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# Budgeting for School Education: What Has Changed and What Has Not?

**Analysis of Six States in the 14th Finance  
Commission Recommendation Period**



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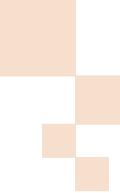
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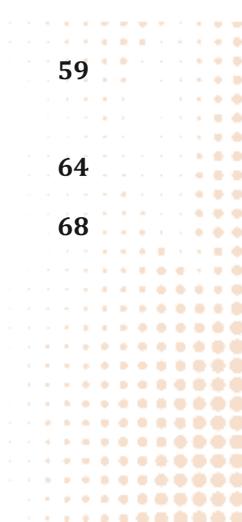
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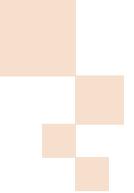
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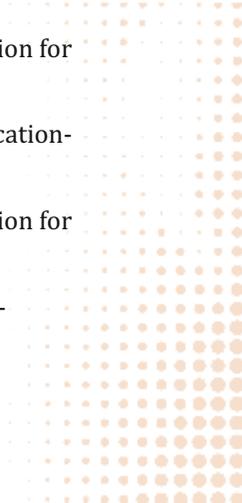


## List of Abbreviations

A	Actuals
AWP&B	Annual Work plan and Budget
BE	Budget Estimates
BRC	Block Resource Centre
CAG	Comptroller and Auditor General
CBSE	Central Board of Secondary Education
CCE	Continuous and Comprehensive Evaluation
CSS	Centrally Sponsored Scheme
CTS	Child Tracking System
CWSN	Children with Special Needs
DDGs	Detailed Demand for Grants
DDRS	Deendayal Disabled Rehabilitation Scheme
DIET	District Institutes of Education and Training
DISE	District Information System for Education
FC	Finance Commission
GDP	Gross Domestic Product
ICT	Information and Communications Technology
IEDSS	Inclusive Education of Disabled at Secondary Stage
JRM	Joint Review Mission
MDM	Mid-day Meal
MHRD	Ministry of Human Resource Development
MTEF	Medium Term Expenditure Framework
NCLP	National Child Labour Project
NCTE	National Council of Teacher Education
NFHS	National Family Health Survey
NGO	Non-Governmental Organisation
OOSC	Out of School Children
PAB	Project Approval Board
PTR	Pupil-Teacher Ratio
PRIs	Panchayati Raj Institutions
RE	Revised Estimates
RTE	Right to Education
RMSA	Rashtriya Madhyamik Shiksha Abhiyan
SC	Scheduled Caste
SCR	Student Classroom Ratio
SDP	School Development Plan
SDMC	School Development Management Committee
SMC	School Management Committee
SORC	Schedule of Rate for Construction
SSA	Sarva Shiksha Abhiyan
ST	Scheduled Tribe



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## Message from CBGA

With the constitution of the 15th Finance Commission for shaping Centre-state fiscal relations for the five year period 2020 – 2025, strengthening of the steps towards rationalisation of Central schemes across sectors, and growing emphasis on prioritising disadvantaged districts across states in the interventions for addressing regional disparity, the discourse on public financing of development sectors and essential services in India is characterised by a number of complex debates at present. And, these debates are particularly intricate in the context of government financing of school education in India. In such a backdrop, driven by one of its core objectives of unpacking the technicalities relating to public finance policies and processes in the country, CBGA is bringing out this study focusing on school education budgets across six states over the last four financial years.

CBGA's work in this domain has shaped up as a collaborative effort with Child Rights and You (CRY) in the last four years. In December 2016, we had published an in depth analysis of school education budgets of ten states over the period of the 13th Finance Commission and the first year of the 14th Finance Commission period. The present study has an updated analysis of the state budgets by focusing on the last year of the 13th and the first three years of the 14th Finance Commission period. While the previous study focused heavily on component-wise analysis of the selected states' total budget for school education, the present report also deepens the analysis further by focusing in depth on some of the critical components in school education (like teachers and infrastructure, among others) for a fewer number of states.

It could be argued that an analysis of public financing of any social sector in India needs to capture the issues of adequacy of financial resources for the sector, the degree of responsiveness of budgeting for the sector to the challenges of excluded or vulnerable sections, and the effectiveness of the process of utilisation of funds in terms of the results obtained from budgets. With regard to school education, however, the question of the impact of public spending on the intended outcomes (such as, learning outcomes, cited frequently as the end objective for the sector) cannot be ignored. The present study looks closely at the issues of adequacy, implications for quality of school education, and priorities for inclusion in budgeting for school education across the selected states in the 14th Finance Commission period. And, it flags some questions pertaining to effectiveness of the process of utilisation of funds allocated for school education through a quick assessment of outcome budgeting by the Union Ministry of Human Resource Development and the school education or education departments across the select states.

The study findings, while acknowledging the improvements in provisioning of financial resources for school education in states during the 14th Finance Commission period, point out the significant gaps in budgeting that persist. It underscores the situation prevailing in the relatively poorer states, which do not yet have the overall fiscal space required for providing adequate funds for a range of important components as they struggle to finance sufficiently even the two most basic components in school education, viz. availability of professionally qualified teachers and infrastructure. However, the study also indicates the urgent need for

bringing in a stronger 'outcome orientation' in budgeting for school education through serious engagement with publication of outcome budgets at the national and state levels, while adding a strong note of caution on the idea of making fund transfers contingent upon achievement of defined outcomes.

