tamil Nadu	26.0	15.8	42.4	27.2	21.5	90.9	9.1	100
Tripura	23.0	10.1	39.1	33.3	11.5	83.9	10.1	100
Uttar Pradesh	25.7	8.6	34.2	25.0	20.0	79.3	20.7	100
West Bengal	26.7	3.7	30.4	27.2	28.9	87.5	12.5	100

Source: Tilaj, J.B.G. & Varghese, N.V., "Resources for education in India", NIEPA Occasional Paper No.2 (New Delhi), 1983.

advanced states like Punjab and Haryana where the share of higher education are 28% and 37% respectively. It is noteworthy that although both Kerala and Orissa are economically backward, they can afford to spend 41.57% and 49.2% of the total educational resources on elementary education, while they spend 18% and 18.6% on higher education respectively. Still Orissa remains educationally backward unlike Kerala. This study will consider educational finances in both the states as compared to India as a whole in the next chapter.

Lastly we consider the intra-sectoral allocation of resources in education by sources. In 1982-83 the proportion of allocation for education in the central budget was only 2% while that for the states was 18%. A careful analysis reveals that a large part of the cost per pupil is met by state governments, whether it is recurring cost or non-recurring cost. While at every level of education the contribution of state governments is the highest, it declines at increasing levels of education. (Table 9) In other words, while for primary education the state government's share is three-fourths of the total, for higher education it is about half. Same is the case for middle school education. The share of the Central government is

less at lower levels of education, than at higher levels of education. In other words the central government feels less responsible for lower levels of education than for higher education, which is quite unfortunate given our constitutional directive to the central government to universalise elementary education.[5]

Table 9: Institutional Costs of education by Sources in India - 1976-77

(Recurring and Non-recurring)

	Central Govt.	State Govt.	Universities	Local bodies	Fees	Endowments	Total
Primary	0.7	75.7	-	20.6	1.6	1.4	100
Middle	0.7	79.3	-	13.9	3.2	2.9	100
Secondary (General)	1.4	76.4	-	1.6	13.6	5.4	100
Secondary (Vocational)	2.2	82.6	0.9	1.3	4.0	9.0	100
Higher	18.3	49.8	3.6	1.5	17.5	9.3	100
Total	6.0	69.4	1.1	8.4	9.9	5.2	100

Source: Education In India - 1976-77, vol.II.

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5. Tilak, J.B.G., "Centre-State relation in financing education in India"- Occasional Paper No.5, NIEPA New Delhi: [illegible].

The contribution of local bodies is relatively higher at lower levels of education than at higher levels. Fee, a non-voluntary contribution of students is about 20% of the total recurring costs at higher level of education, and even at secondary general level it is reasonably high. However the share of these non-government sources are declining over time and that of the government sources are increasing.

However Government can be held irresponsible for 25% of the recurring cost and about the same proportion of non-recurring cost on elementary education are still met by non-government services. (Table 9) The 75% of the cost borne by government are grossly inadequate to universalise elementary education which is starved of funds.[6] For example, as for fourth all India educational survey, 1978, 40% of the existing schools had no pucca buildings, another 40% had no black boards, 60% had no facilities for drinking water and one-third of the total number of primary schools were single teacher schools. It is on this background of existing facilities and allocation of resources, the government expected to universalise elementary education by the end of Seventh Plan.

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6. Tilak, J.B.G., Educational Finance in India, NIEPA, 1985.

CHAPTER II

THE FINANCING OF ELEMENTARY EDUCATION IN THE STATES - A CASE STUDY OF KERALA & ORISSA

After a brief review of the financing of elementary education in India, both in pre-independence and post-independence period, we proceed further to study the educational finances in the states. To this end, we take into account the states of Kerala and Orissa. The former is educationally advanced while the latter is educationally backward. In terms of economic indicators like per capita income, state domestic product etc., both remain in the middle order among the Indian states. The objective of the study is to find out whether resources have played any role in creating the educational disparity. Of course education in Kerala received patronage by the rulers of the princely states and also Christian missions in the pre-Independence period. This is generally felt that even after Independence education in Kerala has got higher priority over other sectors and even the intra-sectoral distribution of resources has been remarkably efficient as compared to other states including Orissa. In the study that follows, we shall examine this through appropriate data analysis and try to draw conclusions.

Prior to our analysis of the financial indicators, a comparison of the physical indicators of education between both the states as well as India as a whole is essential. Table 10 shows the number of literates and literacy rate in Kerala, Orissa and India according to 1961, 1971 and 1981 censuses. Accordingly the literacy rate in Kerala showed a sharp rise from 46.85% in 1961 to 69.17% in 1981 while that of Orissa showed a nominal increase from 21.66% in 1961 to 34.12% in 1981. At the same time, the literacy rate of India

Table 10: NO OF LITERATES AND LITERACY RATES

	1961		1971		1981	
	No. of Literates	Literacy Rate	No. of Literates	Literacy Rate	No. of Literates	Literacy Rate
All India	105199155	24.02	161377780	29.46	237737800	36.1
Kerala	7919220	46.85	12898092	60.42	17571819	69.1
Orissa	3801245	21.66	5745399	26.18	8964625	34.1

Source: Handbook of educational & Allied Statistics, Ministry of Education, Govt. of India, 1983.

also showed a comparably smaller increase from 24.02% to 36.12%. This shows the edge of Kerala in terms of the spread in elementary education as compared to other states. This is further reinforced by the statistics

in enrolment ratio (Table 11). Enrolment as a percentage of the population in the respective age group was 96.8% for primary education and 90.2% for middle school education in Kerala as on 1983. At the same time, the

Table 11: Gross Enrolment Ratios at different levels (General education) (as on 30th Sept. 1983)

	Primary			Middle		
	Boys	Girls	Total	Boys	Girls	Total
India	95.6	60.3	79.6	49.8	25.8	38.2
Kerala	101.3	79.1	90.5	94.7	86.1	90.5
Orissa	96.7	63.4	80.5	37.3	17.1	27.4

Source: Selected educational Statistics, Ministry of Education, Govt. of India, 1985.

corresponding percentage in the case of Orissa was 89.5 and 36.5 for primary and middle school education respectively. As compared to these the enrolment ratio for India was 93.4 and 48.9 respectively for primary and middle school education. Since these two sub-sectors of education constitute elementary education, the supremacy of Kerala is clear.

On the other hand, the number of institutions of education in Orissa is higher than that of Kerala at various levels in 1983 (Table 12). In Kerala there were 6,838 primary schools and 2,811 middle schools in 1983-84 whereas in Orissa the number was 36,193 and

Table 12: Number of educational institutions (as on 30th Sept. 1983)

State	Primary	Middle	University
Kerala	6838	2811	5
Orissa	36193	8212	5
India	509143	126345	117

Source: Selected educational statistics - 1983-84, Ministry of Education, Govt. of India, 1985.

8,212 respectively. The average number of primary schools and middle school per lakh of population was 24 and 15 respectively in Kerala whereas it was 123 and 25 in Orissa (Table 13). Also, in Kerala 18 persons were served within one kilometre of each

Table 13: Average number of Primary and Middle School per lakh of population

State	1970-71		1978-79	
	Primary	Middle	Primary	Middle
Kerala	32.3	11.9	24	15
Orissa	126.5	19.1	123	25
India	74.4	16.6	73	23

Source: Handbook of educational and allied statistics, Ministry of Education, Govt. of India, 1983.

primary school, while within 1 kilometre in Orissa 16 persons were served per primary school in 1978-79 (Table 14). Even in the case of teacher-pupil ratio

Table 14: Comparison of Provision and Utilisation of Schooling facilities (1978-79)

State	Primary Population served within 1 km.	Middle Population served within 3 kms.
Kerala	18	7
Orissa	16	15

Source: Handbook of educational and allied statistics, Ministry of Education, Govt. of India, 1983.

it was 34 and 32 for primary and middle schools in Kerala for 1979-80 whereas in Orissa the same was 37 and 17 respectively (Table 15). As far as education

Table 15: Teacher-Pupil Ratio (Avg. no. of students per teacher) schools for general education

State	Pre-Primary	Primary	Middle	High School	College for general education
Kerala	34	34	32	30	24
Orissa	15	37	17	18	21
India	45	38	33	27	24

