

# Analysis of State Budgets: Elementary Education

This brief examines trends in elementary education spending in India. It focuses on Government of India's (GOI) Sarva Shiksha Abhiyan (SSA) and state government allocations and expenditures for elementary education since 2005-06.

This brief uses government data to examine elementary education spending along the following parameters:

- a) Overall trends in allocation and expenditure,
- b) State level allocation and expenditure trends for SSA,
- c) Per child costs and enrolment levels, and
- d) State budgets for elementary education and school needs

At the time of preparation of this brief, complete expenditure data was available for FY 2009-10

## Highlights

1	GOI allocation for elementary education in FY 2010-11 (in ₹crores)	22,667
2	States allocation for elementary education in FY 2009-10 (in ₹crores)	78,491
3	State revenue and capital expenditure on education ( including sports, art and culture) as a % of aggregate expenditure ( all states)	15.1%

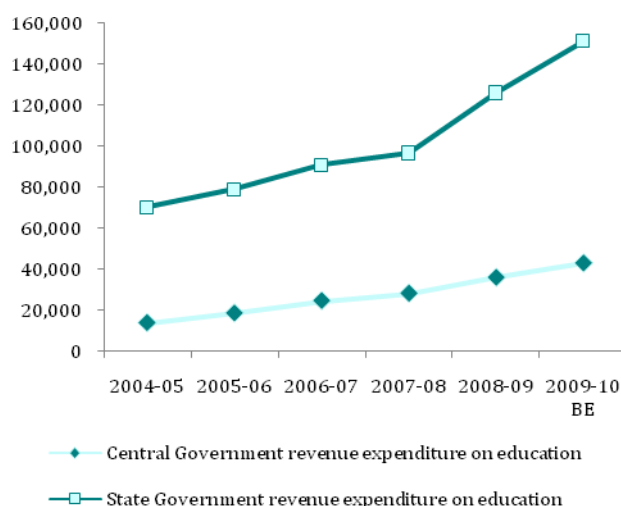
## Summary and Analysis

1. India's education budget (Center and States) has more than doubled in the last five years increasing from ₹83,564 crores in FY 2004-05 to ₹1,91,946 crores in FY 2009-10. However, as a percentage of total GDP, expenditures have actually fallen from 3.13% to 2.84% during this period.
2. Elementary education is a priority and accounts for 50% of the total education budget.
3. SSA, GOI's largest program, has seen the most significant expansion in the lagging states. Bihar nearly doubled its SSA budget from ₹2,414 crores in FY 2006-07 to ₹4,295 crores in FY 2009-10. Rajasthan increased its budget from ₹1,253 crores to ₹2,241 crores and West Bengal's went up from ₹1,465 crores to ₹2,194 crores.
4. At the level of state government budgets, Uttar Pradesh has had the largest overall budgetary increase up from ₹6,439 crores in FY 2005-06 to ₹11,185 crores in FY 2009-10
5. There are wide cross state variations in per-child costs. Kerala spends ₹14,000 per child. Amongst states with low enrolments, Jharkhand spends the least at ₹4,767 per child. Bihar and Uttar Pradesh have the highest enrolments with per child budgets of ₹3,743 and ₹5,146 respectively.
6. Uttar Pradesh had the highest budgetary increase but also had a drop in enrolments. West Bengal and Andhra Pradesh had significant budgetary increases but no real increase in its enrollment rates.

## Trends in Overall Education Spending

- India's education budget (centre and state revenue expenditure) has more than doubled in the last five years increasing from ₹83,564 crores in FY 2004-05 to ₹ 1,91,946 crores in FY 2009-10.
- This increase is largely due to increases in central government expenditure for education, which saw a nearly 3-fold increase in allocations during this period. GOI expenditure as a percentage of GDP has risen from 0.67 percent in FY 2001-02 to 0.94 percent in FY 2008-09 (provisional).
- Education is a concurrent subject, with states holding the primary responsibility for implementation. State governments thus contribute the majority share of India's education budget. According to GOI estimates for FY 2009-10, 74 percent of total education expenditure was incurred by state governments.

