

# Higher Education Expenditure in India

Dr. Tarkeshwar Pandey

Assistant Professor, Nagar Nigam Degree College, Lucknow.

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**Abstract:** *Education is one of the most empowering tool for an individual. It lays the foundation for a better life. It prepares and trained workers at all levels to manage capital, technology services and administration at every sector in the economy. It cannot be denied that education is important for economic and social development. It provides the economy with requisite qualification and skilled manpower for the economic development. It not only provides skills and qualification to new generation but also creates in their minds the awareness of environmental and social realities and therefore helps in attaining for themselves a better living standard.*

*It is the foundation which helps the economy to grow and stabilise the resources for the betterment of the society. The categorisation is done to simplify the understanding of specific level of education. Over the years it has been witnessed that there has been drastic increase in the expenditure incurred on education, and it is due to the fact that both private and public sources of finances are used simultaneously for meeting the needs of the knowledge based economy.*

*On the eve of Independence there were 20 universities in India. By 2014 there were a total of 637 universities in India out of which 289 were State universities, 130 Deemed Universities, 94 Private universities and 43 Central universities. (UGC 2012). With the increase in enrolment and number of institutions, number of teachers in educational institutions (including universities and affiliated colleges) went up from 2,63,819 in 1990-91 to 6,97,885 in 2013-14.*

**Keywords:** *Empowering tool, Economic development, New generation, Finances, Knowledge based economy*

## Introduction

Expenditure on higher education is one of the major concern, and it requires active participation

from the government and private bodies to initiate an action against it. After Independence the problems of higher educational reconstruction, expansion, qualitative improvement and financial implications were reviewed by various commissions and committees, especially the Scientific Manpower Committee (1947) and the University Education Commission (Radhakrishnan committee) 1948-49. The recommendations of these commissions and committees jointly with the constitutional provisions became the source for priority determination with respect to education in the first three Five Year Plans of the economy.

In India after Independence, the Five Year Plans ushered in an era of systematic economic and social development of the country, for an overall development of higher education during planning period. There were just 19 universities and 500 colleges at the time of Independence. With the declared objective of giving equality of opportunity, the government was faced with the assignment of meeting the requirements of increasing numbers, many of whom were first generation learners, who viewed higher education as a means of getting social mobility. An unprecedented expansion took place in higher education with the number of universities increasing from 19 at the time of Independence to 378 and the number of colleges from 500 to 18,064 by the end of Tenth Plan. The University education commission 1949, as well as the Education commission 1964 also made strong recommendations in this regard.

## Plan Expenditure on Education In India

At the time of Independence, the country was characterized by a weak economic and social infrastructure and prevalence of mass illiteracy and poverty. Since the mid 1950's theory and practice of public expenditure economics have radically changed. With the parliament passing in December 1954, a resolution adopting the socialist pattern of

society as the objective of economic and social policy. The government was required to play a crucial role and assume greater responsibility in financing the social sector.

In a poor country, the government intervention is necessary to support the social sector. And education, an important component of the social sector accounted for lesser amounts with each successive plan ,not even 3% in the Sixth Plan. The percentage of expenditure allocated to education was marginally higher in the Seventh Plan at 3.5% .In Eighth Plan it was 4.37% but in Tenth Plan it again declined to 3.72% .Not only there has been a reduced percentage allocation to the education sector. The amount initially proposed gets reduced at different stages of the planning process. Although, by and large, the sector of education is under the jurisdiction, of the State government. Some responsibilities such as coordination of educational facilities ,determination of standards of higher education, scientific and technical education has been entrusted to the centre. the 42<sup>nd</sup> amendment to the Constitution of India in 1976,brought education from the “ state list “to the “concurrent list”, whereby Central government

gained more power to intervene in education at all levels.

Though percentage allocation to education has declined significantly, on examining plan resources to education we find that there has been a rapid rise in the absolute amount of 3.2expenditure during the plan periods, in percentage terms the First Plan figure of 7.6% on education could not be reached again for any plan period. This amount is much less than what is spent in other countries on education. With government’s emphasis on human development this is a poor reflection of the readiness of government to spend on education.

