

Cess-driven Allocations for Education

There is nothing special in the union budget for the education sector, but for a noticeable increase in budgetary outlays for elementary education, possible because of the education cess. Adult as well as higher and technical education have not seen a significant increase in outlays; neither has any special scheme been proposed for any sector of education.

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The 2006-07 budget of the union government is important for two reasons: it is the second budget of the UPA government, and it is the budget that coincides with the last year of the Tenth Five-Year Plan. It had been hailed by many in the media as one that attaches high priority to education and health. One might look for three major aspects in the annual budget: allocations made, new schemes and programmes proposed and any special measures to mobilise resources. This short article examines these aspects and the importance accorded to education in the budget.

First, the allocations: Budgetary allocations to education show a significant increase, as figures in Table 1 reveal. Compared to the 2005-06 revised estimates, there is a 32 per cent increase in the total allocation to education. In the previous year, there was a 40 per cent increase over the actual expenditure in 2004-05. In absolute terms the increases in both years are more or less of similar magnitude. Obviously, the significant increases are confined to plan expenditure; the increase in non-plan expenditure is modest.

More importantly, there is also a noticeable increase in the percentage share of education in the total budget expenditure of the union government. It increased from 2.6 per cent in 2004-05 to 3.6 per cent in 2005-06, which is proposed to be increased

to 4.3 per cent. This is also true essentially with respect to plan expenditure.

The figures given in Table 1 refer to the expenditure incurred by or the outlays proposed for the departments of education (department of elementary education and literacy and department of secondary and higher education). There are also other

Table 1: Budget Allocations to Education

	Plan	Non-Plan	Total
	(in Rs crore)		
2004-05 Actual	10120	2978	13098
2005-06 Revised Est	15042	3295	18337
2006-07 Budget Est	20744	3371	24115
	Per Cent of Total Union Budget		
2004-05 Actual	7.65	0.81	2.63
2005-06 Revised Est	10.46	0.90	3.60
2006-07 Budget Est	12.01	0.86	4.28

Source: Budget documents.

Table 2: Expenditure on Education as Percentage of GDP

	Education Department+	All Departments
2000-01	3.17	4.33
2001-02	2.98	3.82
2002-03	2.95	3.97
2003-04	2.78	3.74*
2004-05+	2.87	3.49*
2005-06++	2.81	3.46**

Note: + Revised estimate; ++ budget estimate.
Source: Column 2 and * in column 3: *Economic Survey 2005-06*, p 205. (Ministry of Finance).

** Author's quick estimate adding other departments contribution (0.65 per cent GDP as in 2004-05).
Others in Col 3: *Selected Educational Statistics 2002-03* (MHRD).

departments such as the department of social welfare, which spend on education. Generally, these departments spend sizeable amounts: their spending formed 18 per cent of the total expenditure on education in 2004-05 (budget estimates). If such figures are also taken into consideration, it is likely that the total allocation to education (by education and other departments) in the union budget, will be above 5 per cent in 2006-07.

All these trends are welcome signs of increasing allocation to education. However, the increases in allocations to education fall short of expectations and needs by several degrees. It may be noted that the common minimum programme (CMP) of the UPA government promised to increase allocation to education to the level of 6 per cent of GDP. According to the *Economic Survey 2005-06*, the total expenditure on education by the union and the state governments forms only 2.8 per cent of GDP. It was 3.2 per cent in

2000-01 and steadily declined over the years. This is, in all likelihood, the expenditure incurred by the ministries/departments of education only. We also note that other departments spend considerable amounts on education, amounting to about one-fourth of the total. Thus the total expenditure on education constituted 3.5 per cent of GDP in 2004-05, a decline from 4.3 per cent in 2000-01, as shown in Table 2.

Thus, despite an increase in union government's allocation to education, the share of education in GDP is falling, making the goal of allocating 6 per cent farther and more difficult. While the overall decline in the percentage of GDP to education should be a matter of serious concern, that the ratio referring to the expenditure of the departments of education is also declining should cause more worry. After all, one would expect the departments of education to take the lead in this regard.

Not only in terms of percentage share in GDP, but also as a proportion of the government expenditure on all sectors, the share of education in 2005-06 was less than

the 2000-01 level. Similarly of the total social sector expenditure too, the share of education declined from 51 per cent in 2000-01 to 48 per cent in 2005-06.