State governments contribute a majority share to India's education budgets



Source: Indian Public Finance Statistics 2009. Note: All figures in crores of rupees and include only revenue expenditure.

- In the last five years funds for education have seen an increase, in nominal terms. However, when estimated as a percentage of total GDP, education expenditures have

declined from 3.13 percent to 2.84 percent during this period.

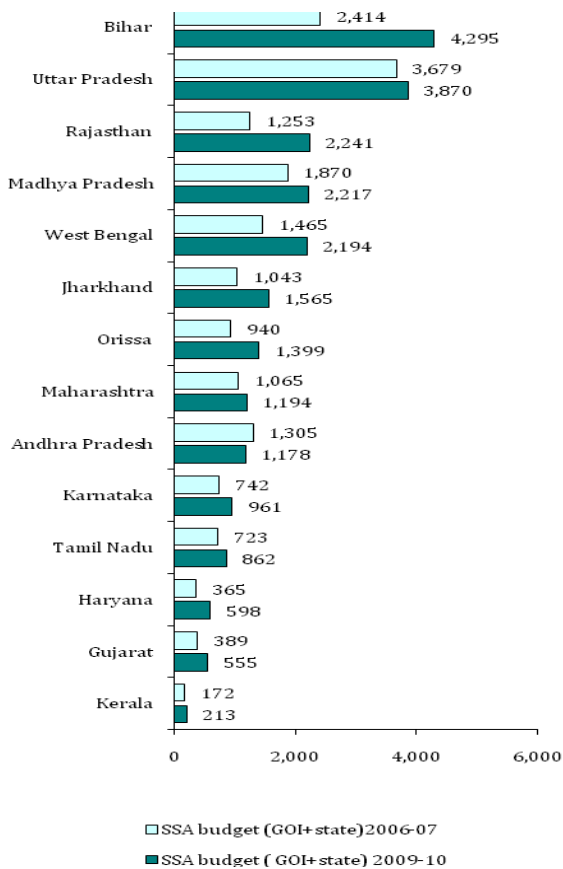
- Within the education budget, elementary education is a priority. In FY 2008-09, elementary education constituted over 50 percent of the total expenditure on education (centre and states combined).
- Sarva Shiksha Abhiyan (SSA) is a centrally sponsored scheme designed by the Government of India (GOI). It is the largest national scheme for delivering elementary education.

## Trends in SSA budgets

- SSA expenditures are based on a centre-state sharing ratio. At the start of the IXth Five Year Plan, the centre-state funding pattern for SSA was 85:15. By FY 2009-10, state contributions increased significantly up to 40% of the total allocation. Under the new Right to Education Act, the funding pattern has once again changed to 65:35 with the centre bearing the bulk of the financial responsibility. For the North-eastern states, the centre-state ratio is 90:10.
- ₹15,000 crores was allocated for SSA in FY 2010-11, amounting to 30 percent of the total education allocations.
- Analysis of state level SSA expenditures indicates that lagging states have prioritised implementing SSA. This is evidenced in the sharp increases in annual allocations (both GOI and state shares) for Bihar, Rajasthan and Jharkhand. For instance, Bihar nearly doubled its SSA budget from ₹2,414 crores in FY 2006-07 to ₹4,295 crores in FY 2009-10. Similarly, Rajasthan increased its budget from ₹1,253 crores to ₹2,241 crores and West Bengal's budget increased from ₹1,465 crores to ₹2,194 crores during the same period.

- SSA budgets have seen minor increases in most other states with the exception of Andhra Pradesh where it decreased from ₹1,305 crores to ₹1,178 crores during this same period.