Source: Education in India - 1979-80.

in rural areas is concerned, the percentage of schools in rural areas to total number of schools was 82% in Kerala while it was 92% in Orissa as against 86% in India (Table 16). Thus in all respects Orissa had a better prospect of the spread of elementary education in terms of physical indicators. But this did not happen. We will try to sort out the reasons through

Table 16: Education in Rural Areas (% of Institutions)

	% of Population in Rural area	Primary	Middle	All School	% of enrolment (total)
Kerala	81.22	85.43	92.20	82.00	78.95
Orissa	88.18	93.51	89.58	92.01	77.05
India	79.30	91.07	83.58	86.46	86.24

Source: Handbook of educational & allied statistics, Ministry of Education, Govt. of India, 1983.

other statistical indicators. Some of the important reasons lie in the facilities provided in the school. Table 17 shows that in Kerala 59% of the primary schools had library facilities while in Orissa only 9% had got the same facility in 1978. As against these the all India percentage was 29.5. At the same time, the number of single teacher primary schools as a percentage of total was 0.4% in 1978 for Kerala while

Table 17: No. of schools with Library facilities - 1978

State	Total	Primary Schools with Library	Total	Middle Schools with Library
Kerala	6033	3579(56.3)	3686	3083(83.6)
Orissa	32103	2916(9.1)	6507	5183(79.7)
India	474636	139986(29.5)	112404	83743(74.5)

Source: Handbook of educational & allied statistics, Ministry of Education, Govt. of India, 1983.

for Orissa it was as much as 45.8% (Table 18). In Kerala in 1978-79, 55% of the primary school and 32% of the middle schools were functioning in open space or kuchha buildings while for Orissa the percentage was 77% and 63% respectively (Table 19). The survival rate of students in both the states (Table 20) make it clear that as a result of the poor facilities for elementary education cited above, only 20% in Orissa were retained upto class five in 1976-77 as against 94% in Kerala and 37% all over India. At the same time the survival rate was 49% for Kerala upto class eight while it was a meagre 16% for Orissa and 23% all over India. This massive drop-out is due to lack of proper educational facilities and other socio-economic factors in Orissa in contrast to Kerala.

Table 18: No. of single teacher Primary School to the total

State	Number	Percentage to the total
Kerala	24	0.4
Orissa	14698	45.8
India	164931	34.7

Source: Handbook of educational & allied statistics, Min. of Education, Govt. of India, 1983.

Table 19: Percentage of Schools functioning in open space, tents, thatched huts & kuchha buildings (1978-79)

State	Primary	Middle
Kerala	55	32
Orissa	77	63
India	53	29

Source: Handbook of educational & allied statistics, Min. of Education, Govt. of India, 1983.

Table 20: Survival Rate of Students (in %)

State	Upto Primary		Upto Elementary	
	1972-73 Class I	1976-77 Class V	1969-70 Class I	1976-77 Class VIII
Kerala	100	94	100	49
Orissa	100	20	100	16
India	100	37	100	23

Source: Handbook of educational & allied statistics, Min. of Education, Govt. of India, 1983.

Educational Expenditure in Kerala & Orissa:

Next we come to the financial indicators, i.e. the percentage of expenditure on education as against other sectors of the economy and the allocation of resources among different sub-sectors of education in both states.

Table 21 gives in the percentage of budgeted expenditure on education by education and other departments to total budget for Kerala, Orissa and India for the period 1968-69 to 1982-83. Regressing the percentage expenditures on education over the time, we will get a rough idea about the weightage given to education in these two states and India in general as compared to other sectors in the economy. The data in India here indicates the percentage of the grand total of all the states and Union territories. Following are the regression equations:

Kerala $Y_1 = 38.2-0.21\ T$

Orissa $Y_2 = 19.03+0.31\ T$

India $Y_3 = 23.00+0.17\ T$

Where Y_1, Y_2 and Y_3 represent the percentage expenditures and T the time respectively. We note that the percentage expenditure on education has declined in Kerala over time while it has increased in Orissa and India. By using F test we infer that

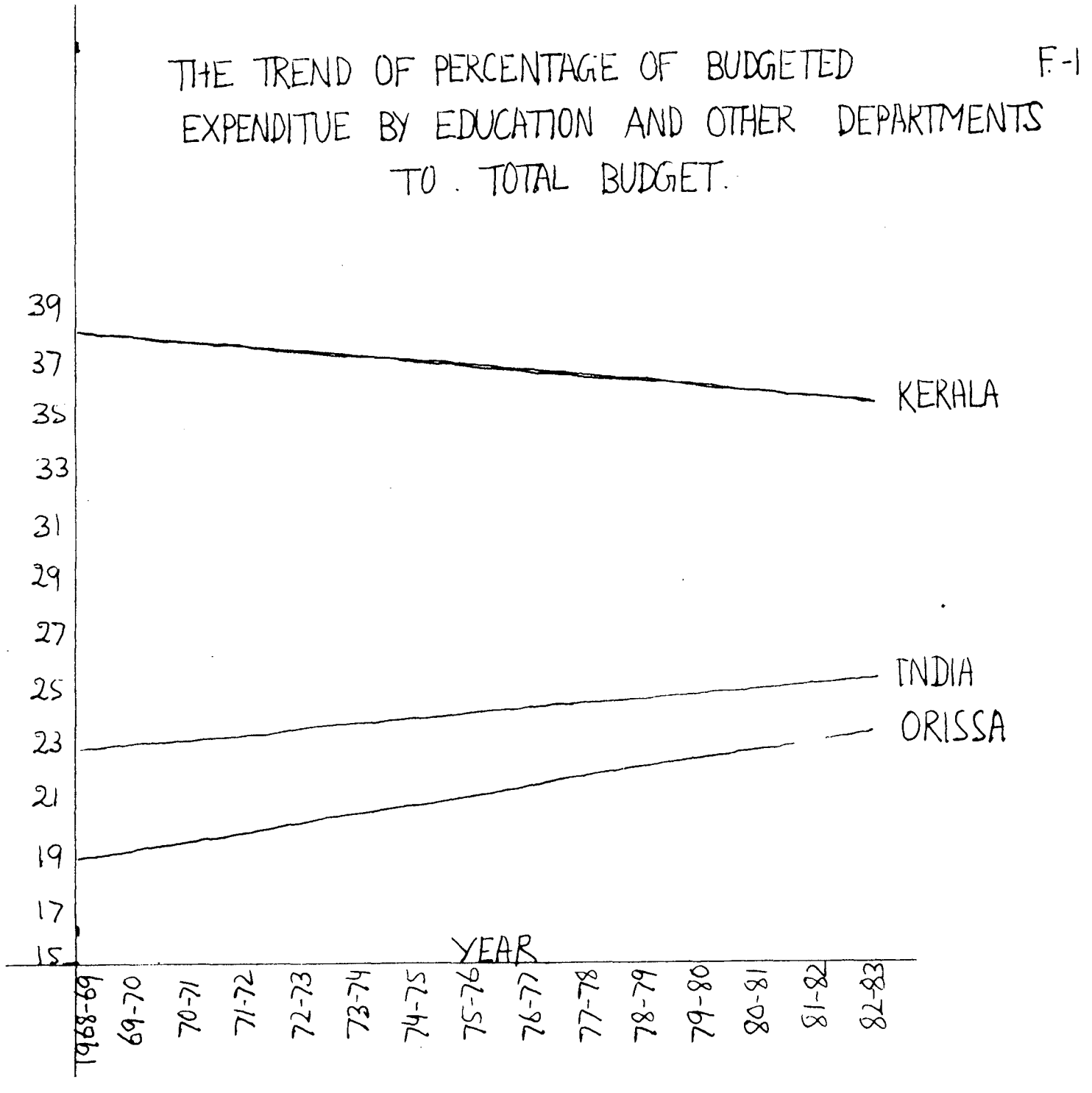
Table 21: Percentage of budgeted expenditure on education by education and other departments to total budget (Revenue Account) Actuals

Years	Kerala	Orissa	India
1968-69	38.4	16.9	27.2
69-70	39.6	19.1	22.8
70-71	39.7	20.4	23.4
71-72	38.4	18.4	22.2
72-73	38.1	18.4	22.7
73-74	38.0	19.4	22.9
74-75	39.1	23.7	26.5
75-76	39.7	24.0	25.8
76-77	40.3	24.3	25.5
77-78	38.7	23.9	26.7
78-79	39.6	22.0	25.7
79-80	35.0	22.7	24.9
80-81	35.5	22.8	24.1
81-82	35.3	22.7	22.8
82-83	37.8	19.0	24.7

Source: Budgeted expenditure on education Analysis of by Centre and States, Ministry of Education, Govt. of India, different years.