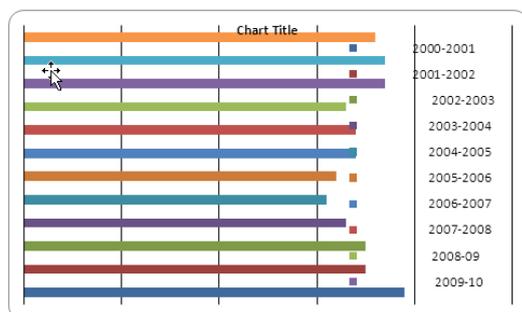
In table 1 the percentage of public expenditure by Central and State government as a proportion of GDP. In 2000-01 it was 3.9, 2001-02 its 3.5 followed by 3.5, 3.3 and 3.1 in respective years of 2002-03, 2003-04 and 2004-05. Hence this percentage remained consistent over the years with varying between 3.2, 3.4 and 3.4 in the years of 2005-06, 2006-07 and 2007-08. For all years it fluctuates between 3 per cent to 4 per cent. In the year 2011-12 it was 3.6 but for all these years it was highest in the year 2000-01.

**Table 1**  
**Public Expenditure on Education by Central and State Governments as Percentage of GDP**

| Year    | Public Expenditure on Education as Percentage of GDP |
|---------|--|
| 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  |
| 2008-09 | 3.3  |
| 2009-10 | 3.7  |
| 2010-11 | 3.7  |
| 2011-12 | 3.6  |

Source : Compiled by Centre for Budget and Governance Accountability, Indian Public Finance Statistics, and Analysis of Budgeted Expenditure on Education of Various Years.

Figure 1



### Plan Expenditure on Higher Education in India

Education at the base level or primary education is very important in helps in removing the hurdles of traditions which characterise the society in under developed countries, and these traditions discourage development and growth. Education at the secondary level provides base for technical and higher education. Higher education is important as it provides manpower for higher cadre posts both in private and public sectors. It facilitates the process of national development by encouraging scientific temper in students and encouraging them to develop and progress so that they can live a satisfying existence.

The National Policy on Education 1986 and Programme of Action (POA) 1992 envisaged free and compulsory education of satisfactory quality for all children up to the age of 14 years before the commencement of the 21<sup>st</sup> century.as per the commitment of the government, about 6% of the Gross Domestic Product (GDP) would be earmarked for education sector and 50% of the outlay would be spent on primary education.

The National Policy on Education 1986 visualises education on different phases, has envisaged a new role for higher education that is more meaningful in the context of social development. The government has tried to give a new dimension to an age old process. According to the NPE areas that need attention range from autonomy of colleges and departments to better infrastructure, rationalized funding for research, integration of teaching ,research and evaluation to make higher education dynamic as never before. With the commitment of augmenting resources for education, the allocation to education has significantly increased over the years. The increased literacy rate 65.38%, in India

is not very much encouraging so far as economic development of this country is concerned.

Regarding plan expenditure on higher education, it was only Rs.14 Crores in the First Plan then it increased subsequently to 4176.5 Crores in the Tenth Plan. However,percentage allocation to higher education increased from 9% in the First Plan to 25% in the Fourth Plan. Since, then there has been a steady decline with only 8% of educational finance to higher education in the Eighth Plan. The percentage share of higher education was slightly higher at 10% and 9.5% respectively in the Ninth and Tenth Five Year Plans. A drastic reduction in higher education's share between the Seventh and Eighth Plans is again a reflection of government withdrawal from this sector and open encouragement and easy access to the private sector to invest in this area. This led to proliferation of large number of institutions, many of doubtful quality, in this sector. Most of these "for profit" institutions are offering courses in business management, tourism, hospitality management, chartered accountability, financial management, lawetc .This had brought about a skewed growth in higher educational institutions.

