

A Study of Public Expenditure on Education in Indian Economy

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ABSTRACT

Public intervention in the area of education, particularly elementary education, is universally accepted. From the lens of education as a fundamental right, such intervention directly follows from the basic features of the paradigm. Even if an alternative paradigm of a modern welfare state is preferred, its well-accepted tenets lead to a substantive role of the government in the area of education. What is required is that the government should be interested in (a) the long-term increase in the expected income of its citizens; (b) higher growth of the economy; and (c) lower poverty levels. All three are non-controversial as government objectives. Public pursuance of a policy of better-educated citizens can pay dividends for all the three stated goals as revealed by the empirical literature on various aspects of education. The research findings on the rate of return to education indicate that there is considerable rationale for investing in education on behalf of both the individual and the society. At the earlier stages, primary and secondary, the social returns can in some cases exceed private benefits, strengthening the case for public expenditure.

Introduction

An Attempt has been made in this paper to present an overview about **“A Study of Public Expenditure on Education in Indian Economy.”** The paper is divided into Five Sections. Section First Covers a brief Introduction about the theme. Section second deals with social sector expenditure (SSE) in major states. In Section, third Social Expenditure on Education and Total Revenue Expenditure is discussed. Section four deals with social expenditure on education as ratio to aggregate disbursements in India. The Paper concludes with section Five, which gives real situation of Public expenditure on education in Indian economy.

The human capital thus accumulated impacts positively on productivity, and leads to a higher rate of growth for the economy. Moreover, externalities prevalent in the education sector necessitate intervention by the state in order to ensure equity and improve outcomes. At a policy level, the

implication is that for long-run growth, it is necessary to increase the stock of human capital through investment in education. For developing countries, the gains from education and its spillover effect into other sectors will mean that the social return is likely to be more than to private return. However, rather than being an amorphous quantity, different levels of education – elementary, secondary, tertiary – have different rates of return for the individual and the society. As Sen (1999) points out, education has both intrinsic and instrumental value. Basic literacy and numeracy benefits the whole society. Elementary and to a lesser extent, secondary education, have substantial externalities, necessitating public policy intervention for universalizing access and availability. Returns to tertiary education accrue mostly to individuals in terms of accumulation of skills, and consequently higher wages. University and technical education can therefore be seen as screening mechanism in the labour market, and public intervention is needed more in terms of ensuring equity when labour

markets are imperfect. Therefore, in terms of financing of education, equity and market failure implies that public expenditure priority should be such that the greatest benefit should go to lower tiers of education – elementary and secondary.

SECTION-II Social Sector Expenditure (SSE) in Major States

If we ignore the abnormal year of 2003-04 when the SSE as proportion of Aggregate Disbursements (AD) fell substantially to 18.7 percent from 31.1 percent in the previous year, the SSE/AD proportion in Uttar Pradesh has been fluctuating between the low of 28.6 percent in 1994-95 and the high of 40.3 percent in 2012-13 (RE). During the Crisis Phase, the proportion has declined unabatedly. From 38.5 percent in 1990-91, it declined to 33.3 percent in

1998-99. This trend of decline continued up to 2004-05 in the Reform Phase. Since 2005-06, a clear trend of improvement is visible. However, the proportion has remained almost stagnant, registering only a marginal increase of 1.8 percent, over the whole period. During the Crisis Phase (1990-91 to 1998-99), the SSE/AD proportion averaged 33.2 percent (Table 1). This average went up marginally to 34.1 percent during the Reform Phase (1999-2000 to 2013-14). Thus, we find a trend of improvement in the SSE/AD proportion during the Reform Phase, though it is very weak and insignificant. However, despite this marginal improvement, the rank of the state with respect to average SSE/AD ratio has declined from 13th during the Crisis Phase to 16th during the Reform Phase. Over the whole period also, there is only a marginal improvement (Table 1). The proportion, which was 38.5 percent in 1990-91, increased marginally to 39.6 percent in 2013-14 (BE).