All this shows that the relative priority attached to education in the GDP and also in the budgetary framework is not increasing; in fact, there has been a fall.

Within the education sector, between the two departments, viz, the department of elementary education and literacy and the department of secondary and higher education, the union government is paying relatively more attention to the former and is even ignoring secondary and more importantly higher education (Table 4). This has been the trend, particularly since the formulation of the *National Policy on Education (NPE) 1986*.

If we examine by levels of education in more detail, we note from Table 5 that: (i) Nearly 75 per cent of the union government's budget on education is allocated to elementary education. The increases in the budgetary outlays in the recent years have also been largely confined to elementary education.

(ii) Adult education receives a negligible share; and this has declined further. Even in absolute terms, it has come down from Rs 263 crore in 2005-06 (revised estimates) to Rs 214 crore in the 2006-07 budget.

(iii) The allocation to secondary education has also been reduced in relative proportions from 8.9 per cent of the total education outlay in 2005-06 to 7.6 per cent in 2006-07. The reduction can be noted both in plan and non-plan expenditures. In absolute terms the total allocation to secondary education increased barely by 13 per cent in nominal terms.

(iv) Similarly the relative share of higher education has also been reduced from 12.4 per cent to 11.5 per cent.

In elementary education, one-fourth of the budget allocation is meant for nutritional support, popularly known as the midday meal scheme. Most of the remaining amount is accounted by the Sarva Shiksha Abhiyan, the umbrella programme for universal elementary education. Noticeably, the allocation of Kasturba Gandhi Balika Vidyalaya scheme, launched in 2004 for improvement in girls education has been slashed from Rs 225 crore in 2005-06 to Rs 115 crore in 2006-07, though in fact a large number of schools are yet to be set up under this scheme, some schools have already been established under the scheme.

Table 3: Expenditure on Education as Percentage of Government's Expenditure on All Sectors and on Social Sectors

	Expenditure on All Sectors	Social Sectors
2000-01	22.3	51
2001-02	21.4	49
2002-03	20.6	50
2003-04	19.7	49
2004-05*	20.7	48
2005-06**	20.9	48

Notes: * Revised estimate; ** budget estimate.
Source: *Economic Survey 2005-06*, p 205.

Table 6: Revenues from Education Cess and Increase in Outlay for Elementary and Adult Education

	Education Cess	Increase in Outlay*
2005-06RE	7036	4594
2006-07BE	8746	4596

Note: * increase over the preceding year.

Table 4: Budget Allocations to Departments of Education

	2006-07BE			2005-06RE			2004-05 Actual		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
	(Rs in crore)								
Literacy and elementary	17128	5	17133	12532	5	12537	7939	4	7943
Secondary and higher	3616	3366	6982	2510	3290	5800	2181	2974	5155
Total	20744	3371	24115	15042	3295	18337	10120	2978	13098
	(Per cent of total)								
Literacy and elementary	9.92	0.00	3.04	8.72	0.00	2.46	6.00	0.00	1.60
Secondary and higher	2.09	0.86	1.24	1.75	0.90	1.14	1.65	0.81	1.04
Total	12.01	0.86	4.28	10.46	0.90	3.60	7.65	0.81	2.63

Table 5: Allocations to Various Levels of Education in the Union Budget
(In per cent)

	2005-06RE			2006-07BE		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Elementary	74.57	0.08	61.19	74.08	0.08	63.74
Adult	1.73	0.06	1.43	1.02	0.06	0.89
Secondary	5.05	26.22	8.85	4.63	26.02	7.62
University and higher	5.24	45.21	12.43	6.08	44.90	11.50
Technical	3.86	24.97	7.66	4.04	25.97	7.11
Total	100.00	100.00	100.00	100.00	100.00	100.00

Note: Total includes others, not listed here.

In the case of secondary education, navodaya vidyalayas and kendriya vidyalayas account for 87 per cent of the total allocation in the budget for secondary education, leaving very little amounts for other programmes. The only other programmes that received noticeable amounts in the budget include information and communications technology (ICT) and integrated education for disabled children.