However, it must be noted that public expenditure is needed not only at the elementary level but at the higher education as well. To ensure greater participation, in various types of economic activities from among the economically deprived socio-religious communities. Besides, this there is a long way to go, to achieve the recommended expenditure 6 per cent GDP on expenditure. Subsequent to independence and adoption of planning, government has been engaged in planned development of the country. Even since the Kothari commission recommendation of investing6 per cent GDP on education, the same was reiterated in the plans. It was therefore expected that government would abide by the above recommendation and incur adequate expenditure on education to meet the need of social development.

### Central and State Government Expenditure on Higher Education in India

An important division of Budget in India is Plan and Non- plan accounts. There is no country in the world to make such a division. "Plan expenditure" refers to the amount spent on the recruitment of new staff, construction of universities and colleges etc whereas "Non Plan Expenditure" is incurred on the maintenance of established infrastructure and committed expenditures. The Central government supervises the formulation and implementation of the State plans.

One common observation in all the years is that the Non- plan component is eight to ten times larger than the plan component. The Central government full finances to Central universities and gives plan grants to state universities and private colleges. Besides, this it also incurs expenditure on maintenance of central government schools and colleges. State and Central government expenditure on higher education in India from 1990-91 to 2009-10.

The table 2 shows the Plan and Non- plan expenditure of the State government on higher education. The proportion of amount spend on education has increased over the years. In 1990-91 it was only 116.4 which decreased to 103.7 in 1991-92, this amount increased to 117.8 and 155.6 in 1992-93 and 1993-94, this trend continued till the end of the 90's and during the phase of 2000 it witnessed the same trend it took a drastic heap in 2007-08 and 2008-09 by 1152.6 and 1276.2, which increased to 1590.6 in 2009-10. Therefore the Non Plan expenditure it was comparatively more in comparison to plan expenditure. In the early years of 1995-96 and 1996-97, 2891.8 and 3287.8. During the course of 2000 onwards the amount increased to 9263.3, 10822.4 and 14248.8 in respective years of 2007-08, 2008-09 and 2009-10. The amount of expenditure was highest in 2011-12 for Plan 1705.7 and for Non-plan it stood at 17535.8. It has been clear from the table that the contribution of higher education is increasing in generating effective and efficient human capital

**Table 2**  
**State Government Expenditure on Higher Education in India**

| .Year     | Plan Expenditure on Higher Education | Percentage of Plan Expenditure | Non Plan Expenditure on Higher Education | Percentage of Non- Plan Expenditure | Total Expenditure |
|-----------|--------------------------------------|--------------------------------|--|-------------------------------------|-------------------|
| 1990-91   | 116.4                                | 6.34                           | 1720.0                                   | 93.66                               | 1836.4            |
| 1991-92   | 103.7                                | 5.32                           | 1844.4                                   | 94.67                               | 1948.1            |
| 1992-93   | 117.8                                | 5.36                           | 2077.3                                   | 94.63                               | 2195.1            |
| 1993-94   | 155.6                                | 6.01                           | 2433.6                                   | 93.99                               | 2589.3            |
| 1994-95   | 215.1                                | 7.57                           | 2625.9                                   | 92.42                               | 2841.1            |
| 1995-96   | 266.3                                | 8.43                           | 2891.8                                   | 91.57                               | 3158.1            |
| 1996-97   | 283.5                                | 7.94                           | 3287.8                                   | 92.06                               | 3571.3            |
| 1997-98   | 272.0                                | 6.94                           | 3648.9                                   | 93.06                               | 3920.9            |
| 1998-99   | 308.9                                | 6.84                           | 4207.8                                   | 93.16                               | 4516.8            |
| 1999-2000 | 372.6                                | 6.16                           | 5674.3                                   | 93.84                               | 6047.0            |
| 2000-01   | 347.9                                | 5.35                           | 6561.4                                   | 94.96                               | 6909.4            |
| 2001-02   | 421.7                                | 6.55                           | 6018.2                                   | 93.45                               | 6440.0            |
| 2002-03   | 431.2                                | 6.07                           | 6676.5                                   | 93.93                               | 7107.7            |
| 2003-04   | 410.3                                | 5.62                           | 6888.2                                   | 94.38                               | 7298.5            |
| 2004-05   | 494.4                                | 6.68                           | 6909.7                                   | 93.32                               | 7404.2            |