Table- 1

SSE*/AD Ratio: Ranks of Major States								
State	SSE/AD Ratio (Percent)							
	Crisis Phase				Reform Phase			
	1990-91	Rank: 1990-91	AVG-1	R-1	2013-14 (BE)	Rank: 2013-14 (BE)	AVG-2	R-2
1	2	3	4	5	6	7	8	9
AP	41.7	4	38.9	6	41.8	8	35.7	12
BR	38.3	8	41.8	1	45.0	2	40.4	4
CG	-	-	-	-	53.6	1	47.0	1
GJ	36.4	11	33.7	12	39.1	13	34.9	15
HR	32.4	14	26.6	14	42.1	7	33.7	17
JH	-	-	-	-	43.9	3	45.4	2
KA	37.0	9	37.9	10	42.1	7	36.07	11
KL	43.7	3	41.3	2	35.7	16	35.1	14
MP	41.3	5	40.7	4	41.6	10	36.08	10
MH	35.2	12	37.5	11	43.2	5	36.95	9
OR	36.5	10	38.0	9	39.9	11	37.26	7
PB	28.1	15	23.9	15	32.2	17	22.9	18
RJ	39.5	6	38.1	8	43.3	4	40.5	3
TN	45.1	2	40.4	5	37.9	14	37.05	8
UP	38.5	7	33.2	13	39.6	12	34.1	16
WB	46.9	1	41.0	3	43.0	6	35.5	13
AS	34.7	13	38.7	7	37.0	15	37.30	6
UK	-	-	-	-	41.7	9	38.6	5
All States	38.6	-	36.7	-	40.5	-	35.8	-
Gap	8.4	-	8.5	-	14.0	-	12.9	-

Source: RBI: State Finances: A Study of Budgets of 2013-14

*: Includes expenditure on social services, rural development and food storage and warehousing under revenue expenditure, capital outlay and loans and advances by the State Governments.

SSE= Social Sector Expenditure; AD= Aggregate Disbursements; AVG-1= Average of SSE/AD ratio during the Crisis Phase; AVG-2= Average of SSE/AD ratio during the Reform Phase

R-1=Rank with respect to AVG-1; R-2= Rank with respect toAVG-2

Gap= Gap between the best performing state and UP

Among the major states, the SSE/AD proportion of UP has not been healthy in comparative terms. In 1990-91, the proportion of UP was 7th highest among the major 15 states. West Bengal was the best performer with a proportion of 46.9 percent and there was a performance gap of 8.4 percent between West Bengal and UP. In 2013-14 (BE), the SSE/AD proportion of UP was the 12th highest among the 18 major states.

Thus, we find that the rank of UP has deteriorated from 7th in 1990-91 to 12th in 2013-14 (BE). With a ratio of 53.6 percent, Chhattisgarh was the best performer in 20013-14 (BE) and there was a performance gap of 14.0 percent between Chhattisgarh and UP (Table 1). Thus, we find that state's SSE as percent of AD has been low among the major states of the country and this situation has worsened further during the Reform Phase. The average annual growth Rate (AAGR) of the SSE in Uttar Pradesh over the period 1991-92 to 2013-14 (BE) was 13.82 percent, which is low in comparative terms. The rank of the state in respect of AAGR among the major 16 states was 14th. This is unsatisfactory. In respect of AAGR, the state has

been a laggard among the major 16 states. With an AAGR of 31.37 percent, Chhattisgarh was the best performer over the whole period. MP was the worst performer with AAGR of 13.51 percent and the AAGR of UP was just marginally higher than that of MP. The increase in SSE over the previous year has been fluctuating between the high of 31.7 percent in 2008-09 and the low of - 6.5 percent in 1993-94. The AAGR of SSE of Uttar Pradesh during the Crisis Phase was 11.08 percent and the state was ranked 13th in this respect among the major 14 states (Table 2). Thus, in this respect, UP was almost the worst performer. With an AAGR of 11.0 percent and ranked 14th, Bihar was the worst performer among the major 14 states. During the Crisis Phase, the gap between the AAGR of the best performing state Punjab (19.37 percent) and that of UP was 8.29 percent. This gap widened to 16.09 percent during the Reform Phase. Chhattisgarh, with an AAGR of 31.37 percent, was the best performer during the Reform Phase. But the rank of the state has improved from 13th during of the Crisis phase to 6th during the Reform Phase.