We, at CBGA, really hope this report will inform the policy discourse on public financing of school education well and also facilitate deeper engagement of a range of actors with this domain in the coming years. We would be grateful for feedback on this report as well as suggestions for how CBGA could contribute better to this field in the coming years.

With regards,

Subrat Das  
Executive Director,  
Centre for Budget and Governance Accountability

## Message from CRY

Look a little closely and you will quickly know that the annual Union Budgets are not just financial statements of any government, but are actually important policy documents and statements of intent – instruments that can be used to fulfil promises and commitments made by the government to different sectors and sections of society. It is a great indicator of priorities and attitude towards social issues that need attention – and hence, a critical aspect of governance towards the rights, needs and priorities of children.

The landscape of investing into children's education by the governments has witnessed quite a change in India over the past few years with changes in the centre-state budget sharing pattern to the recent formulation of Integrated Scheme on School Education by subsuming key schemes SSA, RMSA and Teacher Education.

This CBGA-CRY report on analysis of school education budgets of six different states viz Bihar, Chhattisgarh, Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal, for the years 2014-15 to 2017-18 (BE), shows that under-allocation of resources for school education is a major constraint for public provisioning of quality education bringing us to one of the key conclusions – an immediate need to step up public investment for school education.

At present, not only is India's budgetary spending on education inadequate on accounts of the benchmarks set by the Kothari Commission, but also because it fails to comprehensively cover almost all important areas of public provisioning of school education — availability of teachers and their training, monitoring, interventions for children from marginalised sections or strengthening community engagement with schools. This is important because there has been a fundamental shift in the last decade in the narrative on quality of school education. Today the time has come that we invest heavily for our children to fight the existing 'learning crisis'.

We at CRY are pleased – and excited too – to present this report that attempts to answer some of these extremely important questions. More so, as we strongly believe that education can be the key game changer for children of this country, being one of the most effective agents of change in the society. It simply sets off this cycle of positive change where myriad opportunities open up for them and they are able to make informed choices about their lives going forward.

With faith and goodwill,

Puja Marwaha,  
Chief Executive,  
CRY-Child Rights and You



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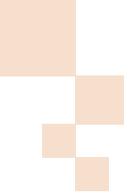
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Any errors or omissions are solely my responsibility.

Protiva Kundu



## Executive Summary

There has been a shift over the last decade in the narrative on school education policy in India with regard to the evaluation of quality of education. Previously, conventional wisdom judged quality mainly in terms of inputs and outputs. Inputs refer to institutions, resources and spending while outputs refer to products and services delivered. In more recent years, the focus has moved toward learning outcomes, with an emphasis on children acquiring reading, writing and numerical skills.

Since budgeting for school education by government at different levels in the country focuses primarily on the inputs and outputs, one may wonder how important it is in the current context to examine the magnitude and composition of states' school education budgets. However, this study highlights the significance of issues on budgeting based on an in depth assessment of the gaps persisting in inputs and outputs in public provisioning for school education in India. Assessment of budgeting for school education by states becomes more important in the light of the Fourteenth Finance Commission (14th FC) recommendations. The 14th FC recommended increasing the share of states in the divisible pool of central taxes from the erstwhile 32 percent to 42 percent, which is the biggest ever increase in vertical tax devolution in the country. On the other hand, the Union Government has pursued its fiscal consolidation by compressing expenditure, mostly on Central schemes in social sectors including school education. The Union Government has argued that increased tax devolution has provided the states more untied resources, which they can use not only to compensate for the loss in Central grants but also enhance the overall resource envelope for social sectors depending on their budget priorities. This leads to the question — whether states are receiving more funds overall (untied fund) through Central transfers in the 14th FC period or whether there is an increase in spending capacity of states over the last three years. It also leads to the question if states are indeed witnessing an increase in their spending capacity; are they utilising this enhanced fiscal space to increase the school education budget.

With the purpose of answering these questions, research was conducted for six states — Bihar, Chhattisgarh, Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal— representing states from different regions of the country and a combination of better and poor performing states vis-à-vis education. Analysis was done by studying the Detailed Demands for Grants of state budgets for 2014-15 ((Actuals) - A here onwards), which was the last year of the 13th FC period, and the first three years of the 14th FC period — 2015-16 (A), 2016-17 (Revised Estimates) and 2017-18 (Budget Estimates).

After the 14th FC recommendations and rationalisation of Centrally Sponsored Schemes (CSS) by the Union Government, the financing of CSS in school education has become largely dependent on how states prioritise their budgetary resources. The report also discusses the relevance and challenges of outcome-based budgeting for CSS in school education in view of the growing emphasis (from a number of quarters) on reforming the process of budgeting for school education schemes towards ensuring better learning outcomes from the money spent. Though this analysis does not directly flow from the research questions posed, it is related integrally to the policy discourse on school education in the country.

