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Five Decades of Underinvestment in Education

Jandhyala B G Tilak

The need for strengthening the resource base for education is obvious. But the solutions that are being thought of are dangerous. Neither student fee increases nor the excessive reliance on external assistance for primary education is appropriate. A closer examination of policy choices is urgently needed.

DESPITE recognising education as a 'critical investment for national survival', the pattern of financing education in India during the 50 years of independence has not been satisfactory. The pattern of financing education in an economy can be judged in terms of adequacy, equity and efficiency. On all the three counts, India's performance has been mixed, featuring impressive achievements on the one hand, and conspicuous failures on the other. On balance, the Indian education system is characterised with a severe degree of underinvestment. This article focuses exclusively on issues relating to financing education, though such a treatment seems to be too narrow in focus to understand the interrelated dimensions of education. Finances are only a necessary, but not a sufficient, condition for proper development of education. Given the space constraints here, we focus on the necessary condition only.

ILLUSORY GROWTH

In absolute terms, the increase in expenditure on education in India during the 50 years of independence is very impressive: the educational expenditure increased in current prices from Rs 55 crore in 1947 to Rs 25,000 crore as per the latest available statistics – a phenomenal 450 times increase. But this impressive growth is belittled by (a) rapid growth in population, (b) phenomenal increase in student numbers, and above all, (c) escalation in prices. The real increase in expenditure per student has been rather very modest.

Looking at the decadal trends in real rates of growth in public expenditure on education, one notices that the 1950s was a period of rapid growth in total expenditure on education; and the 1960s was also a very favourable period for education, as in many developing and developed countries of the world. The global disenchantment with education, partly attributable to growing educated unemployment on the empirical scene, and the emergence of screening and credentialism theses on the role of education on the theoretical front, caused a great setback for the growth of expenditure on education during the 1970s in the third world. India has had also a similar experience. The 1980s

marked the revival of faith in education. 'Human resource development' had become a favourite slogan by the mid-1980s, and education was regarded as an important component of human (resource) development. Expenditure on education increased during the 1980s at a reasonably high rate of growth, particularly compared to the preceding decade. There have been systematic efforts to increase the allocations in the 1990s, but at the same time, the efforts are confronted by economic reform policies including stabilisation and structural adjustment that seemed to have very seriously affected the public allocations to education. The financial crisis in education became transparent, and the decade of the 1990s seems to be a decade of containment as far as public financing of education in India is concerned. On the whole, so far, the rate of growth – both in total and per capita – have not reached the levels of the 1950s. Secondly, the rate of growth of total expenditure on education during the last five decades is marginally higher than growth in national economic indicators.

A nation's priority to education is reflected in the proportion of national income devoted to education. Again there has been an impressive increase in the proportion from about one per cent at the time of independence to about 3.5 per cent in the most recent years. Immediately we also note that this proportion is less than (a) the requirements of the education system to provide reasonable levels of quality education to all the students enrolled presently, (b) the requirements of the system to provide universal elementary education of eight years for every child of the age-group 6-14, and consequent growth in secondary and higher education (which is estimated to be much above 8 per cent of national income), (c) the long-overdue recommendations of the Education Commission (1966), the resolve made in the National Policy on Education 1968, reiterated in the National Policy on Education 1986 and the revised Policy (1992) to invest 6 per cent of national income in education, and (d) the proportion of national investment in education in many other developing, leave alone developed, countries of the world, including Africa. India ranks

98 among the 166 countries on which such data are available in 1995.

The relative importance given to education in the Five-Year Plans has been declining gradually over the years – from 7.9 per cent in the First Five-Year Plan, to 2.7 per cent in the Sixth Five-Year Plan. Thanks to the National Policy on Education 1986, it is only during the Seventh and the Eighth Five-Year Plans, this declining trend was reversed. The Eighth Five-Year Plan allocation was quite high, 4.5 per cent; but it is still much less than the proportion allocated in the First Five-Year Plan. It appears thus there are three important phases in the allocation of resources to education in the Five-Year Plans. During the first three Five-Year Plan periods, the allocation to education had been more than 5 per cent. Even though it declined in the second plan, the decline was immediately checked in the third plan. The second phase, consisting of the Fourth, Fifth and the Sixth Five-Year Plans, was characterised by a consistent decline in the plan allocation to education. The Seventh and the Eighth Five-Year Plans formed the third phase when efforts were made to check the declining trend and to substantially increase the allocation to education. One can only hope that the efforts will continue during the Ninth Five-Year Plan and beyond.