Table -2

Social Sector Expenditure*: AAGR and Ranks of Major States						
State	Crisis Phase		Reform Phase		Whole Period	
	AAGR-1	R-1	AAGR-2	R-2	AAGR	R
1	2	3	4	5	6	7
AP	16.25	3	14.90	8	15.37	5
BR	11.00	14	16.84	3	14.81	9
CG	-		31.37	1	31.37	1
GJ	16.45	2	14.05	13	14.89	8
HR	16.22	4	17.40	2	16.99	2
JH	-	-	15.09	7	15.09	6
KA	15.67	6	15.73	4	15.71	4
KL	15.62	7	12.97	16	13.89	13
MP	13.97	10	13.26	15	13.51	16
MH	14.93	8	14.38	11	14.57	11
OR	14.50	9	15.35	5	15.06	7
PB	19.37	1	14.46	10	16.17	3
RJ	15.70	5	14.02	14	14.60	10
TN	13.54	11	14.18	12	13.96	12
UP	11.08	13	15.28	6	13.82	14
WB	11.78	12	14.85	9	13.78	15
All States	13.74	-	14.75	-	14.40	-
Gap-1	8.29	-	16.09	-	17.55	-
Gap-2	2.66	-	-0.52	-	0.58	-
Source: RBI: State Finances: A Study of Budgets of 2013-14						
* Includes expenditure on social services, rural development and food storage and warehousing under revenue expenditure, capital outlay and loans and advances by the State Governments.						
AAGR= Average Annual Growth Rate; R= Rank during the whole period; A-1= AAGR during the Crisis Phase; R-1= Rank during the Crisis Phase; A-2= AAGR during the Reform Phase; R-2= Rank during the Reform Phase						
Gap-1= Gap between the best performing state and UP; Gap-2= Gap between All States and UP						

Thus, the state has not been a laggard in respect of improvement in AAGR during the Reform Phase over the AAGR during the Crisis Phase. The widened gap is mainly due to the exceptional performance of the newly created state of Chhattisgarh. In fact, the gap between the AAGR of the second best performing state (Haryana with AAGR of 17.40 percent) and that of UP was not sizable during the Reform Phase. It was of the size of

2.12 percent. During the whole period, the gap between the AAGR of the best performing state, again Chhattisgarh (31.37 percent), and that of UP was 17.55 (Table 2) but this huge gap was due to the exceptional performance Chhattisgarh during the Reform Phase. The gap between the AAGR of the second best performing state (Haryana 16.99 percent) and that of UP during the whole period was 3.17 percent. However, the overall 14th rank of the

state in respect AAGR among the major 16 states puts the state in the category of worst performers. However, the gap between the AAGR of All States and that of UP has not been huge. It was 2.66 percent during the Crisis Phase and 0.58 percent during the Reform Phase. But emulating poor performers can not be desirable in any sphere of life. As percent of GSDP, the SSE has been low in UP. During 2000-2003 (Avg), the SSE/GSDP ratio was 6.8 percent and the state was ranked 8th jointly with Chhattisgarh. But the gap between the state witnessing the highest SSE/GSDP ratio (Bihar, 12.7 percent) and UP was huge. 5.9 percent. This gap declined substantially to 2.1 percent during 2010-2013 (Avg) but rose again to 4.3 percent in 2013-14 (B.E). However, this sudden jump in the gap was

caused by a sizable increase in the SSE/GSDP ratio of Chhattisgarh in 2013-14 (BE). However, the State has succeeded in improving the rank from 8th during 2000-2003 (Avg) to 3rd in 2013-14 (BE). This has become possible due to a steady increase in the SSE/GSDP ratio of the state over the period. The ratio, which was 6.8 percent during 2000-2003 (Avg), increased to 9.7 percent in 2013-14 (BE). Thus, in 2013-14 (BE), UP was among the top performers among the major 16 states in respect of SSE/GSDP ratio, though with a large gap of 4.3 percent from the best performing state. An interesting trend is discernible from. The SSE/GSDP ratio of the Special Category States as a whole has been much higher than that of the Non-Special Category State.