THE TREND OF PERCENTAGE OF BUDGETED EXPENDITUE BY EDUCATION AND OTHER DEPARTMENTS TO . TOTAL BUDGET.

F-1



the decline is significant for Kerala while the increase is significant for Orissa over time while that of India is an insignificant increase over time. We have plotted them in three separate lines (Fig.1) The following are the coefficient of determination and F values for the corresponding periods.

	b	R^2	F
Kerala	-0.21	0.24	5.4*
Orissa	0.31	0.25	5.7*
India	0.17	0.17	3.82

b = slope coefficient

* = significant at 5% level.

Considering the expenditure on different sub-sectors of education as a percentage of the total expenditure of education department, we shall examine the actual data from 1968-69 to 1982-83. We have taken Kerala, Orissa and India separately and shall try to regress the percentage expenditures over the time. Then the significance of the difference over time can be studied by the application of F test. Table 22 gives the percentage of budgeted expenditure on elementary education to total expenditure of education department. Table 23 gives the same data for higher education and Table 24 for technical education. These three important sub-sectors can be

Table 22: Budgeted expenditure on elementary education to total expenditure of education department (Revenue Account)

(in %)

Years	Kerala	Orissa	India
1968-69	61.4	43.7	45.2
69-70	59.8	41.4	46.2
70-71	58.2	40.5	44.9
71-72	57.8	42.4	44.7
72-73	58.4	42.5	47.7
73-74	55.9	39.2	47.2
74-75	57.7	44.5	49.5
75-76	57.2	42.7	49.6
76-77	57.4	41.1	48.8
77-78	56.9	39.2	48.6
78-79	56.9	39.7	48.1
79-80	55.3	38.5	47.0
80-81	54.5	42.1	48.5
81-82	53.8	41.3	46.5
82-83	53.3	41.6	48.2

Source: Budgeted expenditure on education by Centre and States - Govt. of India, Ministry of education (different years).

F.2

THE TREND OF PERCENTAGE SHARE OF ELEMENTARY EDUCATION TO TOTAL EXPENDITURE OF EDUCATION DEPARTMENT.

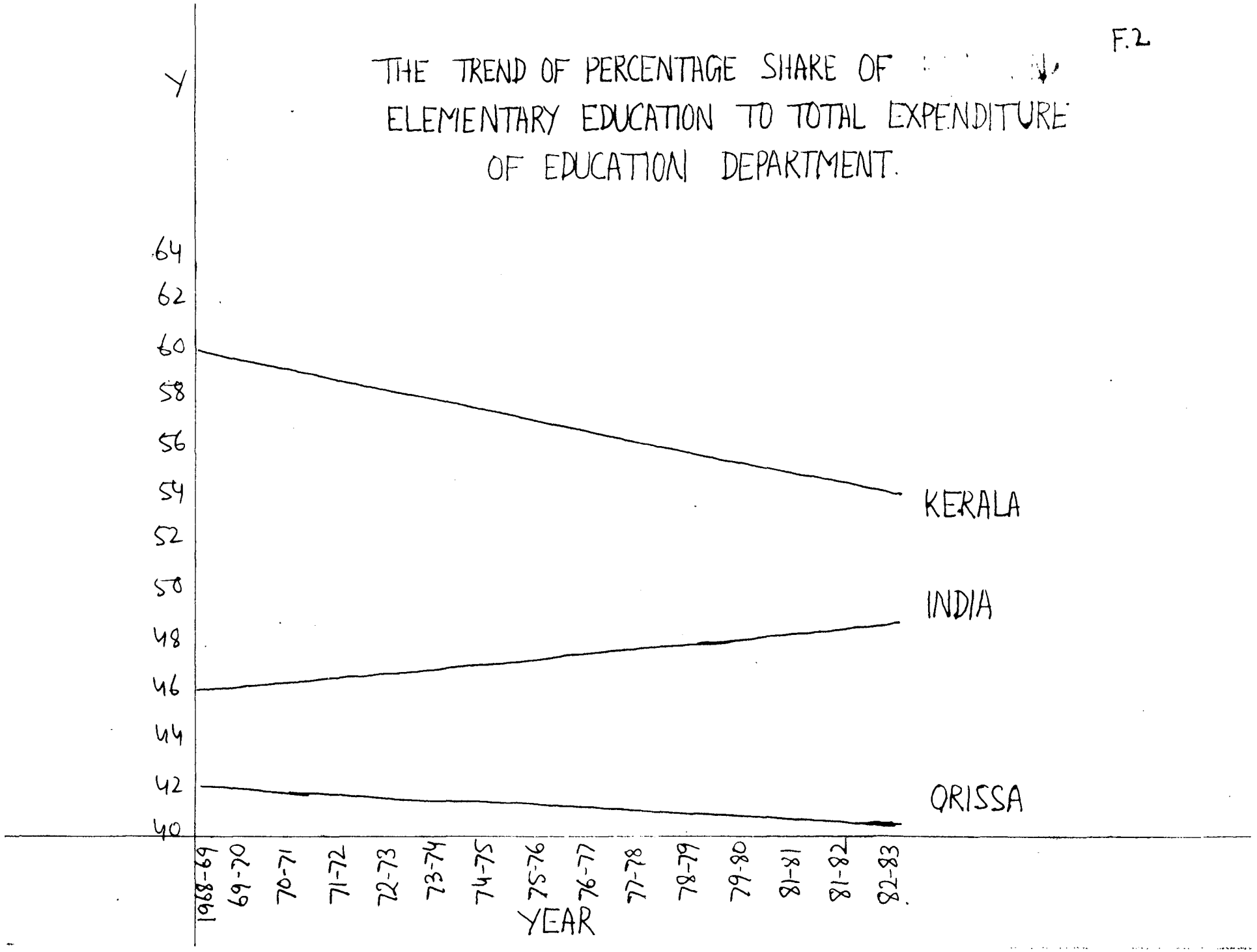
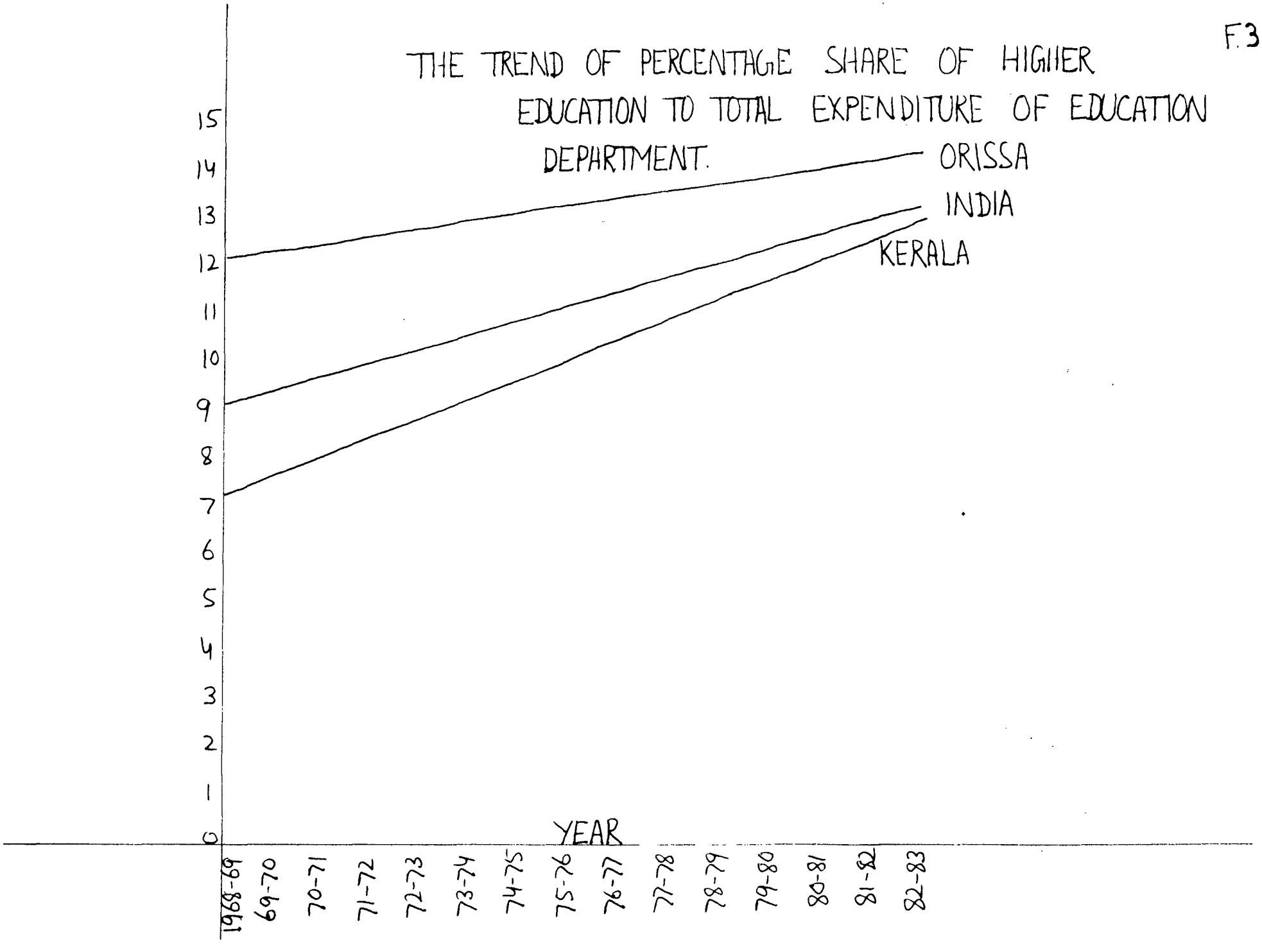