|         |        |       |         |       |          |
|---------|--------|-------|---------|-------|----------|
| 2005-06 | 744.3  | 8.57  | 7937.5  | 91.43 | 8681.9   |
| 2006-07 | 904.6  | 9.44  | 8680.8  | 90.56 | 9585.4   |
| 2007-08 | 1152.6 | 11.07 | 9263.3  | 88.93 | 10416.0  |
| 2008-09 | 1276.2 | 10.55 | 10822.4 | 89.45 | 12098.6  |
| 2009-10 | 1590.6 | 10.04 | 14248.8 | 89.96 | 15939.4  |
| 2010-11 | 1610.2 | 11.04 | 15420.7 | 89.92 | 17131.86 |
| 2011-12 | 1705.7 | 12.17 | 17535.8 | 91.04 | 19344.71 |

Source : Annual Reports, Analysis of Budgeted Expenditure on Education Various Issues.

The table 3 shows the expenditure on education Plan and Non plan incurred by the Central government. The Plan expenditure witnessed the increasing trend throughout the time period. In 1990-91 it was 128.6, 160.6 and 149.7 in the respective years of 1992-93 and 1993-94 by the end of the 1999-2000 it stood at 461.8. In 2000 it continued with the same incurring the amount of 843.5, 1353.4, 1903.1, 3684.1 and 4090.1 in the years of 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10. In 2011 it was 4180.2 and in 2011-12 4352.5 the highest over all the years.

Whereas the Non- plan expenditure was highly incurred than the Plan expenditure. In the years of 1990-91 it was 346.9, followed by 334.5, 335.3, 357.1, 374.5 in the years of 1991-92, 1992-93, 1993-94 and 1994-95 so on. In 2000-01 it incurred 1787.7 which increased to 1602.1, 1992.2, 2822.4 and 4256.6 in 2006-07, 2007-08, 2008-09 and 2009-10. For 2010-11 and 2011-12 it was 4270.7 and 4785.9

**Table 3**  
**Central Government Expenditure on Higher Education**

| Year      | Plan Expenditure on Higher Education | Percentage of Plan Expenditure | Non-plan Expenditure on Higher Education | Percentage Non-Plan Expenditure | Total Expenditure |
|-----------|--------------------------------------|--------------------------------|--|---------------------------------|-------------------|
| 1990-91   | 128.6                                | 27.05                          | 346.9                                    | 72.95                           | 475.5             |
| 1991-92   | 160.7                                | 32.43                          | 334.5                                    | 67.49                           | 495.6             |
| 1992-93   | 149.6                                | 29.63                          | 355.3                                    | 70.37                           | 504.9             |
| 1993-94   | 157.1                                | 30.25                          | 357.1                                    | 69.45                           | 514.2             |
| 1994-95   | 309.6                                | 45.25                          | 374.5                                    | 54.74                           | 684.2             |
| 1995-96   | 246.3                                | 34.54                          | 466.8                                    | 65.46                           | 713.1             |
| 1996-97   | 234.2                                | 32.69                          | 482.2                                    | 67.30                           | 716.5             |
| 1997-98   | 374.0                                | 39.87                          | 564.1                                    | 60.13                           | 938.1             |
| 1998-99   | 392.7                                | 224.55                         | 1207.2                                   | 75.45                           | 1599.9            |
| 1999-2000 | 461.8                                | 20.98                          | 1739.5                                   | 79.02                           | 2201.4            |
| 2000-01   | 497.5                                | 21.77                          | 1787.7                                   | 78.23                           | 2285.3            |
| 2001-02   | 544.7                                | 33.06                          | 1102.9                                   | 66.94                           | 1647.6            |
| 2002-03   | 619.1                                | 35.34                          | 1132.7                                   | 64.66                           | 1751.8            |
| 2003-04   | 560.4                                | 31.81                          | 1201.1                                   | 68.19                           | 1761.5            |
| 2004-05   | 810.6                                | 38.62                          | 1288.3                                   | 61.38                           | 2099.0            |