Table -3

Trends in Aggregate SSE of States								
Item	Average				2010-11	2011-12	2012-13 (RE)	2013-14 (BE)
	1990-98	1998-2004	2004-2008	2008-2010				
1	2	3	4	5	6	7	8	9
AE/GDP	14.3	14.8	14.5	14.9	14.2	14.3	15.8	15.6
SSE/GDP	5.5	5.5	5.2	6.0	5.8	5.8	6.7	6.6
SSE/AE	38.2	36.8	35.8	40.1	41.0	40.8	42.4	42.4
AE : Aggregate expenditure includes revenue expenditure, capital outlay and loans and advances by the state governments; SSE : Social Sector Expenditure								
Source: RBI: State Finances: A Study of Budgets of 2013-14								

Table 3 reveals that Aggregate SSE of the states as percent of GDP has remained almost stagnant over the period 1990 to 2013-14. The ratio, which was 5.5 percent during 1990-98, increased to 6.6 percent in 2013-14 (BE). Similarly, SSE/AE ratio has also been more or less stagnant. It increased from 38.2 percent 1990-98 to 42.4 percent in 2013-14 (BE). This increase is marginal (Table 3). Since education is a state subject, bulk of the public expenditure on education (henceforth "Social Expenditure on Education" or "SEE") is incurred by the State Government. But the Central Government also contributes to the education sector. Moreover, external assistance has also contributed quite significantly to the growth of educational

expenditure in the state of Uttar Pradesh. The expenditure on education is classified under two heads – revenue expenditure which reflects operational expenditure, and capital expenditure. Close to 99% of educational expenditure in UP is in the form of revenue expenditure though it is widely agreed that capital expenditures, which are often made out of ad hoc grants to educational institutions, or in recent years, out of the Department of Rural Development Schemes, are not captured well in the present classification. Further all expenditure is also divided into "Plan Expenditure" (reflecting investment/expenditure on new schemes) and "Non-Plan Expenditure" (reflecting maintenance and current expenditure on old

schemes). In Uttar Pradesh, almost one fifth of the states' revenue expenditure is devoted to education (Table 4). Expenditure on education which was Rs. 210308 lakh in 1990-91, went up to Rs 573144 lakh in 1998-99 and further to Rs.3530769 lakh in 2013-14 (BE), a little less than seventeen times the expenditure in 1990-91. But the growth in SEE over the previous year has not been consistent. It has been quite erratic. The highest growth was registered in 1998-99 (36.59 percent) while the lowest growth was witnessed in 1991-92 (- 4.34 percent). Some sort of stability in this regard is visible since 2009-10. But the increase in 2013-14

(BE) has again declined to 10.33 percent (Table 4) The AAGR of SEE during the Crisis Phase was 14.17 percent which declined marginally to 13.33 percent during the Reform Phase. *The AAGR of 14.17 percent was low and inadequate in itself and its decline to 13.33 percent during the Reform Phase does not augur well. The AAGR of 13.33 percent will become insignificant in real terms when adjusted for inflation. Thus, it appears that the structural adjustment programme has adversely impacted the growth of SEE in UP and the AAGR of Social Sector Expenditure on Education has declined during the Reform Phase.*

