



# A Study on Education Expenditure in India: Since 1991-92 to 2022-23

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## Abstract

This paper examined the trends in public and private expenditure on education in India since 1991-92 to 2022-23. Data on education includes spending by the education department and all other departments on programs and activities connected to education and training is the basis for the analysis. The data was gathered by the Ministry of Education, GoI. Data on private spending on education is based on the National Accounts and Statistics (NAS) data. Private spending on education is increasing more quickly than public spending. Such a massive increase (in current prices) in public and private education spending may have been caused in part by inflationary economic trends, but it must be primarily attributed to the nation's growing educational system in terms of the number of educational institutions and enrollment in both public and private sector institutions.

## I. Introduction

Education is a key factor in any country's sustainable development and economic expansion. For rapid and comprehensive growth, it is thought to be the best investment a country can make. This is because it improves people's ability, expertise, output and creativity through the process of creating human capital (Pankaj's Chitralekha, 2016). According to Omodero and Azubike (2016), education is an opportunity of transferring or acquiring broad knowledge, strengthening one's capacity for reasoning, judgment and preparing oneself or others intellectually, psychologically and socially a responsible and mature human capital. According to Majumdar (1983), there is two types of investments could be made in education: Institutional and Individual. Individual investment is the term used to describe the financial commitment that parents or students make to their education. As a result it is also known as family or household education investment. Institutional investment is also known as public investment or government investment in education.

There are numerous factors that impact household educational spending. Some of the reason why households choose to invest in education can be explained by economic considerations. Household spend primarily in education because they expect both financial and non-financial returns. In terms of internal rates of return to education, the net economic benefits of education are commonly quantified. The rates of return on education in India are generally high for both individuals and society as a whole (Tilak, 1987). However, the high predicted private rates of return, whether monetary or non-monetary, household may not be investing in education due to social, cultural and economic constraints.

Education is essential to the development of human capital, by increasing individual productivity and efficiency. It generates trained labour that may steer the economy in the direction of sustainable economic growth (Zaman, 2008). Education should also contribute to global economic growth and poverty reduction, which are top concerns for the international society. Every individual can make a positive contribution to their society through an investment in human capital, particularly in education. It becomes a crucial component of an economy's ability to grow rapidly while maintaining high salaries, low unemployment and good social unity. Therefore, education is a crucial issue that every nation's government addresses and works to improve, along with factors like low unemployment and balance of payments equilibrium.

Society is becoming more concerned with the caliber of programs, public evaluations and global rankings of higher education institutions as higher education systems expand and diversify. Nevertheless, by using research success as a metric for evaluating institutional worth, these comparisons frequently place an undue emphasis on research. The difficulty in quantifying teaching quality is one reason why current producers may not adequately address it (Hernard, 2008).

## II. Literature Review

Review of some education expenditure related studies:

Goldani, M. and Moment, F. (2023), findings highlights the critical relevance of specific and well-thought-out investments in education. In the case of OECD nations, the research finding reveals a complex relationship between government spending on education and the Human Development Index (HDI). The HDI is generally positively impacted by government spending in the education sector. Not only the private sector's rapid expansion in education (the base expansion of private education), but rising fees and other charges over time have also contributed to the rise in per capita private education spending (Motkuri, V. and Revathi, E., 2023).

Kishan, S. and Hussain, A. (2021), highlights that Chhattisgarh government has raised its education budget by 6% from the previous year's budget, and is working to improve the state's educational policies. Effective budget allocation for education will raise the nation's literacy rate, raise living standards and support socio-economic growth.

Suthar, F. A. and Patel, B.R. (2021), find that high quality education has a direct effect on every aspect of a nations development and raises its profile overall. In India, higher education has advanced significantly in terms of both quantity and quality over the past 10 years.

Kenneth, O.A., Kenneth, O.O., at.al. (2020) documented that while the labour force and the primary school enrollment ratio had negative effects on per capita GDP and gross fixed capital formation. Government recurring spending had a short-term negative relationship with GDP per capita and long-term positive relationship with per capita GDP.

Kumar, M. and Naincy, N. (2020), reveals that the bias in spending declines and in certain situations, increase for female students. The concept of gender inequality, as it relates to the logic of class reproduction, had distinct analytical frameworks at various educational levels. Tilak, J.B.G. (2002), noted two important factors influencing the amount of money spending on education in rural Indian households are caste and religion.

Chika, O.Z., and Ogugua, O. C. at.al. (2020), Nigeria's economic growth was considerably restricted by education spending. Additionally, Nigeria's human capital growth is greatly aided by education spending. Nigeria's literacy rate is positive but marginally impacted by education spending. The government should continuously assess increasing budgetary allocations to the education sector in light of the findings in order to lower Nigeria's literacy rate and achieve sustained economic growth.

Tilak, J.B.G. (2002), discovered that India offers no such things as "free" education. Households who belong to even lower socio-economic groups-scheduled castes or tribes, low-income groups-spend a significant amount of money on education, particularly elementary education, which the state is supposed to provide free of charge to everyone.