Bihar, Rajasthan and West Bengal have had a significant increase in their SSA budgets in the last 3 years



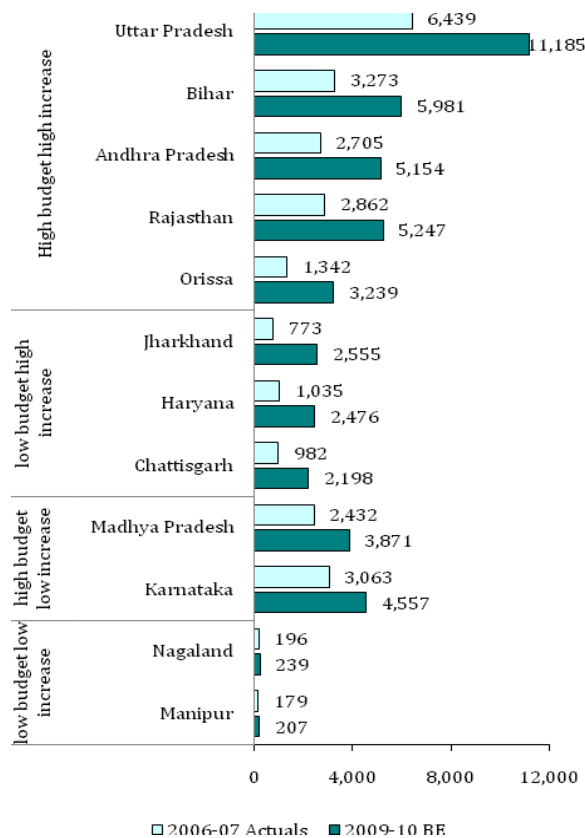
Source: SSA portal, Financial Management for FY 2006-07 and Minutes of 25th Quarterly Review Meeting of Finance Controllers, Annexure for FY 2009-10.

### Trends in state education budgets

- Estimates suggest that salary costs represent between 80-90 percent of non-capital spending on education. The remainder of the budget is spent on a variety of schemes such as free textbooks, uniforms, and special schemes for disadvantaged groups.
- State expenditure for elementary education has seen significant changes since FY 2006-07

- Amongst states that have a high education budget, Uttar Pradesh, Bihar and Andhra Pradesh saw largest increases in allocation. Interestingly, Uttar Pradesh, which did not have a substantial increase in SSA budgets, had the largest increase in state education expenditure during the same period.
- States such as Jharkhand, Chhattisgarh, Punjab and Haryana, which had relatively low budgets for education in FY 2006-07, also saw a significant increase in the last three years.
- On the other hand, the budgets of Madhya Pradesh and Karnataka remained relatively static.

Uttar Pradesh, Bihar and Jharkhand have significantly increased their education budgets in the last 3 years



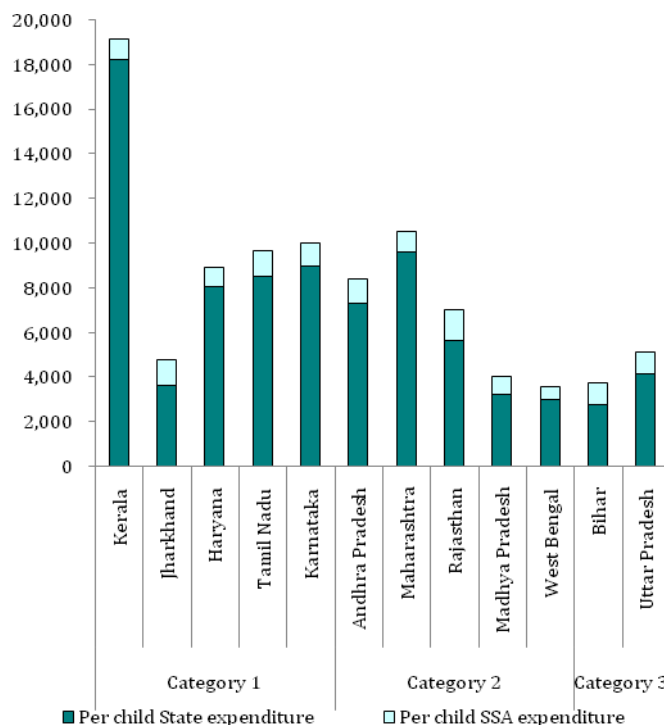
Source: Collected from various state budgets for FY 2008-09 and FY 2009-10. Figures are in crores and include only revenue expenditure.