LOPSIDED PRIORITIES WITHIN EDUCATION

An analysis of intra-sectoral allocation of resources in India during the plan period shows a lopsided emphasis on not only elementary education, but also on other layers of education. A frequent and inexplicable shift in priorities is quite obvious. In the First Five-Year Plan, 56 per cent of the total plan resources to education were allocated to elementary education, 13 per cent to secondary, 9 per cent to university education and 13 per cent to technical education. The relative importance given to elementary education declined to 35 per cent in the second plan, to 34 per cent in the third plan, and gradually to 30 per cent in the sixth plan. It is only again during the Seventh and the Eighth Plans significant efforts were made to increase the allocation substantially, though the Eighth Plan allocation (42 per cent) was still less than the corresponding one in the first plan in percentage terms. The share of other levels, excepting technical education, experienced a significant increase, though the increase is not smooth until the Sixth Plan. In the First Plan only 13 per cent of the total educational expenditure was meant for secondary education and by Second Plan it increased to 19 per cent whereas that for university level increased from less than one-tenth to nearly one-fifth in the Second Plan, to about one-fourth in the fourth and fifth plans, reduced to about one-fifth in the Sixth Five Year Plan, and then seems to have

been drastically reduced finally to seven per cent in the Eighth Five Year Plan. The zig-zag pattern of financing various levels of education reflects the confused state of priorities in allocation of resources.

Elementary education was given a boost in the Seventh and the Eighth Plans. This boost seems to have been possible with severe cuts in plan resources for secondary and higher education. With international and domestic pressures for the development of primary education, secondary and higher education may become major victims of budgetary squeezes; but with expansion of elementary education on the one hand, and economic reform policies including globalisation and international competition on the other, the need for rapid expansion of secondary and higher education will also be felt soon.

Thus the plan period can be divided into four phases depending on the pattern of intra-sectoral allocation of resources to education, viz, Phase I: 1951-56 (the First Five-Year Plan period) that witnessed a substantial part, nearly three-fifths, of the total plan educational resources, being allotted to elementary education, i.e., high priority was given to elementary education and a low priority to higher and technical education. The period favourable to elementary education ended with the end of the First Five-Year Plan. Phase II (1956-69, the period covering the Second and the Third Five-Year Plans, and the annual plans) marked the beginning of a drastic decline of resources allocated to elementary education and a doubling or trebling of resources allocated for higher education. It may also be noted that the overall developmental priorities also changed with the beginning of the Second Five-Year Plan. Relative emphasis shifted from the agricultural sector in favour of the industrial sector. Industrial development required manpower, and higher education was for the supply of manpower. Accordingly, expenditure on higher education was increased considerably. It reached a proportion of 24 per cent by 1967-68, while the corresponding figures for elementary education showed a decline from 56 per cent in First Plan to 17 per cent in 1966-67. Phase III: the post-1968 policy period (1969-1986) showed a slight reversal of these trends. The proportion for elementary education showed an increasing trend and that for university and technical education showed a gradual decline. This may be attributable partly to the Education Commission's (1966) concerns, and the 'National Policy on Education 1968' that laid emphasis on elementary education on the one hand, and partly due, on the other hand, to the growth of educated unemployment, the mismatches in the labour market, and resulting social unrest. Finally phase IV: the post-1986 (policy) period. The

year 1986 marks the beginning of the renewed emphasis on elementary education, with the formulation of the 'National Policy on Education (1986)', and with the 'operation blackboard' and similar other programmes launched by the union and state governments. The allocation for elementary education was stepped up significantly during the Seventh Plan, and the Eighth Five-Year Plan continued the trend.

The resources allocated to secondary education showed that after an initial jump from 13 per cent to 19 per cent between the First and the Second Five-Year Plans it got relatively stabilised. However, it is to be noted that though the third phase showed marginal improvements so far as elementary education is concerned, it has yet to go a long way to reach the proportion that it obtained in the First Plan. While universalisation of elementary education has been becoming an increasingly tougher task, causing repeated postponement of the goal, the relative priority given to elementary education in the total educational expenditures has gradually declined over the successive five year plans. Had the pattern of intra-sectoral allocation of resources in education sector adopted in the First Five-Year Plan continued, universalisation of elementary education would have been an easy task, if not already accomplished by now.