Table -4

SEE in Uttar Pradesh#: AAGR and as % of TRE					
Year	Social Expenditure on Education		Total Revenue Expenditure		SEE as % of TRE*&
	SEE (Rs. Lakh)	% Increase over last year*	TRE (Rs. lakh)	% Increase over last year*	
1	2	3	4	5	6
1990-91	210308	0.00	953836	0.00	22.05
1991-92	201190	-4.34	1039920	9.03	19.35
1992-93	250697	24.61	1269074	22.04	19.75
1993-94	235808	-5.94	1328013	4.64	17.76
1994-95	286640	21.56	1539597	15.93	18.62
1995-96	338317	18.03	1755586	14.03	19.27
1996-97	387362	14.50	1920770	9.41	20.17
1997-98	419608	8.32	2219503	15.55	18.91
1998-99	573144	36.59	2607485	17.48	21.98
AAGR-1		14.17		13.51	19.76
1999-00	571232	-0.33	2874773	10.25	19.87
2000-01	611933	7.13	3103261	7.95	19.72
2001-02	604238	-1.26	3177971	2.41	19.01
2002-03	606706	0.41	3293850	3.65	18.42
2003-04	625458	3.09	5022122	52.47	12.45
2004-05	727246	16.27	4461035	-11.17	16.30
2005-06	878990	20.87	4661714	4.50	18.86
2006-07	1070444	21.78	5569890	19.48	19.22
2007-08	1167568	9.07	6522321	17.10	17.90
2008-09	1294434	10.87	7596889	16.48	17.04
2009-10	1618168	25.01	8937360	17.64	18.11
2010-11	2095424	29.49	10767561	20.48	19.46
2011-12	2597504	23.96	12388517	15.05	20.97
2012-13 (R.E.)	3200289	23.21	15114163	22.00	21.17
2013-14 (B.E.)	3530769	10.33	16789221	11.08	21.03
AAGR-2		13.33		13.96	18.64
Source (Basic Data): RBI: A Handbook of Statistics on State Government Finances 2010, Appendix - II & RBI: State Finances: A Study of Budgets, Various Years					
# Includes Expenditure on Sports, Art and Culture. & Average Annual Growth Rate; AAGR-1 is the AAGR during 1991-92 to 1999-00 and AAGR-2 is the AAGR during 2000-01 to 2013-14					
SEE=Social Expenditure on Education; TRE=Total Revenue Expenditure; *Computed by the Author					
& Figures against AAGR-1, and AAGR-2 are the averages of SEE/TRE ratio for the concerned periods and not average growth rates					

SECTION-III Social Expenditure on Education and Total Revenue Expenditure

The SEE as percent of Total Revenue Expenditure (TRE) has witnessed a declining trend over the whole period. The SEE as percent of TRE in UP was 22.05 percent in 1990-91. This proportion went on declining up to 1997-98. However, the proportion increased to 21.98 in 1998-99. Thus, during the Crisis Phase of 1990-91 to 1998-99, a trend of marginal decline is visible (Table 4.4). The average proportion during the Crisis Phase was 19.76 percent, way below the proportion witnessed in 1990-91. Then again the proportion started declining. During the Reform Phase, the proportion was almost stagnant up to 2010-11 and started to inch up since 2011-12. But in 2013-14 (BE), it was still below the level attained in 1990-91. However, the average of the proportion improved slightly to 18.64 percent during the Reform Phase (Table 4).

SEE as Proportion of TRE: Major States

Among the major States, the SEE/TRE proportion of UP has not been very healthy. In 1990-91, the SEE/TRE proportion of UP was 22.05 percent and the state was ranked 7th among the major 14 states in this regard. With 27.45 percent, Kerala witnessed the best proportion in 1990-91. The average proportion of the state during the Crisis Phase was 19.76 percent and the state was ranked 10th in this respect. With 24.75 percent, Kerala witnessed the highest average proportion during the Crisis Phase. In 1990-91, gap between the state with highest proportion and UP was 5.40 percent. This gap widened to 9.09 percent in 1997-98 but then declined to 2.15 percent in 1998-99. The gap in terms of average proportion during the Crisis Phase was 4.99 percent (Appendix 4.4). In 1999-00, the