## Analysis of education budgets

- State trends in education expenditures can best be understood when examined on the basis of per child education expenditures (total expenditure on elementary education divided by the total enrolment in government schools).
- Per child education expenditures can be computed at two levels. First is the analysis of funds released by GOI for SSA. On average, GOI releases ₹950 per child per year under SSA. There are however some variations. Rajasthan and Chhattisgarh are amongst the higher spenders, at approximately ₹1,300 per child, while Gujarat and West Bengal are low spenders at ₹423 and ₹575 per child per year respectively.
- The second level of analysis is state government expenditures. Given that state governments contribute larger share to elementary education expenditure, this level of analysis gives a more realistic picture of per child allocations.
- To undertake this analysis, we have classified states based on the proportion of enrolled children in a particular state to the total enrolments in India. States where the proportion is below 5 percent have been classified as “category 1” (low share of enrolled children in India), 5-10 percent as “category 2” (intermediate share of enrolled children in India) and above 10 percent as “category 3” (highest share of enrolled children in India). This can also be considered a proxy for state size and enables us to compare states similar to each other with respect to population.
- There is a difference of over ₹14,000 per child amongst category 1 states. Kerala spends the most, at ₹18,250 per child and Jharkhand spends the least at around ₹3,221 per child per year on education.

- Amongst category 2 states, there is a difference of ₹6,596 per child per year with West Bengal spending the least at ₹3,029 and Maharashtra spending the most at ₹9,625 per child per year
- In contrast, Bihar and Uttar Pradesh which have the highest share of enrolled children spend ₹2,746 per child and ₹4,155 per child per year respectively. The contrast is even sharper when compared with Kerala’s ₹18,250 per child per year.

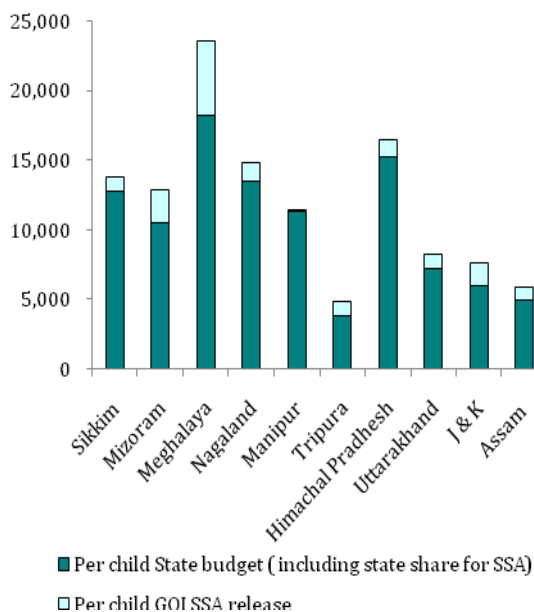
Kerala per child expenditure is significantly higher than Uttar Pradesh



Source: Enrolment figures taken from DISE Flash Statistics 2008-09. Per child SSA expenditure includes only GOI release for SSA. State budget figures collected from state budgets for FY 2008-09 and FY 2009-10 years. Note: This includes only revenue expenditure. Figures are in crores of rupees.

- These wide variations can also be seen in the “special category” states. , Himachal Pradesh, despite having a higher share of enrolment rates as a share of total enrolments in India, spends over ₹15,000 per child per year, while Tripura spends ₹3,766.

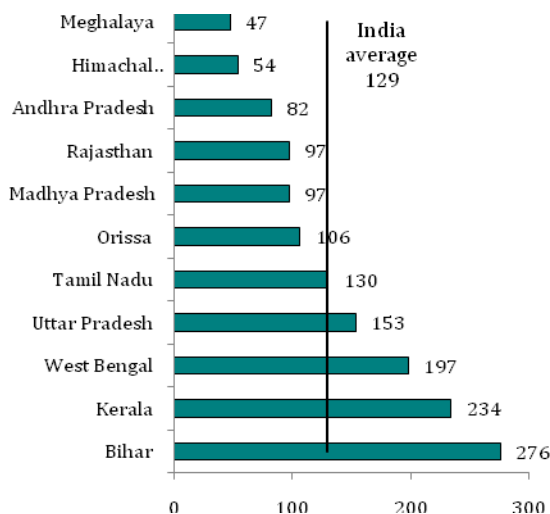
**Himachal Pradesh's per child expenditure is significantly higher than Tripura**