Table 23: Percentage of budgeted expenditure on University and other higher education to the total expenditure of education department (Revenue Account)

Years	Kerala	Orissa	India
1968-69	5.1	12.8	9.6
70-71	4.9	11.9	9.6
71-72	7.1	12.7	9.3
72-73	7.4	12.5	9.5
73-74	11.8	13.9	10.5
74-75	13.1	12.6	10.6
75-76	10.9	12.2	10.8
76-77	12.2	12.9	10.6
77-78	11.3	13.0	12.6
78-79	11.3	13.9	12.8
79-80	10.5	15.7	13.3
80-81	10.6	14.0	12.2
81-82	11.2	14.4	13.2
82-83	12.1	13.6	12.4

Source: Ibid.

F.3


THE TREND OF PERCENTAGE SHARE OF HIGHER EDUCATION TO TOTAL EXPENDITURE OF EDUCATION DEPARTMENT.
ORISSA
INDIA
KERALA
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14
13
12
11
10
9
8
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6
5
4
3
2
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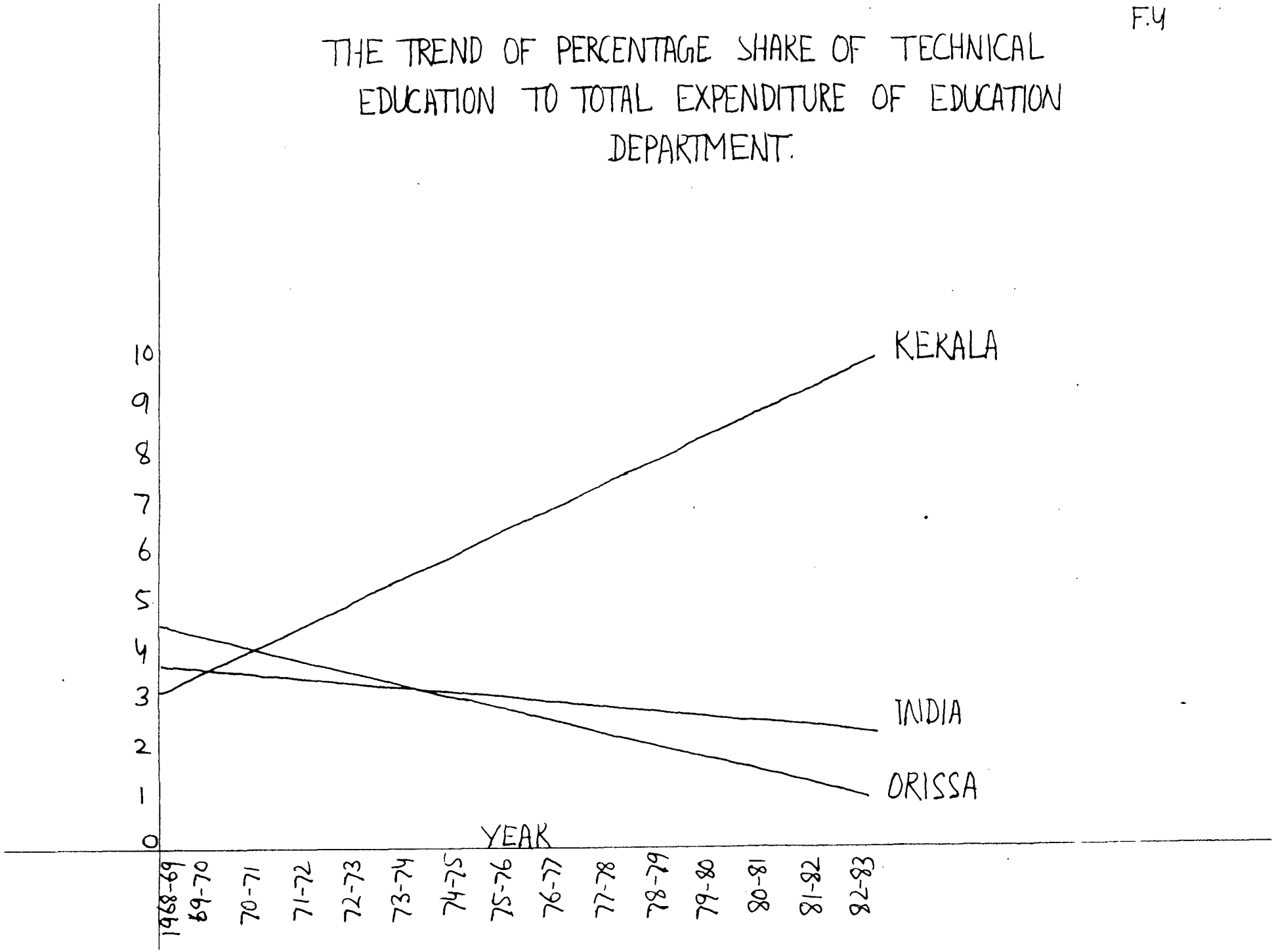
0
YEAR
1968-69
69-70
70-71
71-72
72-73
73-74
74-75
75-76
76-77
77-78
78-79
79-80
80-81
81-82
82-83

Table 24: Percentage of Budgeted expenditure on technical education to total expenditure of education department (Revenue Account)

Years	Kerala	Orissa	India
1968-69	2.9	5.2	3.5
69-70	4.0	5.2	3.8
70-71	3.8	5.1	3.8
71-72	2.8	4.0	3.6
72-73	2.8	2.8	3.4
73-74	2.8	2.7	3.3
74-75	3.2	2.0	2.9
75-76	3.5	2.0	2.9
76-77	3.6	1.7	2.9
77-78	4.0	1.7	2.9
78-79	4.0	1.8	2.9
79-80	4.2	1.9	3.0
80-81	3.3	1.5	2.2
81-82	4.0	1.9	2.7
82-83	3.5	2.4	2.6

Source: Ibid.

THE TREND OF PERCENTAGE SHARE OF TECHNICAL EDUCATION TO TOTAL EXPENDITURE OF EDUCATION DEPARTMENT.



studied to reach some broad conclusions. The linear regression equations we obtained for Kerala, Orissa and India for these three sub-sectors are as follows.