first year of the Reform Phase, the SEE/TRE proportion of UP was 19.87 percent and the state was ranked 8th in this regard. Thus, when compared to 1990-91, the rank of the state deteriorated by one position. With 26.07 percent, Bihar was the best performing state in 1999-00. The gap between the proportion of Bihar (Ranked 1st) and that of UP increased to 6.20 percent. The SEE/TRE proportion of the state increased to 21.03 percent in 2013-14 (BE), but it was still lower than the proportion witnessed in 1990-91. In fact, the proportion witnessed in 1990-91 was the highest which was never attained again during the whole period. The proportion went on declining up to 2008-09. Since 2009-10, a trend of marginal improvement is visible. But the state never succeeded in attaining the highest proportion witnessed in 1990-91. In 2013-14 (BE), the state was ranked 6th among the major states. The gap between the proportion of the best performing state (Maharashtra, 25.07 percent) and that of UP was 4.04 percent in 2013-14 (BE). The average proportion of the state during the Reform Phase was 18.64 percent which was lower than the average witnessed during the Crisis Phase. The state was ranked 9th among the major 16 states in respect of average proportion during the Reform Phase. The gap between the state with highest average proportion and UP was 5.34 percent which is higher than the gap witnessed with respect to average proportion witnessed during the Crisis Phase. The overall average proportion witnessed over the whole period was 19.06 percent and the state was ranked 8th in this respect. The gap between the best performing state over the whole period (Bihar 23.77 percent) and UP was 4.71 percent. Thus, we find that the impact of economic and fiscal reforms has not been encouraging in respect of Social Expenditure on Education seen as percent of Total Revenue Expenditure. Rather, the import has been somewhat negative. Moreover, the state has been a low-to-medium performer among the major states of the country and the SEE/TRE proportion of the state has been low and that too has declined over the period.

SECTION-IV Social Expenditure on Education as Ratio to Aggregate Disbursements in India

Expenditure on Education as ratio to Aggregate Disbursements (SEE/AD), which was 16.8 percent in 2000-01, increased marginally to 17.3 percent in 2013-14 (BE). The state was ranked 8th in 2000-01 in terms of SEE/AD ratio. Thus, among Non-Special Category (NSC) states, UP was a middle level performer with a performance gap of 6.9 percent from the best performing state (Bihar, 23.7 percent). In 2013-14 (BE), the state was ranked 5th among the NSC states and the gap from the best performing state (Maharashtra, 20.6 percent) narrowed down to 3.3 percent, less than half of the gap in 200-01. However, the state's better performance in terms of gap is misleading. The shrinkage in gap has not been made possible by any sterling performance of the state. Rather, it has been made possible by deterioration in the performance of states that performed better in 2000-01. In 2000-01, the ratios of Bihar (ranked 1st), Maharashtra (ranked 2nd) Kerala (Ranked 3rd), Rajasthan (Ranked 4th), Tamil Nadu (ranked 5th) and Karnataka (Ranked 6th) were higher than that of UP. All these states have witnessed deterioration in their ranks in 2013-14 (BE). The only state, among the states having SEE/AD ratio above UP in 2000-01, which has succeeded in improving its Rank in 2013-14 (BE), is West Bengal. West Bengal has improved its rank from 7th in 2000-01 to 4th in 2013-14 (BE). Thus, improvement in the rank of UP and shrinkage of the gap from the best performing state in 2013-14 (BE) does not reflect any better performance of the state. However, when states top-ranked in 2000-01 have witnessed deterioration in their ratios, even a marginal improvement in the ratio of UP should be appreciable, though not satisfactory. The average of the ratio over the period 2000-01 to 2013-14 (BE) was 14.9 percent and the state was ranked 8th. This fact also confirms that UP has not been a star performer in terms of SEE/AD ratio. Some of the Special Category states like Assam, Uttarakhand,

Himachal Pradesh and Meghalaya have witnessed ratios higher than that of UP in 2013-14 (BE).