The evidence from six states in the pre and post 14th FC recommendation period shows a

reduction in tied transfers, because of reduction of grants-in-aid for CSS schemes, and an increase in untied transfers to states through increase in the share of tax devolution. At the same time, all six states improved their own tax revenue collection in the first three years of the 14th FC period. As a consequence, a general trend of increase in revenue receipts is observed in all three years of the 14th FC period for all six of the states under analysis.

The analysis of school education budgets in this period presents an optimistic picture. It is found that states in general have increased their funding for school education. It is not the case that in the 14th FC recommendation phase, all state budgets accorded higher priority to school education in terms of increased share of the sector in the overall state budget. However, there is a visible increase in absolute terms in the school education budget in the last three years, resulting higher per child spending in 2017-18 (BE) compared to 2014-15 (A). Like per child spending, the study states also witnessed an increase in absolute terms in per student spending at all levels of school education.

But did states utilise the greater flexibility in the 14th FC period to change the composition of their school education spending? For most states, the answer is no. Between 2014-15 (A) and 2017-18 (BE), all six states increased their allocation on both elementary and secondary education. The extent of change in allocation and spending in these two years, shows that states still prioritise elementary education over secondary education. However, in Bihar, the extent of increase is higher in secondary education compared to elementary education. It must not be forgotten that spending on secondary education in Bihar was quite low in 2014-15.

Public financing for school education in terms of the total school education budget and the pattern of expenditure provide only a partial picture of the state's education policy. The educational performance of a state is directly related to how it plans, allocates and spends its school education budget. While quality of education is a serious concern, it is important to see how states spend on two crucial pillars of school education — teacher and infrastructure.

A common feature of the Indian education system is the shortage of professionally qualified teachers, both at the elementary and secondary level. The analysis of six states reaffirms that after eight years of the Right to Education (RTE) Act implementation, states still suffer from acute teacher shortage. The problem is severe with regard to subject teachers at the upper primary level and secondary level. Instead of recruiting regular teachers, states are in the process of deployment of teachers in such a way that there are no single teacher schools and all schools have the required pupil teacher ratio (PTR) as per the norms under the RTE Act.

Despite understanding the urgency of teacher recruitment, states have stopped recruiting permanent teachers for a while now and serve the purpose by employing contractual teachers instead. The limited fiscal space available to states even now (i.e. despite the improvement in the 14th FC years) is the main reason for low recruitment rates or no recruitment situation. Teacher salaries account for the largest share of the school education budget, ranging from 62 percent in Chhattisgarh to 82 percent in Maharashtra. It is worth noting that except for Tamil Nadu, the share of teacher salaries in the remaining five states has increased in 14th FC period compared to 2014-15 (A). In Uttar Pradesh, between 2014-15 and 2017-18, a large number of contractual teachers known as '*shikshamitra*' were promoted as regular teachers. This

increased the teacher salary component (i.e. its share in the school education budget of the state) by 20 percentage points during this period. We must note here that despite the increase in budgets for Teacher Salaries witnessed in the last three years, the shortage of professionally qualified teachers is still a serious issue in many states. Hence, the recent trends do not imply that funds now available for this crucial component of school education are adequate.

Another important component of school education, which has historically been fund-starved, is teacher education which includes both pre-service and in-service training of teachers. At present, of a total number of 66.41 lakh teachers at the elementary level, 11 lakh are still untrained. Despite this, states have not been investing much resource in teacher education. This is reflected in the very low share of the total school education budget made available for creating professionally qualified teachers. In 2017-18 (BE), the share varied from 0.001 percent in Uttar Pradesh to 1.3 percent in Bihar. However, it seems that with additional resources that states received after the 14th FC recommendations, they have increased the budget for teacher education in the last three years compared to 2014-15 (A). This might also be at least partly due to the deadline set by the government under the RTE Act for all professionally unqualified teachers to be trained by 2019.

Along with teachers, school infrastructure plays a key role in provisioning of quality education. To create an enabling environment for learning, availability of basic infrastructure in school is a prerequisite. There is a huge continuing deficit in infrastructure despite eight years since RTE's inception. Across states, there are gaps with regard to school buildings, classrooms, repair work in classrooms and other physical infrastructure like drinking water, separate toilets for girls, playgrounds, etc. However, the focus of policy towards school education is shifting from inputs and outputs towards learning outcomes. NITI Aayog's 'Three Year Action Agenda' envisions 'right to education' as 'right to learning' and emphasises modification of the input approach in the RTE Act. The report strongly advocates for the removal of or relaxing otherwise mandatory norms from the RTE Act, like PTR and infrastructure norms related to school buildings, playgrounds, etc. Instead, it highlights the need for a technology driven education system to improve learning efficiency. However, only 57.3 percent of elementary schools have electricity. In Bihar and Uttar Pradesh, not even 40 percent of elementary schools have electricity. Between 2014-15 (A) and 2017-18 (BE), states like Bihar and Chhattisgarh have increased the share of expenditure on infrastructure in the total school education budget.

After the 14th FC recommendations, though components like teacher education and infrastructure have received some additional resources, there are a number of other components that continue to suffer from resource deficiency. In this regard, an important area is ensuring inclusive school education.