|         |        |       |        |       |         |
|---------|--------|-------|--------|-------|---------|
| 2005-06 | 843.5  | 36.18 | 1487.8 | 63.82 | 2331.4  |
| 2006-07 | 1353.4 | 45.79 | 1602.1 | 54.21 | 2955.5  |
| 2007-08 | 1903.1 | 48.86 | 1992.2 | 51.14 | 3895.3  |
| 2008-09 | 3684.1 | 56.62 | 2822.4 | 43.38 | 6506.4  |
| 2009-10 | 4090.1 | 49.00 | 4256.6 | 51.00 | 8346.6  |
| 2010-11 | 4180.2 | 51.07 | 4270.7 | 51.79 | 8553.76 |
| 2011-12 | 4352.5 | 53.83 | 4785.9 | 54.62 | 9246.85 |

Source : Annual Reports , Analysis of Budgeted Expenditure Various Years..

## 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 expenditure within the higher education sector. the primary duty 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.

### Kinds of Grants Available

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

- Developed (Plan) Grants.
- Maintenance (Non-plan) Grants.

Central universities and colleges affiliated to them and institutions deemed to be university receive both Plan and Non- plan grants. However, the state universities and their affiliated 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 as to achieve at least the threshold level but also to develop excellence level. 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 teaching and non - teaching staff and for maintenance of laboratories, libraries and making obligatory payments such as taxes and bills etc. Development assistance is utilised for consolidation of existing infrastructure and for

modernising teaching and research, and to meet the increasing demands of the society.

### Development Grants

General Development Grants are being provided to the Central ,State and Deemed to be universities for their overall development covering aspects like enhancing access, ensuring equity, imparting relevant education, improving quality ,making the administration effective ,enhancing facilities for students, augmenting research and other plans of universities.

Plan grants are essentially in the nature of ad hoc grant provided once in five year by UGC to the Central universities on the basis of negotiations. The UGC while providing grants to individual Central universities takes into consideration their special needs and circumstances. After approval of Five Year Plans of the universities, the UGC determines their annual programmes and release of funds. The plan grant is provided for both teaching and non- teaching staff .It is for the laboratories ,special office equipment, construction of new building like academic ,administrative, staff quarters, hostels, guest houses, or major repairs or renovation of old buildings. Plan grants are also for campus development, basic medical facilities and student amenities. Apart from this universities having engineering / technology developments receive separate grants available to UGC from All India Council of Technical Education (AICTE).

UGC formulates its proposal for the plan period which includes plan programmes of Central universities and present them to government. these programmes are based on UGC's analysis of past performance of Central universities, their lines of development and needs .UGC also estimates the

availability of resources based on allocation made in past. These proposals are then finalized after detailed discussions between UGC and government. They then go before the Planning Commission for final allocation .UGC makes a separate allocation under the plan for the development of Central universities, medical colleges of central universities and hospitals attached to them and for the building of Delhi colleges.

### Maintenance Grants

The UGC provides maintenance (Non-plan) assistance to limited number of central universities for meeting the recurring expenditure on salaries of teaching and non -teaching staff and for maintenance of laboratories ,libraries and making all necessary payments. The exact amount of maintenance grant payable to central universities is determined on converging of deficit basis that is, the internal receipt is deducted out of the actual expenditure incurred in any year. No institution can build up any reserve out of the maintenance grant paid to it. This grant increase incrementally for each institution every year varying from institution to institution.

Each Central university has a Finance Committee comprising representatives of the university, local educationists and a nominee each from UGC and the Ministry of Human Resource Development (usually the Financial Advisor).In the case of central university ,it is headed by Vice- Chancellor. It is responsible for the preparation of maintenance and development budget.