Human capital, along with physical capital, plays an indispensable role in economic development. Spending on social services like education contributes immensely to the process of human capital formation. Various studies have established that spending on education plays a seminal role in promoting economic growth by augmenting the process of human capital formation. Thus, there is considerable rationale for investing in education. But the investment scenario in Uttar Pradesh is not very encouraging. It appears that the state has failed miserably in understanding the importance of investments in education. SSE as proportion of Aggregate Disbursements has remained almost stagnant over the whole period of 1990-91 to 2013-14, registering only a marginal increase in 2013-14 over 1990-91. Even despite this marginal increase, the rank of the state among the major states has deteriorated from 7th in 1990-91 to 12th in 2013-14. The gap between the SSE/AD ratio of UP and that of the best performing state has widened from 8.4 percent to 14.0 percent in 2013-14. Thus, we find that state's SSE as percent of AD has been low among the major states of the country and this situation has worsened further during the Reform Phase. The AAGR of the SSE of the state over the period 1991-92 to 2013-14 was low (13.82 percent) in comparative terms and the state was ranked 14th among the major 16 states. The overall 14th rank of the state in respect of AAGR among the major 16 states puts the state in the category of worst performers. As percent of GSDP, the SSE has been low in UP. However, the State has succeeded in improving the rank from 8th during 2000-2003 (Avg) to 3rd in 2013-14 (BE). This has become possible due to a steady increase in the SSE/GSDP ratio of the state over the period. The ratio, which was 6.8 percent during 2000-2003 (Avg), increased to 9.7 percent in 2013-14 (BE). Thus, in 2013-14 (BE), UP was among the top performers among the major 16 states in respect of SSE/GSDP ratio, though with a large gap of 4.3 percent from the best performing state.

SECTION-V Conclusion

The state allocates almost one-fifth of its revenue expenditure to education. However, the SSE as proportion of TRE has marginally declined over the period 1990-91 to 2013-14 from 22.05 percent in 1990-91 to 21.03 percent in 2013-14 (BE). Among the major States, the SEE/TRE proportion of UP has not been very healthy. In 1999-00, the first year of the Reform Phase, the SEE/TRE proportion of UP was 19.87 percent and the state was ranked 8th in this regard. Thus, when compared to 1990-91, the rank of the state deteriorated by one position. The gap between the proportion of the best performing state Bihar (Ranked 1st) and that of UP increased to 6.20 percent. Thus, we find that the impact of economic and fiscal reforms has not been encouraging in respect of Social Expenditure on Education seen as percent of Total Revenue Expenditure. Rather, the import has been somewhat negative. Moreover, the state has been a low-to-medium performer among the major states of the country and the SEE/TRE proportion of the state has been low and that too has declined over the period. The AAGR of SEE, which was 14.17 percent during the Crisis Phase, declined marginally to 13.33 percent during the Reform Phase. *The AAGR of 14.17 percent was low and inadequate in itself and its decline to 13.33 percent during the Reform Phase does not augur well. The AAGR of 13.33 percent will become insignificant in real terms when adjusted for inflation. Thus, it appears that the structural adjustment programme has adversely impacted the growth of SEE in UP and the AAGR of Social Sector Expenditure on Education has declined during the Reform Phase.* Expenditure on Education as ratio to Aggregate Disbursements (SEE/AD) has also been low in UP. The state was ranked 8th in 2000-01 in terms of SEE/AD ratio among Non-Special Category (NSC) states and thus UP was a middle level performer with a performance gap of 6.9 percent from the best performing state (Bihar, 23.7 percent). In 2013-14 (BE), the state was ranked 5th among the NSC states and the gap from the best performing state (Maharashtra, 20.6 percent) narrowed down to

3.3 percent, less than half of the gap in 2000-01. However, the state's better performance in terms of gap is misleading. The shrinkage in gap has not been made possible by any sterling performance of the state. Rather, it has been made possible by deterioration in the performance of states that performed better in 2000-01. Thus, expenditure on education as ratio to Aggregate Disbursements needs to be enhanced in order to achieve the attainment levels matching to the top-ranking states in terms of educational attainment.

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