

## PUBLIC EXPENDITURE ON HIGHER EDUCATION IN INDIA

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### ABSTRACT

*The level of public expenditure on education is a measure of the government's commitment to education. Evaluating how governments in different countries invest in education provides an important context for examining how educational participation and outcomes vary between these countries. Investment in education is greatly influenced by supply and demand factors such as demographic structure, enrolment rates, income per capita and prices for educational resources. In order to meet the challenges of the 21st century and to acquire a competitive edge, the higher education system of India has to transform to make it more socially relevant, technology-oriented, diversified and of high quality. The skills and specialization of graduates produced by our system should match the real need of the productive sectors in the market place and the changing needs of our society. A crucial issue concerning higher education in India is related to its financing. The various sources of finance for higher education in India are government sector and non-governmental sector are finding it increasingly difficult to meet the growing financial requirement of the education sector.*

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### INTRODUCTION

An important division of budget in India is into Plan and Non-Plan accounts. There is no country in the world to make such a division. Briefly, plan expenditure refers to the amount spent on the recruitment of new staff, construction of universities and colleges etc. and non-plan expenditure is incurred on the maintenance of established infrastructure and committed expenditures. The central government supervises the formulation of and to a large extent implementation of the state plans.

On common observation in all the years is that the non-plan component is eight to ten times larger than the plan component, of which greater part goes to salary account. Both state governments fully finances central universities and gives plan grants to state universities, as well as state government and private colleges. Besides this, it also incurs expenditures on central government maintained colleges and schools (Kendriya Vidhyalaya). State government spend on state universities, state government colleges as well as private colleges.

Public expenditure on education is an important policy instrument for realizing the

education goals and for the development of education. Recognizing the contribution of education to economic development, and keeping in line with the human investment revolution in economic thought, the government of India for the first time accepted the concept 'investment' in education in its 1968 Policy and quantitatively fixed a target of six percent of national income to be invested on education from the public exchequer by 1986. The financing of higher education among the states in India differs widely. However, the major states in the North and particularly those that are educationally backward share almost similar characteristics.

The Central Government is responsible for arranging, allocating and distributing grants for the growth and maintenance of the Central Universities in India. The Central Universities are fully funded by the UGC and get both plan and non-plan grants through its allocation. In addition, grants through various programmes and schemes introduced during the plan periods are also provided to maintain and improve the standards in the Central Universities.

The University Grants Commission has been providing grants to Central and Deemed to

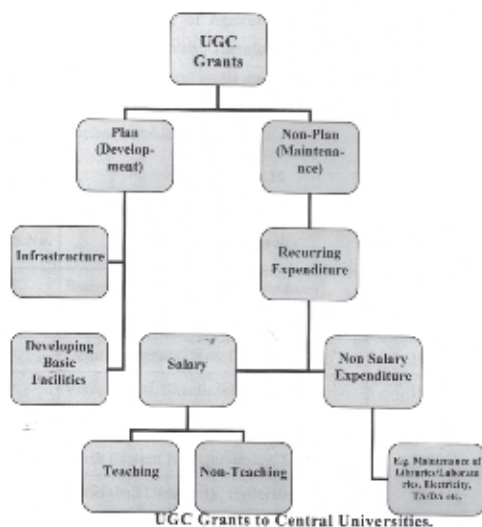
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be Universities, both under Plan (Development) and Non-Plan (Maintenance) Schemes/ Programmes while assistance to State Universities is being made available only under Plan (Development) Schemes/Programmes.

Under General Plan Development assistance, the UGC assists each eligible University for the overall development covering the aspects namely, enhancing access, ensuring equity, imparting relevant education, improving quality and excellence, making their University administration more effective, providing more Faculty Improvement Programmes, enhancing facilities for students, augmenting research facilities and any other plans of the University.

The UGC provides grants to the Central Universities for two purposes development (Plan) and maintenance (Non-Plan). The grants are thus called development grants and maintenance grants. The development grants are provided for the improvement of the infrastructure and basic facilities. The maintenance grant is provided on actual basis for meeting the recurring expenditure on salaries of teaching and non-teaching staff and for non-salary items. The components of non-salary items include maintenance of laboratories, libraries and building apart from the payments of taxes, electricity and telephone bills, payment of TA/DA etc.



### OBJECTIVES OF THE STUDY

India is a developing country and it requires resources for promoting economic growth and development. Education plays very important role in the development of the country. The present study aims to looking various aspects relevant to higher education in the following manner.