In the last ten years, there has been a substantial improvement in the coverage of elementary education in terms of increased enrolment. However, there are still a large number of out of school children (OOSC) in India. As per the census 2011, 381 lakh children in the age group of 6-13 years were out of school. More than 60 percent of these children were from the six study states. The situation is more severe at the secondary level. Official records show that every year, many children have been dropping out at the secondary level. Other than Tamil Nadu and Maharashtra, the dropout rate increased between 2015-16 and 2016-17 in all the other states

under study. Government intervention for mainstreaming out of school children comes mainly through *Sarva Shiksha Abhiyan* (SSA) and *Rashtriya Madhyamik Shiksha Abhiyan* (RMSA) for the age groups 6-13 years and 14-17 years respectively. The analysis of SSA and RMSA budgets for six states shows huge disparity between the approved outlay and actual expenditure for mainstreaming OOSC. Surprisingly, no expenditure was observed for dropout or working children under RMSA to bring them back to mainstream education.

In the discussion on inclusive education, the issue of children with special needs (CWSN) deserves a lot of attention. India is home to 4.9 million disabled children in the age group of 6-17 years and the six study states together account for 60 percent of disabled children in India. They are the most vulnerable group who need attention and focused interventions from the government. There are budgetary provisions for CWSN in both SSA and RMSA. However, the difference between the approved outlay for CWSN under SSA and the actual expenditure clearly indicates the coexistence of both the problems of under allocation and underutilisation. Similarly, the approved outlay for the scheme 'Inclusive Education of Disabled at Secondary Stage' (IEDSS) under RMSA varies from Rs. 1.4 crore in Chhattisgarh to Rs. 11.9 crore in Uttar Pradesh. There is huge shortage of special educators and institutes for their training. States are also reluctant to recruit special educators due to the lack of funds.

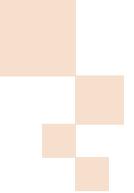
Comprehensive need-based planning, budgeting, and monitoring are required for ensuring inclusive education with quality. Community mobilisation and active participation of community members in school education is critical, not only for effective planning and implementation of interventions in schools, but also for effective monitoring and ownership of government programmes by the community. Both SSA and RMSA have prioritised the decentralisation process, emphasising the role of Panchayati Raj institutions (PRIs) and community organisations in the school education system. However, the effectiveness of these committees depends not only on the context in which they are introduced, but also on the capacity of the members to undertake their responsibilities. The analysis shows that the combined expenditure for both the School Management Committees' (SMC) training and community mobilisation is not even one percent of the budget approved for SSA in case of the states under study. The persistent under allocation and underutilisation of resources for the training of SMC and school development and monitoring committee (SDMC) members resulted in the capacity building efforts at the ground level remaining ineffective.

The study concludes that the recommendations of the 14th FC in the form of more untied funds to states have had a clear bearing on school education budgets of the states, which is reflected in higher per child spending. Although states have increased spending on crucial components of school education like teachers and infrastructure to some extent, funds provided are still quite insufficient for almost all important areas of public provisioning of school education— whether availability of teachers and their training, interventions for children from marginalised sections or strengthening community engagement with schools. The negligence of policy makers towards OOSC and children with special needs is evident in the failure of the states in increasing the quantum of spending towards specific interventions for these children in the 14th FC years when they have more autonomy in setting budget priorities. In a country like India, where more than 60 percent of children are dependent on the public education system, there is no other

alternative to strengthening public provisioning for quality school education. Along with better and efficient management of material resources, it is essential to address the issue of shortage in human resources to improve the quality of the public sector school education system. A substantially improved process of decentralised planning, smoothening fund flows, addressing bottlenecks in the fund utilisation process and constant monitoring can help bridge the gaps between resource needs, budget allocation and actual spending.

While it is true that increase in budgets and improvements in quality of spending alone will not ensure quality education, it is the necessary part of the interventions towards providing quality school education in the country and hence cannot be ignored at all.





# I. Introduction

Budgets are not only annual financial statements of any government, but are also important policy instruments for fulfilling promises and commitments towards different sectors and sections of society. Hence the responsiveness of government's policies and budgets towards the rights, needs and priorities of children is a critical aspect of governance.

The landscape of fiscal policy and budgetary processes in India has witnessed a number of changes over the last few years. In 2014-15, the practice of direct transfer of the Union Government's financial contributions to centrally sponsored schemes (CSS) such as *Sarva Shiksha Abhiyan* (SSA) and *Rashtriya Madhyamik Shiksha Abhiyan* (RMSA) to societies set up for implementing the schemes was discontinued. Now, the Union Budget outlays for states for all CSS flow through the state treasury. In 2015-16, the abolition of the Planning Commission and formation of NITI Aayog has changed the institutional architecture of policymaking at the national level. However, the recommendations of the Fourteenth Finance Commission (14th FC) and the consequent restructuring of CSS has led to the most noticeable changes.

In the year 2015-16, many state governments presented their budgets before or just after the recommendations suggested by the 14th FC. The Chief Minister's sub-committee report on rationalisation of CSS also came in the latter half of the year. The states could not respond to these changes in fiscal architecture in the 2015-16 budget and hence, the year 2015-16 was one of changes and transition. To understand the responses of various state governments to these policy changes, it is important to analyse the budget for succeeding years as these budgets show the prioritisation and re-prioritisation of state budgets towards interventions in a particular sector.