MEAGRE RESOURCES FOR QUALITY INPUTS

Further, the capital expenditure on buildings, libraries, equipment, furniture, etc., forms a very small proportion, 2 per cent, of total expenditure on elementary education. That many primary schools are run in open space, 'kachcha' buildings, inadequate rooms, etc., is a clear reflection of the severe degree of underinvestment in education. Expenditure on fixed capital such as buildings, however, increases with increase in levels of education. On the whole, formation of fixed capital in this human capital industry such as buildings takes place at a very slow pace. The slow pace may be justified, as the capital needs of the education sector might decline with fewer new schools being needed and opened, as there exist already schools in almost every habitation. But it should be noted that the backlog in terms of buildings is still alarmingly high, as the NCEERT reports of the All-India Educational Survey reveal. Very often not only schools, but also colleges and even universities are found with no basic infrastructure facilities like buildings, furniture and equipment. Thus the present pattern of spending does not contribute much to physical capital formation.

Of the total recurring expenditure on education, particularly primary education, teachers' salaries amount to more than 95 per cent, and expenditure on the salaries of the non-teaching staff form the next largest

proportion, 2-3 per cent. All other items, including teaching learning material like apparatus, chemicals, books, libraries, and others like financial incentives, games, sports, etc., receive negligible amounts. Teachers' salaries increase as a proportion of the total recurring expenditure, as one goes down the educational ladder. Even in case of higher education, financial allocations to inputs that have strong bearing on quality such as libraries, laboratories, teacher training, etc., are small. This pattern of financing is in contrast to research evidence available that demonstrates significant effects of investment in non-salary items such as textbooks, externalities associated with which are immense, and other teaching-learning material on the quality and overall efficiency of education systems in developing countries.

More than the changes in numbers, the changes in policies and approaches towards financing education are noteworthy. Most of the recent policy debates have been around the question: who should pay for education? This is in contrast to the past when questions relating to financing of education revolved around improving the mechanisms of allocation of public resources to education. The economic reforms have added further dimensions to this question. With an increasingly strong opinion that welfare state is dead, the conventionally strong role of the state in financing education is under attack. 'Public good' nature of education is no more recognised as an important aspect: education, higher education in particular is regarded as a 'non-merit' good, public subsidies on which could be drastically reduced, if not eliminated altogether. 'Privatisation' of education is no more considered undesirable; in fact, it is argued to be offering an effective solution to major educational problems.

Privatisation which was not a respectable term in education in 1950s and later, if not a taboo, became a fashionable slogan for the 1990s and beyond. The case for public financing of education is being questioned, though the nature of education and the principles of financing education have not changed. Policy debates on improved allocation of resources are being replaced by discussion on how to adopt various strategies of cost recovery. Measures such as fees which have been either symbolic or served only a marginal role in financing education are being viewed as the most important potential source of funds for education. Discussions on fee reforms that used to be confined to higher education have started sneaking into secondary and primary education as well. Considerations for equity in education are giving place to considerations of efficiency. The poor do not figure prominently any more in discussions on financing education, as if education is a 'luxury good' meant for the rich only.

Marketisation has become the order of the day. External assistance to primary education which was resisted in the earlier decades has been a dominant feature of financing primary education in the 1990s.

Privatisation of education is also increasingly viewed by some as an effective solution to the problem of finances. The government seems to be encouraging privatisation of all kinds, particularly opening up of private schools with no state support, and increased reliance of government schools and colleges on private resources. Experience has shown that private schools rarely ease the financial burden on the part of the government, besides creating a dual system of education: one for the rich and another for the poor. Further, the mechanism of state aid contributed to enrichment of private schools and pauperisation of government schools. It is too costly to overlook the valuable experience of our own and of others.

The need for strengthening the resource base for education is obvious. But the solutions that are being thought of are dangerous. Student fee is increasingly viewed as a potentially important source of finances for education. It should be realised that in few developed countries this has been the case. For instance, about 15 per cent of the recurrent costs of higher education in India are recovered from students in the form of fees; the corresponding proportion is the same in public universities in the US and much less in many European universities. Scholarships and student loan programmes have not served as an antidote to the regressive effects of increases in fees, besides their being associated with administrative and structurally inherent weaknesses.