Elementary education:

Kerala	$Y_1 = 60.1-0.44\ T$
Orissa	$Y_2 = 42.22-0.12\ T$
India	$Y_3 = 46.05+0.19\ T.$

Higher education:

Kerala	$Y_4 = 7.27+0.4\ T$
Orissa	$Y_5 = 12.20+0.15\ T$
India	$Y_6 = 9.18+0.29\ T$

Technical education:

Kerala	$Y_7 = 3.15+0.49\ T$
Orissa	$Y_8 = 4.57-.25\ T$
India	$Y_9 = 3.73-0.91\ T$

The regression equations show that the percentage share of elementary education has declined in both Kerala and Orissa over the years while it had an increase in case of India. In case of higher education the percentage share has increased in all the three. Interestingly enough, the share of technical education has showed an increase over the years in Kerala, while that of Orissa and India declined. The linear trends

are plotted in three separate graphs. (FIG 2, FIG 3, FIG 4) The corresponding coefficient of determination, slope coefficients and F values are as follows.

	Elementary			Higher			Technical		
	b	R^2	F	b	R^2	F	b	R^2	F
Kerala	-0.44	0.81	62.56*	0.4	0.43	11.49*	0.05	0.13	3.03
Orissa	-0.12	0.04	1.52	0.15	0.37	9.19	-.25	0.66	28.02*
India	0.19	.23	5.12*	0.29	0.84	76.99	-0.09	0.78	49.98*

* significant at 5% level.

The estimates show that the decline in the share of elementary education in Kerala has been significant over the years while that in Orissa is insignificant. In India, however, there has been a significant increase in the share of elementary education. This shows a policy shift in Kerala as compared to Orissa, due to its wide base in elementary education. As obvious there has been a rise in the share of higher education in both Kerala and Orissa, as also in India. In congruence there is a rise in the share of technical education in Kerala over the years, while that of Orissa and India showed a significant fall. All these show a shift in emphasis from elementary education to higher education and technical education in Kerala over the years. Orissa, on the other hand, saw a fall in the share of elementary and technical

education both accompanied by an insignificant rise in the share of higher education. In India, the share of elementary and higher education has increased over the years but technical education suffered a relative neglect. The shift in emphasis in Kerala from elementary to higher or technical education may be justified with respect to its wide educational base, but the fall in the share of elementary education in Orissa followed by a rise in the share of higher education is highly deplorable.

When we consider the expenditures on different sub-sectors of education in absolute terms, however, the data show a different trend (Table 25). In this case expenditure on elementary education in Kerala has all along been more than that in Orissa over the fifteen years. In higher education also, except for the first year, i.e. 1968-69, expenditure in Kerala has been more than that of Orissa. The latter trend is explicable because a wide base in the Pyramid structure of education necessitates expenditure on higher education. But the less amount spent in Orissa on elementary education in absolute terms despite its low education base leaves many questions unanswered. As obvious, the expenditure on elementary education and higher

Table 25: Actual expenditure on education (Revenue Account)

Rs. Thousands

Years	Elementary			Higher			Technical		
	Kerala	Orissa	India	Kerala	Orissa	India	Kerala	Orissa	India
1968-69	286531	82141	2738379	23741	24104	579037	13342	9817	213418
69-70	328635	84556	3222815	27487	24298	667043	13242	10509	263341
70-71	350049	95041	3647643	42539	29825	771157	22636	12002	314892
71-72	377520	115403	4064882	48369	34188	876874	18289	10991	332014
72-73	411199	125856	4969430	83290	41088	1089110	19613	8405	355316
73-74	460422	136372	5650991	108038	43733	1273221	22883	9383	390349
74-75	595298	208283	7125403	112625	56890	1557419	33137	9293	418662
75-76	737038	250889	8350173	156880	76153	1788905	45179	11519	486827
76-77	809552	266850	8993995	162923	79982	2147629	50365	11063	542222
77-78	826146	280454	10218833	165044	93493	2645702	58237	12464	602222
78-79	826146	320113	11331377	165044	111723	3018057	58237	14896	670882
79-80	102231	333705	12517753	193786	136236	3542066	78417	16345	783872
80-81	1149380	446734	15283088	224200	148512	3848957	89048	19586	873417
81-82	1292122	467696	16501013	270683	163190	4681297	96169	21558	963692
82-83	1412468	566304	21491382	320165	184884	5543650	93002	32658	1169585

Source: "Analysis of budgeted expenditure on education by the Centre and States" - different years, Ministry of Education, Govt. of India.

education in absolute terms in India as a whole has increased over the fifteen years period.

Allocation and Actual Utilisation of Resources:

So far we were concerned with the expenditure on education at different levels of education. But as noted in chapter II there had always been a gap between the allocation and utilisation of resources. To study this specially in the states, we take the budgeted expenditure, revised expenditure and actual expenditure of Kerala, Orissa and India from 1968-69 to 1982-83. They are shown in three different tables. Table 26 gives the aforesaid data for elementary education, Table 27 for higher education and Table 28 for technical education. We have estimated the percentage of actual expenditure to the budget estimates and revised estimates for the corresponding years.

Table 26 shows that in case of elementary education, in eight out of the fifteen years considered, the utilisation of resources in Kerala has been less than the budget estimate. At the same time, in Orissa, in only three years the actual expenditure is less than budget estimate. But in India as a whole, almost every year the resources utilised are more than the initial budget estimate. Next we consider the actual expenditure as

Table 26: Elementary education: % of actual expenditure to Budget Estimate and Revised Estimate

Years	Kerala		Orissa		India	
	BE	RE	BE	RE	BE	RE
1968-69	108.7	100.8	120.5	103.2	114	101.4
69-70	103.8	101.6	101.8	100.1	103.8	99.2
70-71	104.1	102.8	107.4	99.3	109	103.9
71-72	98.4	101.9	109.7	98.2	108.2	101.8
72-73	100.7	99.4	104.5	96.2	115.4	107.5
73-74	99.4	102.2	108.4	97.0	109.8	96.1
74-75	114.5	100.1	127.9	96.1	107.3	101.6
75-76	105.1	98.9	121.6	108.1	109.4	101.0
76-77	98	100	110.5	108.7	103.8	97.5
77-78	96.4	96.9	99.8	94.1	105.1	98.5
78-79	89.21	89.96	96.64	96.47	103.27	100.54
79-80	95.1	103.91	91.19	85.68	100.1	98.39
80-81	107.14	96.96	106.54	103.1	110.45	102.15
81-82	96.79	96.09	100.86	100.86	103.23	-
82-83	96.39	97.7	104.73	98.07	111.06	99.13

Table 27: Higher education: % of actual expenditure to Budget Estimate and Revised Estimate

Years	Kerala		Orissa		India	
	BE	RE	BE	RE	BE	RE
1968-69	96.3	93.9	147.3	106.5	123.8	110.6
69-70	102.7	103.7	102	101.1	114.6	97.4
70-71	124.7	103.9	116.2	99.6	106.4	100.6
71-72	107.7	86.8	103.4	94.3	109.7	98.8
72-73	140.6	71.4	112.4	106.9	119.4	101.2
73-74	110	106.1	104.9	94.5	111.3	100.7
74-75	96.5	87.4	106.9	97	111	103.4
75-76	117.4	102.8	124.1	107.9	112.2	100.7
76-77	97.6	94.4	113.7	98.3	104.9	95.6
77-78	95.1	96.4	105.8	94.7	110.9	99.2
78-79	92.7	90.3	110.06	110.83	104.61	95.96
79-80	98.32	106.1	116.19	109.97	105.64	98.52
80-81	113.75	99	111.87	110.44	102.7	92.72
81-82	105.39	92.83	107.7	107.7	106.78	94.45
82-83	103.9	98.17	101.68	91.32	104.85	92.92

Table 28: Technical education: % of actual expenditure to Budget Estimate and Revised Estimate