The analysis by Centre for Budget and Governance Accountability (CBGA) of school education budgets of different states for the years 2012-13 to 2015-16 (BE) shows that under allocation of resources for school education is a major constraint for public provisioning of quality education. A key conclusion of the study was an immediate need to step up public investment for school education (Kundu et. al, 2016). Given that the Centre's budgetary spending on education accounts for a smaller share than the states in the country's total budgetary spending on education; it is obvious that the new fiscal architecture will directly impact the public provisioning of education at the state level.

At present, India's budgetary spending on education is inadequate, not just because it falls short of the benchmark recommended decades ago by the Kothari Commission, but also because of the paucity of funds in almost all important areas of public provisioning of school education — whether availability of teachers and their training, monitoring, interventions for children from marginalised sections or strengthening community engagement with schools (Kundu et. al, 2016). However, since the last few years, the entire narrative around education has centred on quality with little focus on financing. Deteriorating learning levels of students is the major concern of India's school education system. Hence, the focus of education policies is shifting from input based to being outcome oriented.

The more recent example is NITI Aayog's Action Agenda for three years starting from 2017-18. The organisation has planned its agenda for school education with 'improvement in learning

outcomes' as a central objective for school education. The document argues that better infrastructure, lower pupil-teacher ratio (PTR), higher teacher salaries or better teacher training are ineffective policy measures for improving learning outcomes in the present context (NITI Aayog, 2017).

While improving the quality of education is the need of the hour, it cannot be achieved without addressing existing supply side bottlenecks like inadequacy of infrastructure and shortage of human resources including professionally trained teachers. An enabling environment in school, teachers equipped with capacities and learning materials, efficient review and monitoring mechanisms along with equitable and stimulating curricular and pedagogic processes are key for ensuring quality education. These inputs and processes require a lot of financial resources, which are a pre requisite to address the gaps in quality education. It is therefore important to look at both policy and budgetary challenges that affect quality of education.

At the same time, an increase in government resources does not necessarily ensure quality education for all. For which what is needed is an inclusive education policy both at Union level and state level. While all children must have access to education, they should be able to fully participate in school life and achieve desired outcomes from their education experiences (UNESCO, 2009). Unfortunately, India is the second largest country in terms of number of out of school children (OOSC). Of them, a large section are children with special needs who continuously combat blatant exclusion. It is difficult to speak about inclusion without considering issues of costs. But even before that, it is important to map existing budgetary and policy interventions to mainstream OOSC, especially children with special needs. Promoting community participation in school management is a widely practiced intervention in the developing world which directly influences school education. Community participation can improve educational outcomes by making it more inclusive.

The recent changes in the fiscal architecture have affected overall budgeting. However, it is not known whether this has affected the state's education budget. There is also no evidence with regard to how different states are designing school education budgets in the backdrop of these changes. Considering that different states have different fiscal conditions, it is important to know the status of funding for different interventions like human resources, institution building, community mobilisation and intervention for marginalised children within public provisioning of school education. Hence, a detailed assessment is required of school education budgets of the Union Government and of states for the period of the 14th FC.

Various constraints affect the expansion and quality of school education in India. Inefficient planning followed by inadequate public spending, poor fund utilisation and insufficient human resources are serious challenges that the school education sector faces. This report is an attempt to address the issue of deteriorating quality from the public provisioning perspective.

### **Objective of the Report**

In this changed fiscal space, the study examines the Union and state governments' policy response to school education and will attempt to assess the impact of the 14th FC recommendations on the current level of public spending on school education and identify

areas where more resources need to be invested. The study has been carried out for six states — Bihar, Chhattisgarh, Maharashtra, Tamil Nadu, Uttar Pradesh and West Bengal — representing the four main regions of the country and a combination of better and poor performing states vis-à-vis education.

### Research Questions

The purpose of this analysis is to answer two main questions.

1. After the change in fiscal architecture, whether states have been able to enhance their resource envelope.
2. If yes, whether states could channelise additional resources towards improvement of school education.

A comprehensive analysis of the school education budgets for the six states has been carried out for four years, i.e. 2014-15 (pre 14th FC period), 2015-16, 2016-17 (RE) and 2017-18 (BE) (first three years of 14th FC period). Along with these broad objectives, some other aspects of school education like inclusivity and governance have also been evaluated from a budgetary lens.

The research questions posed in the study are as follows:

- Whether there is change in the overall resource envelope of the states, post higher devolution of Central taxes to the states as per the 14th FC recommendations?
- Whether state budgets reflect improvement in prioritising school education in 14th FC period?
- What is the pattern of the school education budget across different states?
- Whether prioritisation is observed in financing the different levels (elementary and secondary) of school education?
- What is the pattern of allocation and spending for two major components of quality education, i.e. teachers and school infrastructure across different states? Is there any change in financing in 14th FC period?
- How sensitive is the school education budget towards OOSC and children with special needs (CWSN) in the selected states?
- How much do the states spend on enhancing the community engagement with schools?