The table 4 reflects the amount of Plan and Non-plan grants provided to Central universities the proportion of plan grants in 1990-91, 1991-92, 1992-93, 1993-94, 1994-95 are as follows 47.96, 17.13, 80.06, 44.35, 78.11, which further increased to 197.97 in 2003-04. And in the years of 2007-08, 2008-09, 2009-10, 2010-11 and 2011-12 it was as stated 630.35,635.58,976.42,1576.77 and 1766.65.

Whereas the percentage of Non-plan grants stood at 161.24, 185.52, 225.5, 227.6, 287.42, 304.38, 358.39 and 637.40 in the years of 1991-92, 1992-93,1993-94, 1994-95, 1995-96, 1996-97, 1997-98 and 2000-01. And this phenomenon of rise continued till the 21<sup>st</sup> century by the time it reached 2006-07, 2007-08, 2008-09, 2009-10, 2010-11 and 2011-12 it was 992.32, 1304.52, 1747.98, 2669.72, 2612.06 and 2974.36

**Table 4**  
**Plan and Non Plan Grants to Central Universities in India**

| Year    | Plan Grants | Non Plan Grants | Total   |
|---------|-------------|-----------------|---------|
| 1991-92 | 47.96       | 161.24          | 209.2   |
| 1992-93 | 17.13       | 185.52          | 202.65  |
| 1993-94 | 80.06       | 225.5           | 305.56  |
| 1994-95 | 44.35       | 227.6           | 271.95  |
| 1995-96 | 78.11       | 287.42          | 365.53  |
| 1996-97 | 40.56       | 304.38          | 344.94  |
| 1997-98 | 75.98       | 358.39          | 334.37  |
| 2000-01 | 83.00       | 637.40          | 720.4   |
| 2001-02 | 81.31       | 598.69          | 680.00  |
| 2002-03 | 134.68      | 700.04          | 834.72  |
| 2003-04 | 197.97      | 692.13          | 890.1   |
| 2004-05 | 218.71      | 730.98          | 949.69  |
| 2005-06 | 222.73      | 878.65          | 1101.38 |
| 2006-07 | 480.59      | 992.32          | 1472.91 |
| 2007-08 | 630.35      | 1304.52         | 1934.87 |
| 2008-09 | 635.58      | 1747.98         | 2383.56 |
| 2009-10 | 976.42      | 2669.72         | 3646.14 |
| 2010-11 | 1576.77     | 2612.06         | 4188.83 |
| 2011-12 | 1766.65     | 2974.36         | 4741.01 |

SOURCE : UGC Annual Reports Various Years.

There has been absence of clear cut, coherent long term policy perspectives on higher education in India. Erratic and unregulated growth of private education, uncontrolled expansion of colleges and universities by the state and central government with a subsequent lowering of standard of quality of teaching and learning are some of the unhealthy development manifested in higher education in India. In the changed situation, the universities become a system that transmits, generates and interprets knowledge. Moreover due to globalisation and the policy of WTO, western educational institutions based in India are imparting training to new students. Students are imparted teachings basing upon western curricula so as to find themselves suitable for placement in the global market but such institutions charge exorbitantly high fees.

The Government of India is ambitious for its policy of knowledge society, which is nowadays jargon among the political leaders and amateur consultants peer headed to bring large scale expansion, excellence and inclusion in the 3<sup>rd</sup> largest system of higher education in the world, in terms of enrolment. With that expectation it has planned to establish and upgrade numerous of institutions and universities across the country. This is quite clear from the Eleventh Five Year Plan (2007-12) documents, which is accustomed to the recommendation made by national Knowledge Commission (NKC), 2005-08. But if one tries to see and analyse the prevailed situations among the newly opening universities and some existing primer universities, it is found that there are many flaws and contradictions in terms of purchase dealing, land acquisition, appointment, the most dubious act, launching affirmative scheme and action, allocation of fund quality approaches and its determination and coordination.

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