Years	Kerala		Orissa		India	
	BE	RE	BE	RE	BE	RE
1968-69	57.7	95	88.6	-	90.9	101.6
69-70	87.5	85.5	-	87	98.1	94.6
70-71	123	94.5	64	69.8	99.3	98.3
71-72	59.7	68.9	45.4	45.4	94.5	93.7
72-73	64.7	82.9	29.2	28.6	94.6	90.4
73-74	82.6	95.8	58.3	93.9	94.5	97.3
74-75	104.8	93.7	96.9	94.0	96.6	97.1
75-76	109.4	104.6	113.6	98.1	101.4	98.4
76-77	99.2	97.7	97.9	98.0	100.4	98.4
77-78	93	95.6	107.2	96.7	98.6	96.2
78-79	86.05	87.1	116.26	116.26	100.36	95.23
79-80	100.78	117.28	99.43	88.85	100.31	97.7
80-81	114.45	100.67	101.75	98.37	101.43	96.76
81-82	102.2	96.6	110.5	108.6	100.1	95.96
82-83	88.63	88.21	129.9	95	106.38	96.82

compared to revised estimates. In this case also, in seven years out of the fifteen years considered, the actual utilisation is less than the revised estimate in Kerala. On the other hand, in nine out of the fifteen years taken for Orissa, the actual utilisation has been less than the revised estimate. Similarly, in India the actual expenditure as compared to revised estimate has been less in nearly seven out of the fifteen years considered. Thus, in case of elementary education, the resources have not been fully utilised or rather diverted to other sectors in Kerala when we compare budget estimate and actual expenditure. But comparing the revised estimate and actual expenditure we obtain the same result for both Kerala and Orissa as well as India as a whole.

Next we take into account the finances of higher education (Table 27). Taking actual expenditure as compared to budget estimate, in six out of the fifteen years taken, the utilisation was less than initial allocation in budget. However, in Orissa and India, the actual utilisation was more than budget estimate for higher education in all the fifteen years. It is an important point to be noted. Comparing revised estimate and actual expenditure, we see that in ten

out of fifteen years taken, the resources used were less than initial allocation in Kerala while in only seven years in Orissa and nine years in India the same thing happened. This only shows a preference laid on higher education in the latter two cases.

The situation is somewhat different in case of technical education (Table 28). In nine out of fifteen years taken, the actual expenditure was less than budget estimate in Kerala and Orissa while the same thing happened for eight years all over India. Comparing revised estimate to actual expenditure we see that in as many as twelve, thirteen and fourteen years of the fifteen years taken, the utilisation was less than allocation in Kerala, Orissa and India respectively. Thus it shows less emphasis on technical education in all the three.

Thus we end up with the fact that resources utilised were less than allocation for all the three sectors of education in Kerala. But in case of Orissa and India, resources utilised were more than allocation in elementary and higher education, significantly in the latter. This shows that resources are diverted from education to other sectors of the economy in Kerala, while in Orissa and India as a whole the intra-sectoral diversion towards higher education.

To conclude, it may be stated that there has been a significant decline in the share of education in the total budget in Kerala as compared to other sectors while in Orissa there has been a significant increase over the last fifteen years (1968-83). Coming to intra-sectoral allocations, there was a fall in the share of elementary education in both Kerala and Orissa over the years, but although they were matched by significant increase in the share of technical and higher education in Kerala, this did not happen in Orissa. Rather there was a significant fall in the technical education's share in Orissa over the years. Similarly, the absolute expenditure on elementary and higher education in Kerala over these years has been more than that in Orissa all along. Thus Kerala is ahead of Orissa in its expenditure on education in absolute terms although there has been a shift in relative emphasis. Lastly, on the question of resource allocation and utilisation, we find that resources are diverted from education to other sectors of the economy in Kerala while in Orissa and India as a whole resources utilised were more than allocation in elementary and higher education, significantly on the latter. We will discuss the underlying political economy in the next chapter.

CHAPTER IV

THE POLITICAL ECONOMY OF EDUCATIONAL FINANCES

Financing of education in underdeveloped countries reflects the political and economic decisions about growth and distribution and a commitment to equality and equality in education. This is what we mean the political economy of financing education.[1] The financial implication of the dynamics of educational expansion lies much more in the politics of educational expansion than in education's direct economic effects. Thus the economic effects of educational expansion cannot be isolated from the dominant politics of a society, developed or underdeveloped. We shall try to visualise this in a world perspective and then the case of India as an underdeveloped economy and its constituent states particularly those we studied in the preceding chapter.

At the outset, we can look into the allocation of resources for education by both industrialised and

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1. Martin Carnoy, Henry Levin and others, The Political Economy of Financing Education in developing countries, in Financing educational development: Proceedings of an International Seminar, IDRC, Ottawa, May, 1982.

underdeveloped countries. Of the 13 industrialised countries for which statistics are available, nine reduced the proportion of the national budget allocated to education between 1970 and 1978-79.[2] Between 1970 and 1977-78, the proportion of total public budget allocated to education did decline in the underdeveloped countries of Africa, Asia and Latin America by an average of 0.95 per centage points (from 16.12% to 15.17%) which was slightly less than the decline in industrialised countries of 1.18 percentage points (from 14.31% to 13.13%). This is the trend if we take the percentage of allocation in the national budgets. If we consider the expenditure on education as a proportion of gross national product,[3] we find that it is 5.8% for the world as a whole. For Europe and America the proportion is 5.6% and 6.4% respectively while for Asia and Africa they are respectively 5.1% and 4.9%. Thus for the developed countries in general the proportion is 6.2% while that for underdeveloped countries is 4.3%. As against these, the proportion for India is only 3.2%. Therefore, we infer that the share of education in the national budget across

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2. The Unesco Statistical Yearbook, 1981.

3. The Unesco Statistical Yearbook, 1984.

the countries has shown a decline over the years. However, the expenditure on education as a percentage of GNP is less in the underdeveloped countries as compared to developed countries and the situation is even more dismal in case of India.

This fall in the share of education is attributed to the introduction of hard monetarist philosophy in the financing of education in many developed as well as underdeveloped countries. This philosophy is manifested in supporting the transfer of more costs to private individuals. However, this is in contrast with other underdeveloped economies where the ruling class is compelled to grant more subsidies to education catering to the needs of the politically vocal groups. Therefore finances in those countries depend on the composition of the society and the demand of different social strata according to their political strength. As for example, social class and schooling relationship is stronger in Latin America than in the United States and Sweden.[4] It follows that where societies are more class-stratified, schooling and class will be more significantly related. For example, we can also take the grammar schools of England and

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4. Carnoy, Levin & others, op. cit.

the equivalent government schools in the United States. To get into the former, the students have to pass an entrance test which suits the children from the higher strata of the society. On the other hand all children irrespective of their background get admission into equivalent schools in United States for the open door policy planned by them. The former may be thus called a kind of "sponsored mobility" while the latter a "contest mobility".[5] England has an age old elite base sponsoring mobility to certain group of children who can maintain the status quo. This is absent in United States where the society is more democratic in nature.

This point can be further elucidated if we observe the financing of education at different levels, e.g. elementary and higher, in both underdeveloped as well as developed countries. A feature of educational growth is the imbalances in investment of different levels across different countries. In the sub-Saharan Africa, unit cost in higher education are upto 100

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5. Turner, R.H., "Modes of Social Ascent through Education, sponsored and contest mobility" in Halsey, Floud & Anderson (eds.), Education, economy and society, Glenco, III: Free Press, 1961, pp.121-39.

times greater than in elementary education. In Latin America, and South and East Asia, this ratio is of the order of 8-10:1.[6] 41% of total expenditure on education was on primary, 27% on secondary and 31% on higher education in underdeveloped countries in 1975, although enrolment in primary schools in many countries was substantially short of universal primary education levels and the average enrolment ratio was less than 5%. Table 29 gives the number enrolled as a percentage of age group in different countries.

Table 29: No. enrolled as a percentage of age group

Low Income countries	Primary	Higher
Bangladesh	81	2
Sri Lanka	86	1
Indonesia	86	2
Undeveloped	77	4
Developed	98	36
India	80	6

Source: The IBRD World Development Report, 1980.

6. The IBRD World Report, 1980.

The above table shows that in India, the enrolment in the primary education to the corresponding age group is the lowest among other low income countries while that in the higher education is the highest. This is despite the fact that studies[7] have shown that the economic pay-off of investment in education is substantially higher in the underdeveloped countries than in the highly industrialised ones and that the most profitable level of education in most countries is primary schooling, whereas higher education shows a much more modest rate of return particularly in the higher income countries. The study by Psacharopailo (1973)[8] has also obtained the following private and social rate of return in different levels of education.