After the 14th FC recommendations and rationalisation of CSS by NITI Aayog, the future of schemes responsible for various interventions in school education largely depends on how states prioritise their resources. The constant advocacy for outcome linked financing of CSS could make the situation dire for states that have poor fiscal health and are invariably educationally backward. The report has discussed the challenges and impact of outcome-based budgeting on CSS. Though this analysis does not directly follow from the posed research questions, it is deeply related with the future policy discourse on school education.

The analysis of these aspects would help in a situation analysis of the budgetary policy for school education post the 14th FC recommendation period and would generate the insights needed to suggest corrective policy measures at different levels in the selected states.

## Structure of the Report

The report is presented in seven sections. After the introduction, Section II examines the size of the resource envelope of the states before and after the 14thFC recommendation. Each state's spending on school education in the 14th FC period has been analysed in Section III. Section IV provides the pattern of allocation and spending of school education budget for two major components of quality education, i.e. teacher and school infrastructure. Section V raises the question of inclusivity of the school education system from a budgetary lens. Section VI tracks the issue of decentralised planning and school management from budgetary perspectives. Section VII is an attempt to shed light on the present policy debate related to outcome-based financing of government programmes. The study concludes with research findings and policy recommendations.

## Methodology

Public expenditure on school education covers expenditure at the elementary level and expenditure at the secondary and senior secondary levels. The sources include expenditure by the Union Government, state governments, local bodies and foreign aid which is routed primarily through Union Government budgets.

As education is placed in the Concurrent List, it is the joint responsibility of both Union and state governments to provide financial resources for education. Both at the Union and the state level, other than the Department of School Education, many departments incur substantial expenditure on education. This analysis covers expenditure by all such departments that report expenditure on school education in their budgets. These departments include Department of Women and Child Welfare, Department of Social Security and Welfare, Department of Minority Welfare, Department of Tribal Welfare, Department of Rural Development, Department of Urban Development, Panchayati Raj Department, Department of Public Works, Department of Drinking Water and Sanitation and Department of Planning.

The Ministry of Human Resource Development (MHRD) at the Union level and the Department of Education at the state level together finance more than 80 percent of the school education budget (elementary and secondary). There is some expenditure by education departments of states, which is not meant exclusively for elementary or secondary education — it is spent on schools as a whole or for the school administration or education secretariat. The analysis presented here includes these amounts in the figures for total expenditure on school education.

The expenditure incurred by other departments is also mostly designed to cater to children studying in Classes I-X, or post matriculate students, or students of classes I-XII altogether. Since there is a sizeable amount of government expenditure on schools and students overall, the figures for budgetary expenditure, specifically at the elementary level or at the secondary level are underestimations. Hence these expenditure heads are reported under total budgetary expenditure on 'school' education to make the analysis more comprehensive.

To capture the impact of the 14thFC recommendations on total budgetary spending for school education, both Union and state budgets have been analysed at the most disaggregated level. Hence, the detailed demand for grants (DDGs) of all the departments mentioned above have

been analysed for data pertaining to four years: 2014-15 (A), 2015-16 (A), 2016-17 (Revised Estimates) and 2017-18 (Budget Estimates).

To capture the relative resource availability for school education across states, the study has calculated per child spending on education. Analysis was done for the age group of 6-17 years, with the understanding that the government designs its policy on the basis of population, not on the sample.

### **Limitations**

Since 2014-15 is the only year in the 13th FC period in which budgetary data on receipts and expenditures are comparable with the 14th FC period, the analysis has used 2014-15 (A) as the base year for measuring changes in the 14th FC period. The use of a single year value to represent the 13th FC period may provide biased results if the value varies a lot compared to other 13th FC years. Also, in the 14th FC period, there is a possibility of overestimation or underestimation since comparison has been made between actuals and revised estimates or revised estimates to budget estimates.

To calculate the total budgeted expenditure of states in 2012-13 and 2013-14, the Union Government allocations for CSS, which were going directly to societies bypassing the state treasury, have been added to the total expenditure of the states available in the state budget documents. Again, as the information available for CSS is of fund release, there may be slight overestimation of the total expenditure of the states as there is a general trend of less expenditure against fund release.

Similarly, until 2013-14, state budgets do not include the government's share of funds for the two major CSS for school education, SSA and RMSA. This is since the money directly flowed from the Union Government to SSA and RMSA societies, bypassing the state treasuries and hence the state budgets. Since 2014-15 onwards, the fund flow mechanism has changed, and hence, the government's expenditure on SSA and RMSA is reflected in the state budget. However, in some of the states, this reporting process was not observed in 2014-15 (BE).

In such a situation, in order to capture the total SSA and RMSA expenditure in a state (both the Union and state shares) for 2012-13 and 2013-14, the data on funds released to different states for SSA and RMSA by the Union Government were collected from the SSA portal and RMSA portal. The states' budgetary expenditure on SSA and RMSA (reflected in state budgets) were added to the Union Government releases to arrive at the total SSA and RMSA expenditure figures. Thus, for 2012-13 and 2013-14, there is some amount of approximation in arriving at the total 'actual' expenditure figures for SSA and RMSA since the state's share of expenditure is actual while the Union Government's share of expenditure is understood in terms of funds 'released'. However, for 2014-15 and 2015-16, the figures are entirely from the state budget documents and hence no such approximation is involved there.

