

Title of Research Project: **TRACKING THE FLOW OF RESOURCES IN EDUCATION SECTOR:
AN APPLICATION OF SYSTEM OF EDUCATION ACCOUNTS**

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BRIEF DESCRIPTION OF THE PROJECT

1. Introduction

The traditional way in which data on education spending in India is collected, organized and presented follows the usual budgetary guidelines and confined to the estimation of public sector only. Though necessary and perhaps even useful and informative, the data do not capture the nuances of spending incurred by other actors such as households, private corporate sectors, non-government organizations (NGOs), communities and so on. Such estimates are highly useful to broaden our understanding of economic concepts. They also serve as a background for economic appraisals and projections, and make possible for more effective decision-making by both public and private sectors.

It is therefore, necessary; that a different methodology is designed and adopted that captures the uniqueness and specificity of the education sector. It is in this spirit that the use of System of Education Accounts (SEA) is being suggested and developed to measure, record and evaluate the flow of funds in the education sector. In this backdrop, the present study marks a modest attempt in conducting a comprehensive assessment of public and private financing for secondary education in the State of Karnataka in the structure of system of education accounts framework. The SEA can be described as a *'transparent method for collecting and analyzing data on actual allocations and expenditures of resources in the education sector and linking those allocations and expenditures system reforms'*. It involves the identification of the **actors** (financing sources, financing agents, education providers and inputs) in the sphere of education system, the relevant **activities**, and the many financial **transactions** between the actors, aimed at carrying out the designated activities. In short, the SEA can be described in an integrated way as: **'Where?' 'To?' and 'What for?'** Drawing on a wide variety of data sources pertaining to secondary education, the present study attempts to examine:

- the structure and growth of secondary education in Karnataka;
- the pattern of public expenditure on education in general and secondary education in particular over a period of time (1980-81 to 2012-13);
- the extent of household expenditure on secondary education in detail, by different groups of population;
- the flow of resources from different sources and presenting them in a form using the accounting principles;
- to develop a matrix format which facilitates the users to understand the sources of finances and the uses of such finances on different items of expenditure?

2. Preliminary Research Findings of the Study:

Taking cognizance from the importance of secondary education as a driving force of economic development, an attempt has been made to explore the characteristics and development of secondary schooling in Karnataka. The secondary and higher secondary education in the state has witnessed a tremendous progress as reflected in the growth in number of schools and enrollment. However, despite this impressive picture, educational inequalities are still alarming. For example, as far as physical facilities are concerned, in several schools these are barely adequate. For example, only 45 per cent of government schools have separate toilets for girls as against 80 per cent in the case of private un-aided schools as per Eighth All India Educational Survey (2009-10). Many schools do not have equipment and consumables to conduct laboratory experiments. Teaching aids, library facilities, and availability of computers hinders

delivery of the proper level of education appropriate to secondary and senior secondary stages. It is found that significant proportions of children either drop out before they reach class VIII. According to Karnataka Human Development Report (2005) more dropouts is found in northern part of Karnataka than that in Southern part as 9 districts of this part (SK) have shown lower dropout than the State (60 per cent), while only 3 districts of NK have lower dropout than that of the State.

An attempt has been made to examine the trends in public financing of secondary education in Karnataka focusing on different dimensions of finances in education since 1980s. The important conclusions that can be drawn from this study are: the budgetary allocation to general education has gone up by 29 times in a little over two decades. While expenditure for the whole period (1980 to 2012) shows a 13.76 per cent growth rate, there is, however, decline in general education expenditure growth from 14.97 per cent in pre-reforms period to 11.89 per cent during reforms period. The intra-sectoral analysis of educational budget of the state reveals that during the 90's, the average share of expenditure on primary, higher and other levels of education has declined, while the share of secondary education, however, witnessed an increase of 3% during 1991-2012 over the previous decade (1980-90).

The total revenue expenditure on secondary education presents an impressive increase of over 42 times the initial level. However, in order to provide true picture it is necessary to adjust the nominal resource flows for inflation. The resulting plan, non-plan and total revenue expenditures show that total expenditure in constant prices increased just six times over the initial expenditure level compared to a 42 times increase in current prices. The growth rate of total expenditure in real terms is only 6.6% about 8.2% lower than that in current prices. The decadal trend points to an important finding that the growth rate of expenditure declined from 9.1% in the pre-reforms period to 5.6% in the reforms period. A similar impact of inflation on the growth of expenditure is seen in the plan and non-plan component as well. The relationship between expenditure on secondary education and total expenditure of the state and SDP revealed that expenditure on secondary education responds significantly to the changes in revenue expenditure of the state and SDP.

The per-student expenditure on secondary schools increased sharply at current prices, signifying an almost 7.3 per cent growth hike over the years. However, much of the spectacular rise in per-student expenditure disappears when adjusted for rising prices. The per-student expenditure in constant prices increased just one times over the initial expenditure level compared to a three times increase in current prices. The growth rate of total expenditure in real terms is only 1.5% compare to 7.3 per cent in current prices. Distribution of secondary expenditures by activities and items reveal that grants to government schools, grants to private schools and grants to local bodies and corporations together account for more than 90 per cent of the budget expenditure. Besides, major proportion of this expenditure goes to meet salaries of the teachers and other staff. Important quality items like teachers' training, direction and inspection, textbooks and scholarships received only 3.28 per cent of the total expenditure. The revenue expenditure on government secondary schools increased about 22 times compared to an increase of just 2 times in constant prices. The grants-in-aid to private schools increased almost 10 fold and the compound growth rate works out to 8.4% for the whole period. Assistance to local bodies, corporations etc., registered a growth rate of 34%.

We have attempted to conduct a comprehensive assessment of public and private financing for secondary education in the State of Karnataka, with sample data from one of the districts of Karnataka (Bangalore Rural district), in the structure of system of education accounts framework. Following the standard National Health Accounts methodology, this analysis of flow of funds in the education sector has produced four basic matrices and main findings according to these matrices are: the district of Bangalore Rural has spent a total of Rs 75.30 crores on secondary and higher secondary education in the year 2012-13, which is accounted for 1.98 per cent of Gross District Domestic Product (GDDP). Of this, about 53 per cent was financed from public (government) sources and 47 per cent by private sources.

Spending by households and providers across broad categories of expenditures unveil that of the various items of expenditures on secondary education, the teachers' salaries constitute the bulk, accounting for 48.69 per cent of the total expenditure. The second largest item is on private coaching appears to be a

substantial proportion of total household spending (15.87 per cent). Tuition and other fees (9.62 per cent), books and course materials (7.26 per cent), uniforms, footwear etc (4.86 per cent), transportation to schools (4.56 per cent) are also important items. As expected, the important quality items like expenditures on school materials and capital expenditures accounted for negligible share of only 0.09 and 0.06 per cent respectively of the total expenditure. It is interesting to study the linkages between the provision of incentives/subsidies to households and the household expenditure on secondary education.

The compiled information about incentives like free uniforms, free text books, scholarships, free bus passes etc from our analysis shows that of the total expenditures on secondary education, 1.3 per cent came in the form of incentives. The remaining 0.83 per cent of the total amount came from 'other' sources that could not be identified by any type.