In addition, universities are being required to generate resources on their own from non-governmental sources. This might lead to introduction of more and more 'marketable' self-financing courses and eventually may distort the academic priorities of higher education institutions. Heavy reliance on external assistance for primary education may create further problems of not only external indebtedness, but also with respect to sustainability of primary education programmes, in addition to other cultural and administrative problems.

Lastly, excessive reliance on community and household contributions for financing education, elementary education in particular, may also create new problems, in addition to it being not in the true spirit of the Constitutional Directive of 'free' and 'compulsory' education for all, which is being made a 'fundamental right' in the Constitution, according to the recent efforts of the government of India. There is also a danger that the voluntary nature of such contributions may be replaced in practice by

'compulsory nature'. Further, this might create new regional inequalities, as the communities that cannot generate resources will be left behind those that can generate resources. All this stresses the need for a close examination of policy choices – their pros and cons, and unfortunately in our rush to approach the 21st century, we do not seem to have time for such an examination.

CONCLUDING OBSERVATIONS

The idea of this short article is not to present a dismal picture of financing of education in India. The objective is to stress that the achievements we have made, however impressive they are, are only meagre achievements and we have miles to go.

To briefly recapitulate, expenditure on education in India has increased remarkably and its relative share in the total government expenditure on education has also increased from less than 40 per cent at the time of transfer of power from colonial rulers to independent government in India to more than 85 per cent in the recent years. Consequently, the shares of all other non-governmental sources have declined steeply. The significant growth of public expenditure on education and the consequent relative decline in the shares of fees and other non-governmental sources was a deliberately chosen policy of India after independence. This policy has paid rich dividends in terms of massive expansion of the system at all levels, making the education network the second largest in the world and creating the third largest reservoir of scientific and technical manpower in the world. The policy has improved access to education at all levels: even higher education was transformed from an elitist system of the 1950s to mass based higher education by the 1990s. These are no meagre achievements and in fact there are many such achievements. All these achievements are possible, *inter alia*, due to the clear policy adopted in favour of generous public financing of education. But these achievements are not adequate for India to survive as a great nation, to take the nation to the 21st century, and to make India a strong nation in the increasingly globalised world economy with stiff international competition, as India accounts at the same time for the largest number of illiterates in the world. India may be the only one country that is trying to approach the 21st century with the bulk of her population being illiterate. After all, the removal of illiteracy was not only a dream of the father of the nation, but was also one of the commitments that the nation has made in the midnight speech of the first prime minister 50 years ago. The Constitutional Directive of providing free universal elementary education remains as the most conspicuous failure of India during 50 years of independence and no signs of its fulfilment

could be noted until the early next century, at the earliest. Rural urban inequalities, gender differences, differences by caste – all have decreased, but they are still sizeable. Enrolment ratio in higher education is a meagre 5 per cent of the eligible age-group population, while an enrolment ratio of 20 per cent in higher education seems to be a threshold level for an economy to become an economically advanced country.

Thus the unfinished tasks are stupendous and the neo-liberal solutions of financing education that are being talked about to fulfil these unfinished tasks may not produce healthy results in the long run. Indeed there are no choices: India has to scale up her investments in education significantly to fulfil some of her modest goals in education and the government cannot shirk its responsibility, if we want the next half a century not to be a mere extension of the one that is being completed. India has to make her commitment to education clear, unambiguously clear, through proper financial allocations to education. The government has to earnestly try to allocate 6 per cent of GDP to education as promised at the earliest and to gradually increase it to such levels that would ensure very good quality education to all citizens, so that they can live with dignity and make effective contribution to national development. It is critically important to realise that the costs of delayed investments and underinvestments in education are too heavy to bear, and certainly it would be costlier than the costly investments that we have to make in education now.

Given the Constitutional Directive, and other considerations, government should take complete responsibility of adequately financing good quality elementary education, and in fact, all levels of education, including secondary, higher and higher technical education. After all, governments in most civilised societies – developing and developed – meet nearly the total bill of educating their citizens at all levels, including higher education. Exceptions are very few. Other non-governmental sources can only supplement the governmental efforts; they cannot be viewed as reliable sources or as alternative sources to public finances. The advantages of public financing of education are too many to forego in a country like India. Let not short-term problems dictate the long-term policies for educational development in India for the next century.

[This article is prepared for *Education in India: Fifty Years*, a commemorative volume being brought out by the All India Association for Educational Technology, New Delhi, in November 1997 to commemorate 50 years of independence.]