Source: Enrolment figures taken from DISE Flash Statistics 2008-09. Per child SSA expenditure includes only GOI release for SSA. State budget figures collected from state budgets for FY 2008-09 and FY 2009-10 years Note: This includes only revenue expenditure. Figures are in crores of rupees.

- There are also large variations in the number of children enrolled per school.

**Bihar has 276 children per school, Himachal has 54**



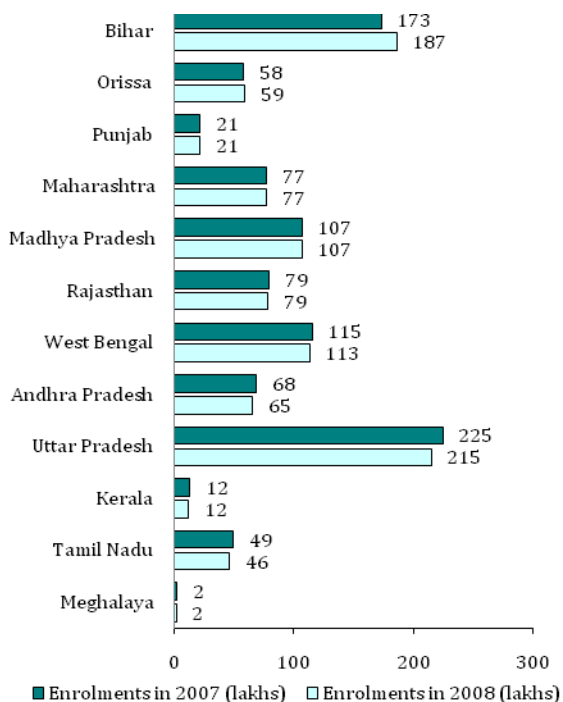
Source: DISE Flash Statistics 2008-09 and calculations made from compiled state budgets.

- For instance states like Bihar and Kerala have over **200** enrolled students per government school, while Meghalaya has only **47**; Andhra Pradesh and Himachal Pradesh have **82** and **54** respectively.

**Correlating expenditures with school needs**

- To what extent do state level expenditure trends correlate with education needs?
- Increased enrolments would imply that states need to enhance school infrastructure, particularly teachers to meet pupil-teacher norms which would therefore mean increased budgets.
- Analysis of enrolment rates and budget trends reveals that there is in fact no clear correlation.
- Uttar Pradesh which has had the largest overall increase in education expenditures also witnessed one of the highest decreases in enrolments.
- West Bengal and Andhra Pradesh whose enrolment rates have been more or less static, witnessed significant increases in their budgets.
- Bihar and Orissa, on the other hand, increased their budgets significantly, but their enrolments during this period did not change.

**Uttar Pradesh witnessed the largest drop in enrolment rates**

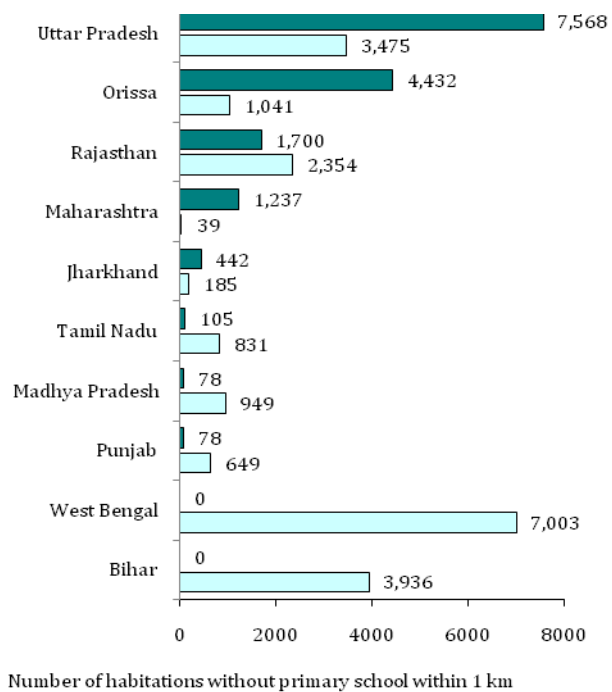


Source: DISE, Flash Statistics 2007-08 and 2008-09.

