

STATUS OF SCHOOL EDUCATION FINANCING IN INDIA

India has the highest number of out-of-school children in the world, with over 60 million children lacking access to education.¹ Girls are disproportionately affected:



NEARLY
40%

of adolescent girls aged 15-18 are not attending any educational institution.²



30%

of girls from the poorest families have never set foot inside a classroom.³

The Right to Education (RTE) Act 2009 is a cornerstone of India's education system - setting out norms and standards for access to quality education. Yet more than 10 years on, the Act remains poorly implemented, with rates of compliance as low as 12.7% across India.⁴ Insufficient financing for education is a bottleneck to achieving its ambition to unlock the catalytic benefits of education.





THE OPPORTUNITY: BENEFITS OF INVESTING IN SCHOOL EDUCATION

Education is a fundamental right, which states have an obligation to protect, respect and fulfill. It is also one of the best investments to achieve economic growth, a healthier workforce, and peace and prosperity for India.



EMPOWERMENT

Research by the Centre for Budget and Policy Studies shows a strong correlation between public investment in education and child development and empowerment. States that spend more on education score higher on the Education and Empowerment Index.⁵



EMPLOYMENT

Education, particularly secondary education, is the most effective way for children to develop the skills needed for work and life. Quality education also helps counteract social factors that hinder women's labour market participation.

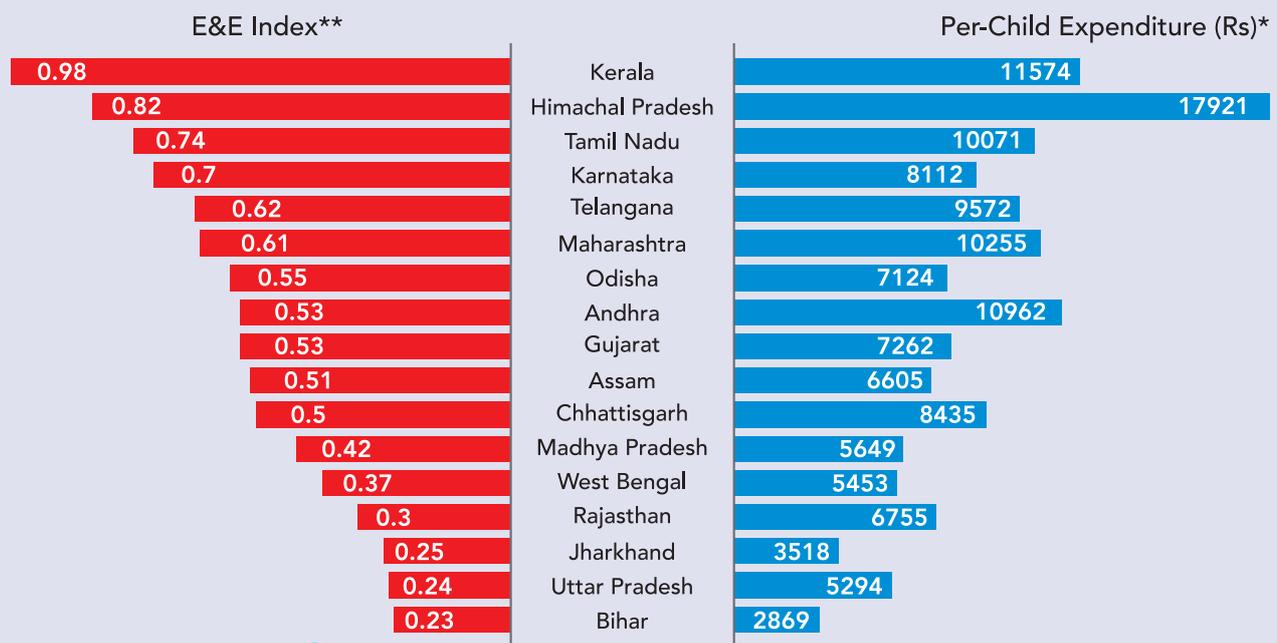


ECONOMIC GROWTH

Each additional year of schooling raises earnings by 8-10 percent% (with larger increases for women)⁶ - meaning that education not only helps to grow the economy but also fights poverty.⁷

Education & Empowerment Index & Per-Child Expenditure of Selected States

States that spent more on education scored higher on the empowerment Index



iS. IndiaSpend

Source: Centre for Budget and Policy Studies

*Education and Empowerment Index: computed using the indicators from NFHS 4 and NSSO 71st round.

**Per child expenditure: Average expenditure per child on school education for the period 2012-13 to 2018-19 (except the state of AP, Telangana and Uttar Pradesh for which data is for 4 years)

THE CHALLENGE: SCHOOL EDUCATION FINANCING IS TRENDING DOWNWARD

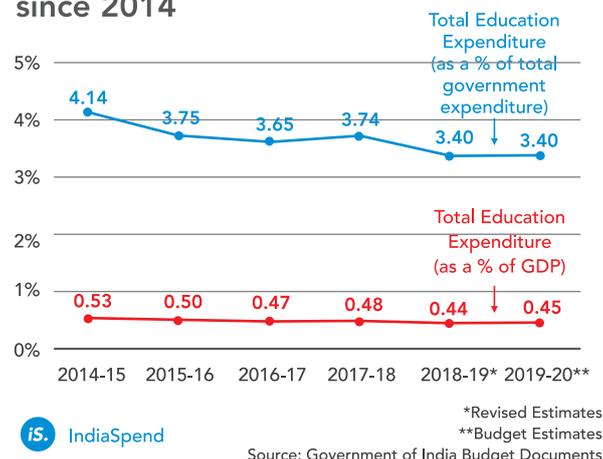
The National Education Policy commits to increasing spending on education from 10% of the government's total expenditure to 20% by 2030. This requires a significant turnaround from the country's historically low level of federal financing and allocation of resources to states.