	Private Rate	Social Rate
Primary	29.6	18.4
Secondary	18.5	15.2
Higher	22	12.4

This clearly shows that with respect to both private rate and social rate of return, primary

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7. Blaug, M., Introduction to the economics of education, 1972.

8. Psacharopailo, G., Returns of education, an international comparison, Amsterdam, Elsevier, 1973.

9. Ibid.

education is better placed than higher education[9]. Not only in terms of rate of return, but also in terms of the distribution of income, the relative emphasis on primary education has some merits. The study by Jallade[10] on Brazil shows that the way education is financed is much more crucial to the income distribution policy than the provision of income per se. Education that is financed through progressive taxation has greater impact on post tax income distribution than regressively financed education. On the other hand, the equalising effects that do occur take place through expenditure in primary schooling that reaches the lowest income group in the population. Thus investing in primary education and financing it through progressive income taxation would have the greatest impact on equitable distribution. Therefore Jallade pleads for a progressive tax and taxing individual recipients of higher education. But as it is evident in case of India, the whole tax structure is regressive, the primary emphasis is being on the indirect tax and higher education is highly subsidised instead of being costly.

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10. Jallade, J.P., World Bank Staff Working Papers, 1974, 1976, 1979.

Our stand in this connection is also empirically proved in case of Brazil.[11] Fishlow had established in 1973 that educational investment pattern that places

> ... relative emphasis on higher education in a society where most children receive only primary schooling will apparently contribute to greater earning inequality when those children enter the labour force. As noted in the Brazilian case, some of this effect can only be offset by reducing the expenditure per student at the university level relative to secondary and primary schooling. No underdeveloped country has a ruling class strong enough to take this radical step.

To give a tentative model explaining all these for both underdeveloped and developed countries is difficult. But as we have suggested earlier, the composition of the society in terms of political influence plays a vital role. As there is a sponsored mobility in England where an old entrenched bourgeoisie favours higher education, so also a highly divided society of India or that of Latin America plays a prominent role. Political pressure for expanded

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11. Fishlow (1973), Brazilian Income Size distribution, Univ. of California as quoted in Carnoy, op. cit.

university relative to lower schooling levels may reflect the more generalised political power of middle class professionals and white collar constituencies relative to urban industrial workers, marginal population and the peasants. It may also reflect the pressure by multi-national corporations, the government bureaucracy and national heavy industry for better educated labour and the greater premium those sectors place on higher education in relatively high paid jobs requiring university graduates.

Thus when there is a fall in the public spending, the axe usually falls on the area of the budget that are seen to be most politically expendable, and in many countries these are likely to include basic and primary education, rural education programme, non-formal and adult education.[12] Core sectors closest to the hearts of the urban elite are less likely to suffer, e.g. secondary and tertiary provision in high cost institutions, although they may not represent the most effective use of available

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12. K. Lewin, Angela Little and Christopher Calclough, Adjusting to the 1980: Taking stock of educational expenditure, in Financing educational development: Proceedings of an International Seminar, IDRC, OHawa, May 1982.

resources. It may be noted that in recent times the cost of expansion of tertiary education in almost all countries, developed and undeveloped has hindered the growth of primary or basic education. Moreover, the expenditure in case of higher education is much more sticky which cannot be rapidly reduced. Here salary constitutes the major chunk of recurrent cost of state subsidy and the political economy operates through the link of senior government officials with higher education and teacher unions. Therefore when the ruling class wants to increase the expenditure on defence for a speculative balance of power or for law and order reasons, the axe falls on the basic education sector whose recipients are less politically vocal.

In this connection, the role of the international donor agencies may also be cited. They have had a significant influence on promoting educational spending in last two decades. Although some underdeveloped countries no longer have the colonial legacy in the financing of education, the neo-colonial exploitation through international agencies still continue. Obviously enough, technical and management institutions producing graduates suitable for the development in the developed countries are patronised. Thus

international capital, in collaboration with the monopoly capital in the developing countries, exploit the manpower resources of the latter through higher education, to the utter neglect of primary/basic education.

Increasing allocation of resources to higher education is not an unhealthy trend if (a) in the initial period educational expansion has taken place sufficiently at lower levels, (b) the economy is facing acute shortage of qualified manpower and (c) it is not at the expense of education at the lower levels.[13] Coming to the case of India in particular, none of these arguments holds good. First, the base of our educational pyramid is not adequately broad since two-thirds of the population is still illiterate. Secondly, we face unemployment of the educated in a large scale. Thirdly, increasing allocation of resources for higher education resulted in a reduction of resources for primary education. This distorted pattern of resource allocation has other socio-political implication also. Our experience in India is that

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13. Tilak & Varghese, Resources for education in India, NIEPA, 1983 (Mimeo.).

students to higher education are heavily drawn from the better socio-economic backgrounds and that for the lower levels belong to lower income groups. Moreover, sons and daughters from higher social classes in India study in field such as medicine and engineering that are costly and characterised by low unemployment rates, whereas lower social class youths tend to take arts degrees.[14] This has two implications. It enriches the richer sections by transferring the resources in favour of them. Secondly, it restricts the entry of the masses to the formal education system since higher education system is expanding at the cost of lower education sector. Thus the colonial legacy still continues and the real political framework of democracy becomes meaningless with the mass of the people still kept in a state of 'blissful ignorance'.

There have been some attempts in India to explain the dynamics of the educational expansion in terms of the socio-political forces. In a manner Mitra[15] explains the class relation in a agro-based

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14. Dhar & Illchman, Education & employment in India, Calcutta: South Asia Books, 1976.

15. Mitra, A., Terms of Trade and Class Relations, 1977.

economy to appropriate surplus, Kamat[16] mentions a coalition between common elites and super elites in India to consume educational resources. For Mitra, the terms of trade in recent year had gone in favour of agriculture by the political influence of the coalition between rural oligarchy and urban bourgeoisie. In the same spirit, Kamat feels that the whole educational finance system is based on the interest of the elites of the cities demanding education in IITs, IIMs or abroad and the common elites of the urban or semi-urban areas, trying to attain some degree of social mobility through higher education. The former are the super elites of the cities who have their entrenched base since the colonial regime. The latter are the petty bourgeoisie of the rural or semi-urban areas who have got access to political power in recent times by giving away votes. They constitute the small scale traders, rich peasantry and millions of salariates in the Government services. They rightly manifest themselves as a strong political force in the post colonial era, which Kalec ki[17] would have called

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16. Kamat, A.R., Education and Social Change in India, Bombay: Somaiya Publication, 1985.

17. Kalecki, Selected essays on the dynamics of the Capitalist economy (1933-70), 1971.

the phase of the 'intermediate regime' when the petty bourgeoisie becomes most powerful. Now the similarity of interest between these two political groups is obviously impossible and they experience several conflicts. However, it is a "resentful reconcilement" between the two, which snatch away a major chunk from educational resources.[18] The consequent sufferers are the millions of semi-literates and illiterates of socially disadvantaged groups who are not politicallyvocal and are denied the fundamental right of basic elementary education.

Another important development that has taken place in recent years is the division of the super elites into two political factions, namely, the old bourgeoisie and the new emerging monopoly bourgeoisie.[19] The latter group has greater access to the new youthful Central leadership. The modernisation of educational techniques and the computerisation of courses, the introduction of new management and technical syllabi are the result of their

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18. Kamat, A.R. op. cit.

19. Patnaik, P., "The Political economy of Liberalisation", Mainstream, 21 September 1985.

efforts. At a time when the internal monopoly capital is looking for export markets through the policy of trade liberalisation, it also needs sophisticated manpower resources to further its interests. Therefore it tries to capture the sphere of higher education as well.

The whole educational finance system in India, as we see it today, is the result of the conflict between all these diverse forces. The educational budget becomes an arena of class struggle and the state becoming a pawn in the hands of warring political groups. As a result of these we see the declining share of elementary education and increase in that of higher education, fall in the plan expenditure on education and rise in its non-plan expenditure, increasing share of state in educational finance and Central Government identifying itself only with higher education though education as a whole is in the concurrent list.