### III. Data Sources and Methodology

The secondary data was used in this study. The primary sources of public funding for education are budget documents. The Reserve Bank of India has been creating and maintaining a time-series of all the school related expenditure made by the key head of state governments. The GoI's Ministry of Education (MoE), also gathers data on education spending that includes budgets for programs and activities related to education. Data on public education expenditure as reported in Analysis of Budget Expenditure on Education (ABEE) was used. The National Accounts Statistics (NAS) estimate the data of private final consumption Expenditure (PFCE) was used. Simple average method is used for analysis.

### IV. Objectives

- To study the trends in public and private education expenditure in India.
- To study the trends in per capita expenditure on education.

### V. Trends in Education Expenditure in India

In India it has been a notable increase in both governmental and private spending on education since 1991-92 to 2022-23. Public education expenditure increased from Rs. 22393.7 Crores in 1991-92 to 1098580.4 Crores in 2022-23. Private Expenditure on education increased from Rs. 9667.1 Crores in 1991-92 to Rs. 728197.6 Crores in 2022-23. Total Budget Expenditure increased from Rs. 170370.4 Crores in 1991-92 to Rs. 7644017.5 Crores in 2022-23.

**Table: 1 Trend in Education Expenditure in India**

Year	TBE	Expenditure on Education	
		Public	Private
2022-23	7644017.5	1098580.4	728197.6
2018-19	4645521.3	736581.3	509961.6
2011-12	2249526.5	333930.4	182378.0
2001-02	619713.1	79865.7	40777.4
1991-92	170370.4	22393.7	9667.1

**Note:** 1. Values are Rs. in Crores and in Current Prices; 2. PECE- Private Final Consumption Expenditure; 3. TBE- Total Budget Expenditure of all sectors and combined of all the State government and the Centre; 4. Public- Budget Expenditure on Education by both the State and Centre Government, as is compiled by Min of Education, Government of India; 5. Private- PFCE on Education (i.e. household excluding the Government expenditure).

**Sources:** Government of India (GoI), Ministry of Education (MoE), National Accounts Statistics (NAS) and Reserve Bank of India (RBI).

## VI. Per Capita Expenditure on Education in India

According to the amount spend on education per person, private spending increase from Rs. 113.1 in 1991-92 to Rs. 5221.9 in 2022-23. Public spending increased from Rs. 262.0 in 1991-92 to Rs. 7954.9 in 2022-23. Total Budget Expenditure increased from Rs. 1993.2 in 1991-92 to Rs. 55351.2 in 2022-23. Not only the private sector's rapid expansion in education (the base expansion of private education), but rising fees and other charges over time have also contributed to the rise in per capita private education spending (Motkuri, V. and Revathi, E., 2023).

**Table: 2Per Capita Expenditure on Education in India**

Year	TBE	Expenditure on Education	
		Public	Private
2022-23	55351.2	7954.9	5221.9
2018-19	35039.5	5555.8	3805.7
2011-12	18457.0	2739.8	1496.4
2001-02	5975.6	770.1	393.2
1991-92	1993.2	262.0	113.1

**Note:** 1. Values are Rs. in Crores and in Current Prices; 2. PECE- Private Final Consumption Expenditure; 3. TBE- Total Budget Expenditure of all sectors and combined of all the State government and the Centre; 4. Public- Budget Expenditure on Education by both the State and Centre Government, as is compiled by Min of Education, Government of India; 5. Private- PFCE on Education (i.e. household excluding the Government expenditure) 6. Per Capita is per person; 7. For year 2022-23 figures are projected based on the past growth and for 1991-92 to 2018-19 figures are actuals.

**Sources:** Author's calculation based on: 1.Ministry of Education (MoE), Government of India (GoI), 2.National Accounts Statistics (NAS) 3.Reserve Bank of India (RBI), 4. Census of India and RBI.

## VII. Conclusion

Since 1991-92, both public and private spending on education has increased, showing the growing foundation of the educational system. Such a massive increase (in current prices) in public and private education spending may have been caused in part by inflationary economic trends, but it must be primarily attributed to the nation's growing educational system in terms of the number of educational institutions and enrollment in both public and private sector institutions.

Public spending on education has increased more quickly than private spending since 1991-92. However, the yearly increase in public spending on education for each decade individually shows that this dominance has not persisted. The growing privatization of education since the 1990's is indeed reflected in the trend. Even COVID-19 had an impact on the increase of both public and private education spending; the private sector was more negatively impacted. In 2018-19, the nation's total education spending amounted around 6.6% of GDP. Since the 1990, private education spending as a percentage of private final consumers spending has increased, demonstrating how important family's views are in education.

Despite having a variations causality direction, they have a long-term equilibrium relationship with GDP. The GDP of the nation is influenced by public spending on education. Rapid economic expansion contributes to rising private spending on education.

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