As data for the age group of 6-17 years is not available for the study period, the projected population data provided by MHRD for this age group, has been used for calculation.



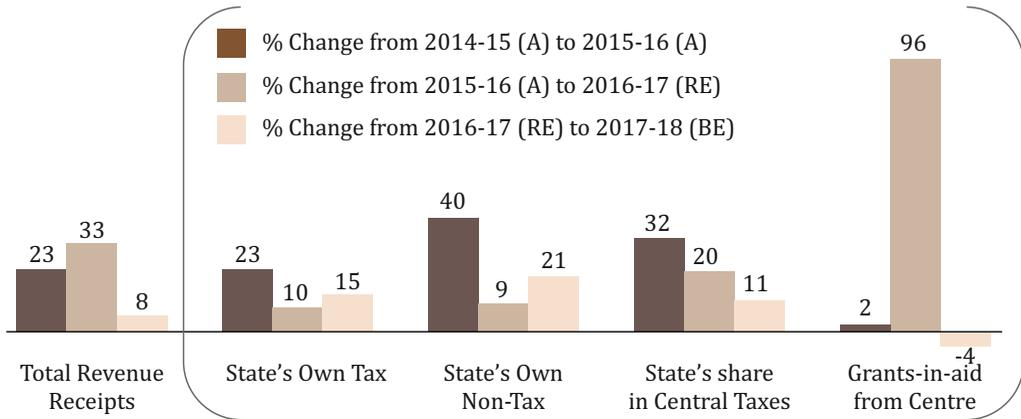
## II. Spending capacity of state governments in the Fourteenth Finance Commission period

In India, historically and constitutionally, the fiscal spaces for states is restricted because of their limited resource generating capacity. The capacity to raise revenue also varies across states owing to the different size of the tax base across states. This variation results in differences in the standard of public service delivery, even when states make a uniform effort at raising revenues (Rao, 2017). The 'committed expenditure' of states on interest payment, salary, pensions and other liabilities consumes a sizeable chunk of available resources with states, imparting a downward rigidity to the revenue expenditure. Therefore, a common feature of the states is fiscal dependence on the Union Government with considerable variation.

However, in the context of resource mobilisation, the recommendation of the 14th FC is significant. The commission recommended a transfer of 42 percent of the divisible pool of Central taxes to the states, which amounted to an increase by 10 percentage points from the level prevailing in the Thirteenth Finance Commission period. The increased devolution gives impetus to the spirit of strengthening fiscal federalism with more untied resources being transferred to the states. It was also expected that the increased tax devolution will enhance the states' autonomy in deciding their expenditure priorities. Thus, an intensive examination of the increased devolution provides a clearer picture of the status of overall resources being transferred to the states. It is important to examine whether the changed fiscal architecture has helped the states increase their revenue receipts in the pre and post 14th FC recommendation period.

Revenue receipts comprise state's own tax, central tax devolution, non-tax revenue of the state government and grants received from Government of India. The following figures describe state wise changes in total revenue receipts in the pre 14th FC (2014-15) period and first three years of 14th FC period (2015-16 to 2017-18 (BE)). The figures also explain which components of the revenue receipts contribute more towards change in revenue receipts in these periods.

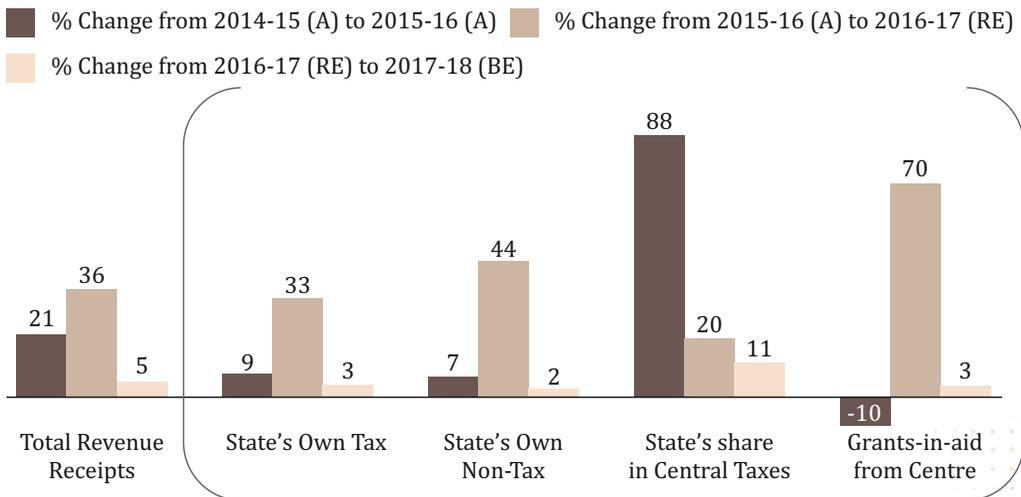
**Figure 1: Change in resource envelope from 2014-15 (A) to 2017-18 (BE) (percent) - Bihar**



Source: Budget at a glance, State Budget documents for 2016-17 and 2017-18

The total revenue receipt of Bihar increased in the first two years of the 14th FC period as compared to 2014-15 (A). However, there is a substantial drop in revenue receipts between 2016-17 (RE) and 2017-18 (BE). This is mainly due to a decrease in grants-in-aid from Centre to states between 2016-17 (RE) and 2017-18 (BE). In addition, the extent of change of the state's share in Central taxes decreased in this period. Though there is increase in both state's own tax and non-tax revenues, the increase took place at a decreasing rate (Figure 1).