More than 90 per cent of the budget of higher education goes to the University Grants Commission. The plan allocation for the Indira Gandhi National Open University (IGNOU) has been nearly doubled over the last year. Other institutions and programmes receive small amounts. There is no special focus on strengthening research activities. The grants to the Indian Council of Social Science Research (ICSSR) have not changed much over the years, as with bodies such as the Indian Council of Historical Research (ICHR) and the Indian Council of Philosophical Research, in spite of the government's laudable intentions of building a knowledge society. Building of knowledge societies requires strong and sustainable research efforts.

In case of technical education, the allocation to the All India Council for Technical Education (AICTE) marks a big jump from Rs 81 crore in 2005-06 to Rs 397 crore in 2006-07. Other than this, one does not find any major changes in allocations in technical education; several institutions and programmes continue to receive small amounts. Upgradation of the industrial training institutes (ITIs) is also being planned with contributions from private sector.

One would expect a significant increase in allocations to scholarships to promote equity in the system, which is deemed to be important in the present discourse on development. But allocations to the national scholarship scheme/scholarships for talented children from rural areas have not increased; in fact they have been marginally reduced from Rs 2.4 crore in 2005-06 to Rs 2.3 crore. The allocation to the national merit scholarships scheme has, however, been raised from Rs 7.9 crore to Rs 11.7 crore during this period. The government proposes a scheme to finance 20,000 merit-cum-means scholarships in higher education. The scheme is yet to be finalised; no funds are allocated in the budget. We need a large national programme of scholarships in higher education covering about one-third of our

student population to promote both equity and merit. After all, 20,000 scholarships mean less than 0.2 per cent of our students in higher education.

Share of Higher Education

Over the years, the relative share of higher education in the union government's allocation has been declining. While increased interest on the part of the union government in elementary education is welcome, the reduced interest in higher education should be a matter of serious concern. After all, according to constitutional provisions, the union government has a greater responsibility with respect to higher education. More than 80 per cent of the increase in allocation to education between 2005-06 and 2006-07 or between 2004-05 and 2006-07 has been accounted for by increase in allocation for elementary education only. The special focus on elementary education need not be at the cost of higher education. After all, all levels of education are highly interdependent, and all need additional budgetary support. Further, the pressure on the secondary and higher education system is already being felt with the rapid growth in elementary education.

Secondly, are there any special schemes proposed in the budget? The answer is 'no'. A Prarambhik Shiksha Kosh has been started in 2005 more for administrative convenience than anything else. The revenues received through education cess have been transferred to the non-relapsable fund. The fund is exclusively meant to finance the midday meal programme and the Sarva Shiksha Abhiyan.

Surprisingly, some schemes such as free education for girls (up to college level) do not seem to figure in the budget any more! Instead of correcting weaknesses in such schemes and improve them, the impression one gets is, they seem to have been buried! However, to promote girls education at secondary level, the budget proposes to deposit (in a bank) Rs 3,000 in the name of a girl, who studies up to secondary education levels. The deposit can be withdrawn once the girl attains the age of 18. It can only be hoped that the scheme is well designed lest it also becomes one similar to the free education scheme for girls in single girl child families. (After all, the free education scheme should have simply covered all girl children, irrespective of the size and nature of families.)

Moreover, are there any special measures to raise resources for education? One does not find any in the present budget. The education cess introduced a couple of years ago, as a separate, dedicated non-relapsable fund for elementary education, has come to stay, though one expects that special earmarked taxes/cesses of this kind would be used only for a short term, and in the long run, for education to be funded generously out of general tax and non-tax revenues of the government. It appears that the increase in allocation has been largely possible because of the education cess. In fact, the government admits in the *Economic Survey* (p 210) that the increase in budget outlay for elementary and adult education was possible with the imposition of the education cess. However, it is important to note that the increases in budget outlays for elementary and adult education are less than the total revenues generated through education cess.

The predominance of the education cess in the union government's budgetary allocations to education, also suggests the reluctance or inability of the government to increase the allocations from the common pool of revenues to education.

To conclude, but for a noticeable increase in budgetary outlays for elementary education, there is nothing special in the union budget for education sector. Secondary, higher, technical and adult education have not received any significant hike in outlays. No special schemes have been proposed for the development of any sector of education. The Sarva Shiksha Abhiyan, the major mission-mode programme for universal elementary education will continue. No special measures have also been indicated to raise resources for education. The education cess has come to stay and most of the increase in outlays for elementary education would be made out of revenues received from the cess. ■■■

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Economic and Political Weekly

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