1. To review the trends in the expansion of higher education.
2. To analyze trends in public expenditure in higher education.
3. To study the other modes and financing higher education such as student loans and income contingent loan etc.

### COLLECTION OF DATA AND RESEARCH METHODOLOGY

The present research will be conducted on the basis on secondary data. Main sources of information for the present study are Annual Reports of the UGC and various publications of Ministry of Human Resource Development, Government of India. The Annual Budgets presented by Union Government also constituted the main source of information. State Budgets will also consulted for the purpose. The information from various Five Year Plans and Annual Plans, Plan reviews and evaluation and the findings of different Committee/sources will be consulted. Other relevant data will be obtained from National Institute of Public Finance and Policy (NIPEP), New Delhi.

### LIMITATIONS OF THE STUDY

- (1) Due to non-availability of relevant data a more detailed study of central government expenditure may not be conducted.
- (2) Discrepancy of data published in different sources can be posed a big hurdle in analysis of the same.

### COMPOSITION OF HIGHER EDUCATIONAL EXPENDITURE

Total amount of expenditure on higher education need to be examined in terms of its composition, i.e., the main heads of any government is to fully support entire education sector for its

infrastructure and recurring costs. Higher education requires larger amounts of funding not only to provide good knowledge but to give the country great architects of society also.

There are two kinds of grants for universities, institutions deemed to be universities and colleges, they are

(a) Development (Plan) Grants

(b) Maintenance (Non-Plan) Grants

Central universities and colleges affiliated to them and institutions deemed to be university receive both the plan and non-colleges receive only plan grants.

The objective of providing Plan assistance is not only to improve the infrastructure and basic facilities in the universities so excellence in those who are already ahead. These are not intended to supplement the requirements under maintenance grant.

The UGC provides Non-Plan assistance to universities to meet the recurring expenditure on salaries of non-teaching and teaching staff and for maintenance of laboratories, libraries, buildings, also for obligatory payments such as taxes, telephone bills, electricity and other purposes. Development assistance is utilized for consolidation of existing infrastructure and for modernizing teaching, research and administration and to meet the changing demands of the society.

The taxonomy of higher education expenditure in the state budget shows that the following are the main heads in which total higher education expenditure is divided.

Assistance to Universities includes budgetary provisions in the form of grants to universities. The University Grants Commission has been providing grants to Central and Deemed to be Universities both under Plan (Development) and Non-Plan (Maintenance) schemes/ programme while assistance to State Universities is being made available only under Plan (Development) Scheme/Programmes.

Government Colleges and Institution includes expenditure on government degree

colleges, establishment of new government degree college, strengthening and renovation and opening of new courses and subjects in government degree colleges.

UGC gives plan and non-plan grants to central universities and plan grants to state universities but these grants do not go to for funds, they go for university campus only. For affiliated colleges UGC gives separate grant. Therefore, for affiliated colleges to state universities, UGC provides maintenance grants.

Assistance to non-government colleges includes expenditure on maintenance and other grants to non-government degree colleges in the state. Other Expenditure items like training, inspection, text books, scholarships, special central assistance for Tribal Sub-Plan, Tribal areas sub plan etc.

#### **PUBLIC EXPENDITURE ON EDUCATION**

Public expenditure on education by central and state governments as percentage of GDP is shown in table.

**Table  
Public Expenditure on Education by  
Central and State Governments as  
Percentage of GDP**

<b>Year</b>	<b>Public Expenditure on Education as Percentage of GDP</b>
2000-01	3.9
2001-02	3.5
2002-03	3.5
2003-04	3.3
2004-05	3.1
2005-06	3.2
2006-07	3.4
2007-08	3.4

**Table  
Public Expenditure on Different Levels of  
education as a Proportion of GDP**

Public expenditure on higher education in India

Year	Level of Education			
	Elementary Education	Secondary Education	Higher Education	All the here combined
1981-82	1.1	1.8	0.4	2.3
1990-91	1.6	1.1	0.4	3.1
1999-2000	1.6	1.9	0.5	3.0
2001-02	1.7	1.0	0.4	3.1
2003-04	1.3	1.8	0.3	2.4
2004-05	1.4	1.8	0.3	2.5
2005-06	1.6	1.9	0.7	3.2
2006-07	1.7	1.9	0.7	3.3
2007-08	1.7	1.9	0.7	3.3

(US)

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