In the great majority of the countries educational growth has been heavily financed at all levels by the state. Even in those countries where community resources have been mobilised, e.g. Kenya, the recurrent list is usually met by Government. But

in case of India the student fees hardly account for one-eighth of the direct expenditure.[20] This amounts to an in-built subsidy particularly at the secondary and higher education stages which is given indiscriminately to all students irrespective of their economic positions. At a time when private contribution are declining over the years, this means only a greater burden to the state exchequer to satiate certain interest groups.

Moreover, the constitutional responsibility for providing free and compulsory education in India devolves both on the Central and the State governments. In a system of federal finance both are equally responsible in universalising elementary education. Due to certain inscrutable reasons, the responsibility of the Central Government came to be identified with higher education and research while that of the states with basic/elementary education. This position has remained unchanged in spite of the constitutional amendment to bring education into the concurrent list. This shows the internal

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20. Azad, J.L., Alternatives in financing education in India, J.P. Naik National Seminar, 1984-85, Mimeo.

contradiction in the functioning of the educational finance system and its operators. As a result of all these, the whole political framework of a democracy, operating mostly through socialist rhetoric, continue an inequitable and inefficient educational finance system resulting in mass illiteracy side by side with a few privileged groups attaining higher and higher degree of social mobility through higher education in an underdeveloped economy, that is India.

CONCLUSION

The analysis of the financing of elementary education in the larger context of the political economy has brought to focus certain facts of great importance to policy makers. This study began with an indepth analysis of educational finances in India during pre-Independence and post-Independence period. The important achievement of the British period in this respect was the legislative provision for the appropriation of state revenues in financing education. Education no longer remained at the sweet will of the rulers in the princely states or the charity of the religious institution. The British Government could also develop a graded system (primary, secondary and higher) in the direct expenditure on education. However, its achievement came to a standstill at that point. Although it submitted to the popular demand for free and compulsory elementary education, the proportional expenditure on it was always less than the continued cost of higher and secondary education.

The post-independence period in educational finance began with much promises and expectations. Education was the sole responsibility of the state

which evinced keen interest in reconstructing and expanding various sectors of education in initiating new programmes. The Government has emerged over the years as the largest contributor to School and College finances. The resource flow from local bodies, student fees and private beneficiaries have declined markedly. When the flow of resources to different sub-sectors of education from different sources is considered, it is found that a large part of the cost per pupil is met by state governments. While at every level of education the contribution of state government is the highest, it declines at rising levels of education. The share of the Central Government is less at lower levels of education, than at higher levels of education. In other words the Central government feels less responsible for lower levels of education than for higher education, which is quite unfortunate given our Constitutional directive to the Central Government to universalise elementary education.

What is warranted for the continuation of a federal framework is, therefore, a major role to be played by the central government in the financing of elementary education. In the present state of the economy, it is difficult to expect the state

governments to go on increasing their contributions indefinitely. Free and compulsory education for children till the age of fourteen should be largely shouldered by the Central Government. The consequent shortage of resources for higher education can be compensated by raising the level of fees so that the fee component contributes at least 33% of total recurring costs in colleges of general education and 50% in agricultural, technical, medical, engineering and professional colleges. While fees should be raised to mobilise resources, it should be accompanied by the required subsidy to continue the flow of talented students from economically and socially backward classes to institutions of higher learning.

As mentioned earlier the private benefactions to education are waning out over the years. Resources should be raised by mobilising donations, asking beneficiary communities to maintain school buildings and supply of some consumables. To be specific, the beneficiary groups of the products of technical and professional institutions are the industrialists and businessmen. Fiscal measures will have to be designed to cajole them to contribute towards the total cost of running these institutions. Moreover, an educational cess can be imposed on lawyers, doctors,

chartered accountants, journalists, consultants and other professionals because they are also the beneficiaries of higher education. These are only to reduce the burden of higher education on the government which, in turn, would divert its attention towards elementary education.

This study also reiterates the earlier findings that non-plan expenditure constitutes nearly four-fifths of the total expenditure on education leaving a mere one-fifth to be spent on plan sub-heads. However, plan and non-plan expenditure, whether taken individually or taken together, show a lopsided emphasis on higher education to the utter neglect of elementary education. In this context it is important to ask questions such as, what is the mechanism of allocation of plan resources for education and what is the rationale behind such drastic cut in the outlays for education when the inflationary trends are on. More important is the fact that not only the pattern of allocation of resources discriminated against lower levels of education, but also lower level of education suffer the most whenever the resources were to be axed. Whether considered in terms of the five year plans of year to year budgets of the states and union territories,

this trend is quite clear.

This study has taken into account the financing of elementary education in Kerala and Orissa to analyse the educational finance mechanism in the states on comparing the physical indicators of education, it was found that Orissa is better off than Kerala in terms of parameters like number of educational institution, teacher-pupil ratio, percentage of institutions in rural areas etc. But taking into account the actual educational facility in the form of buildings or adequate library provisions, Orissa lags behind Kerala. Perhaps that partially explains the disparity in the survival rate of students and hence the literacy level between the two states. This study has also taken the financial indicators in education to examine this disparity between both the states.

The study of the budget expenditure on education over the time period 1968-83 in the states of Kerala and Orissa side by side with that of India, taken as the aggregate of the expenditures in all the states and union territories, has yielded some interesting results. The share of education as compared to other sectors has increased in the budgets over the years in

Orissa and India as a whole, while it showed a significant decline in Kerala.

This study also found that a significant fall in the share of elementary education in the budgets over the years is accompanied by a rise in the share of higher and technical education in Kerala. But in case of Orissa this was not so. Rather there was a significant fall in the share of technical education with a significant fall in the share of elementary education and insignificant rise in the share of higher education. This is despite the educational backwardness of the state.

Thus contrary to popular belief, not only the share of education in the annual budgets has gone down in Kerala, but also elementary education has got step-motherly treatment there. However this is what we obtain in percentage terms. In absolute expenditure, Kerala had spent more on elementary and higher education than Orissa all along. The decreasing share of elementary education and the increasing share of higher education is understood due to the wide educational base in Kerala and hence the higher demand for higher education. Orissa, on the other hand, began from a scratch and still spent less on elementary education.

This study also found that in Kerala whatever had been allocated to different subsectors of education were not fully utilised. This means a diversion of resources from all the sub-sectors of education to other sectors in the economy. on the other hand resources utilised were more than that initially allocated in elementary and higher education in Orissa as well as India as a whole. However, the utilisation has been significant in case of higher education rather than elementary education.

Thus it may be concluded that in percentage terms although the trend of intra-sectoral allocation of resources in education is more or less same in Kerala and Orissa, the latter has more efficiently utilised the allocated resources. The fact that the utilisation has been more significant in case of higher education rather than elementary education in Orissa as well as India as a whole can be understood in the larger political framework in which the financing system operates.

The supremacy of Kerala in the spread of education may, therefore, be attributed to the following reasons. It is noted earlier that the

princely states made elementary education compulsory in Kerala for nearly a century before independence. This age old wide base of education in Kerala encouraged investment in education in the individual domain,[1] i.e. by the households even of the governmental expenditure is inadequate. The bonanza in Kerala by the inflow of non-resident income from the gulf might have also played an important role in the household expenditure on education. The infrastructure of education in Kerala is therefore well equipped at lower levels with teachers, buildings and libraries etc. Above all, the expenditure on education in absolute terms is still more in Kerala at all the levels of education as compared to Orissa. On the other hand, the rising share of education in the annual budgets of Orissa over the years as well as the efficient utilisation of allocated resources over the years shows a positive performance of the ruling elites there. However, a delayed consciousness in this respect, the consequent shortage of

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1. The domain distinction argument in education is elaborately discussed in Majumdar, T., Investment in education and social choice, Cambridge University Press, 1983.

infrastructural facility and perhaps the lack of investment in the individual domain due to the economic backwardness of the people has left the state far behind Kerala in the spread and development of education.

Educational finance, therefore, is not independent of the complex social and economic forces operating in the economy and the political factors in a federal framework make it all the more complicated. Financing of elementary education in India, or for that matter any of its constituent states is to be understood, broadly, in terms of these parameters.

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