- Another important indicator of school needs is access to schools. State-wide access trends suggest that there are correlations with budget increases. Uttar Pradesh, Rajasthan

and Orissa all have access deficits, and all these states have increased their budgets significantly.

**Uttar Pradesh has the largest number of habitations without schools**



Source: Sarva Shiksha Abhiyan - Report for Delivery Monitoring Unit (DMU) of PMO (Statement for the Quarter ending 31.03.2010), collated from State Annual Work Plan & Budget.

## Data Sources

<p>India Budget <a href="http://www.indiabudget.nic.in">www.indiabudget.nic.in</a></p>	<p>This volume provides total ministry-wise and department-wise allocations as well as disaggregated data according to sectors and schemes from 1998-99 onwards. The data has both revised and budgeted estimates and should be calculated according to the Major-Head and Sub Major-Head. The head of elementary education is 2202.01.</p>
<p>Reserve Bank of India, State Finances- A Study of State Budgets <a href="http://www.rbi.org.in/scripts/AnnualPublications.aspx?head=State%20Finances%20:%20A%20Study%20of%20Budgets">http://www.rbi.org.in/scripts/AnnualPublications.aspx?head=State%20Finances%20:%20A%20Study%20of%20Budgets</a></p>	<p>Detailed information on state finances. Information on education is taken as “education, art, sports and culture”</p>
<p>State budgets for FY 2008-09 and FY 2009-10, Grants in Aid</p>	<p>Provides total ministry-wise and department-wise allocations as well as disaggregated data according to sectors and schemes for individual states. The data has both revised and budgeted estimates and actuals should be calculated according to the Major-Head and Sub Major-Head. The head of elementary education is 2202.01. This information is not available online.</p>
<p>Indian Public Finance Statistics 2009</p>	<p>Revenue and capital expenditure by the central government and state governments for different sectors including education.</p>
<p>SSA portal, Financial Management <a href="http://ssa.nic.in/page_portletlinks?foldername=financial-management">http://ssa.nic.in/page_portletlinks?foldername=financial-management</a></p>	<p>State-wise allocation, release and expenditure for SSA and component wise break up of allocation and expenditure from 2005-06 till 2009-10. Data for 2010-11 is up to September 2010.</p>
<p>District Information Systems for Education (DISE). <a href="http://www.dise.in">www.dise.in</a></p>	<p>District and state report cards which give information on a number of educational indicators including enrolment, access, facilities, teachers etc. DISE ‘Flash Statistics’ is a consolidation of the above and has some analysis as well. The latest ‘Flash Statistics’ is available for 2009-10.</p>
<p>Sarva Shiksha Abhiyan - Report for Delivery Monitoring Unit (DMU) of PMO <a href="http://ssa.nic.in/news/report-for-delivery-monitoring-unit-dmu-of-pmo-1">http://ssa.nic.in/news/report-for-delivery-monitoring-unit-dmu-of-pmo-1</a></p>	<p>Has information on access, enrolment, retention and status of facilities and teachers.</p>
<p>Analysis of Budgeted Expenditure on Education 2006-07 to 2008-09 <a href="http://education.nic.in/planbudget/ABE-2006-09.pdf">http://education.nic.in/planbudget/ABE-2006-09.pdf</a></p>	<p>Detailed analysis of expenditure on education, including state expenditure.</p>

Prepared by:

Avani Kapur: [akapur@accountabilityindia.org](mailto:akapur@accountabilityindia.org)