1. GOVERNMENT SPENDING ON SCHOOL EDUCATION IS DECREASING IN REAL TERMS

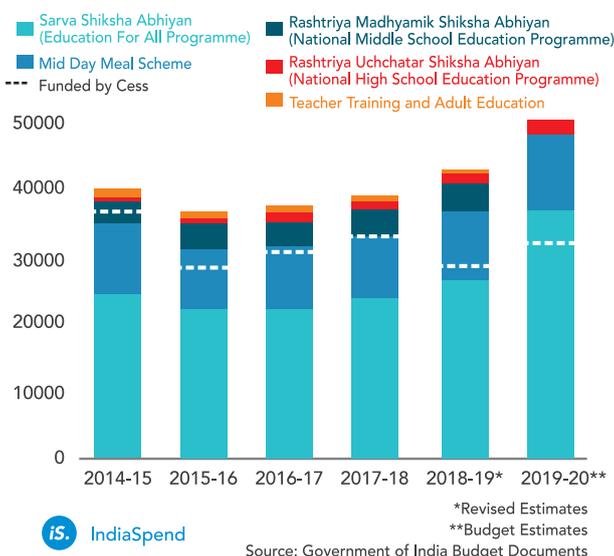
The share of the union budget allocated to education fell from 4.14% in 2014-15 to 3.40% in 2019-20.⁸ Government spending on education has also decreased in real terms (adjusting for inflation).

Estimated at 2011-12 prices, the absolute allocations to school education have also decreased in real terms from Rs 38,600 crore in 2014-15 to Rs 37,100 crore in 2018-19, while education for higher education has increased from Rs 19,500 crore in 2014-15 to Rs 24,800 crore in 2018-19.⁹ While school education expenditure should increase, it should increase for both and not at the expense of the other.

Share of School Education Declining since 2014



Expenditure on National Education Mission (Samagra Shiksha) & Funding by Cess (Rs Crore)



2. GOVERNMENT EDUCATION FUNDING IS OVERLY DEPENDENT ON THE EDUCATION CESS

Cess is an emergency and variable source of government funding meant to aid and cushion expenditure sourced from tax revenue/budgetary support.

Since 2015, with the decline of budgetary support for education expenditure, cess has funded 70% of the total education expenditure.¹⁰ This means that the emergency cess has become a regular way of funding education rather than funding it wholly through the government budget.

Cess can also be accessed by the union government alone, locking out state governments from accessing or scrutinising the spending of the fund.

3. STATES SPEND A HIGH PROPORTION OF THEIR BUDGET ON EDUCATION

State spending on education is disproportionately high, against union budget spending: between 75-80% derives from state budgets.¹¹ To expect states to increase their spending to meet the goal of spending 20% of the government budgets on education is unsustainable especially for states already struggling to accommodate needs of higher child populations.

State governments' share of the education budget has declined following the reduction of tied funds through centrally sponsored schemes, as recommended by the 14th Finance Commission. States alone cannot deal with the need for higher public expenditure required to meet the education ambition laid out in the National Education Policy - they need support from the central government.

RECOMMENDATIONS



SPEND MORE

- **Prepare a financial roadmap** for implementation of the RTE Act and the National Education Policy.
- **Front-load investment in the first few years of the National Education Policy** to address the historic downturn in spending. Budgeting in small incremental increases for education spend over 10 years is unlikely to address the immediate crisis in terms of quality and equity in education.
- **Increase the amount of grants given by the central government to centrally funded programmes**, such as Samagra Siksha, especially to poorer states with the lowest capacity to raise resources.



SPEND BETTER

- **Prioritise and increase investment in gender-transformative education methods** to improve girls' access to a free, safe and quality education. This means; ensuring the availability of more public secondary schools in all neighborhoods, increasing allocations to critical interventions like safety and security of girls, recruiting female teachers and providing gender-sensitisation training for teachers.
- **Prioritise investment to educationally lagging states** to fulfill the RTE mandate.
- **Reduce dependency on cess** and explore other sources for financing public education.
- **Allow states greater autonomy to plan and implement programmes** tailored to local needs and conditions without rigid restrictions.



SPEND TRANSPARENTLY

- **Bring tied grants, such as Samgra Shiksha, under greater public scrutiny**, by building internal systems to house progress reports, financial statements and budget documents.

This Brief has been prepared by the Centre for Budget and Policy Studies, and has emanated from their research on public expenditure on children in 16 states (supported by UNICEF) and also on the analysis of educational finances in six states (supported by the World Bank). This analysis has been used earlier for an article for the web magazine: India spend. The RTE Forum has supported the development of the "asks".

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