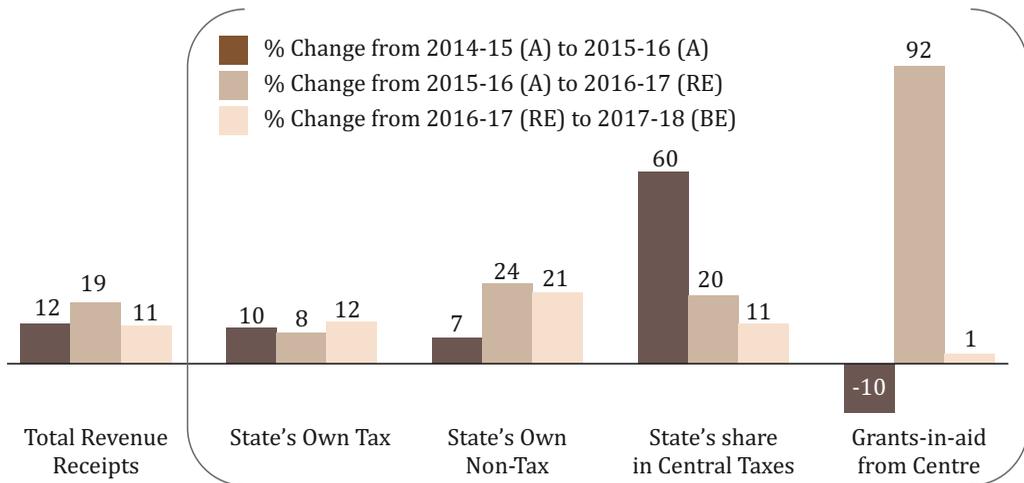
**Figure 2: Change in resource envelope from 2014-15 (A) to 2017-18 (BE) (percent) - Chhattisgarh**



Source: Budget at a glance, State Budget documents for 2016-17 and 2017-18

Chhattisgarh reveals a picture similar to Bihar (Figure 2). There is an increase in the state's total revenue receipts in the 14th FC period compared to the previous year. However, between 2016-17 (RE) and 2017-18 (BE), all the components of revenue receipt, i.e. state's own tax and non-tax revenue and transfer from Centre to states have decreased compared to the change in 2015-16 and 2016-17 (RE). In the case of Chhattisgarh, between 2014-15 (A) and 2015-16 (A), the largest growth is observed in tax devolution from Centre to states (88 percent), while there is a cut in grants-in-aid from the Centre (10 percent) probably because of the increased devolution.

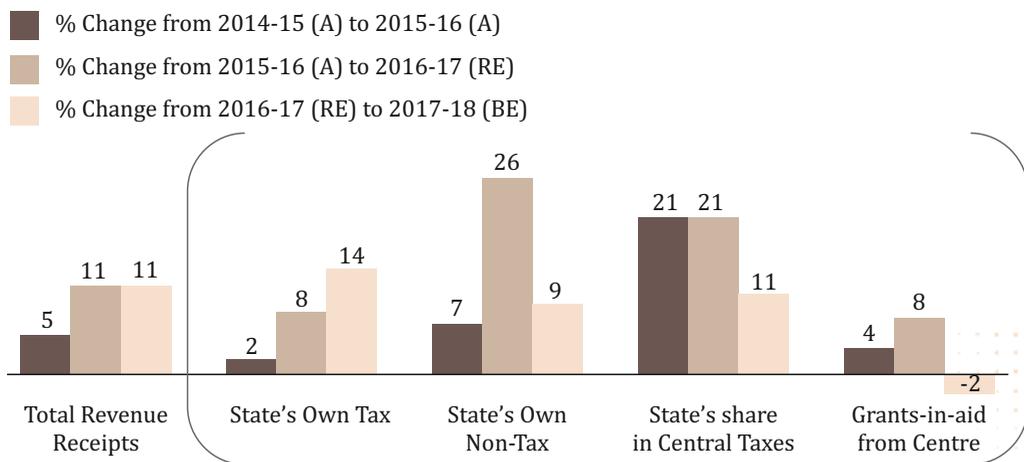
Figure 3: Change in resource envelope from 2014-15 (A) to 2017-18 (BE)(Percent) - Maharashtra



Source: Budget at a glance, State Budget documents for 2016-17 and 2017-18

In Maharashtra, other than grants-in-aid from the Centre, there has been an absolute increase in all other components of revenue receipts between the pre 14th FC and the 14th FC period. This has also increased the state's overall revenue receipts. The state has been able to increase or more or less maintain the same rate of revenue collection from own tax and non-tax revenue. Like most of the other states, the Maharashtra government also witnessed a cut in grants-in-aid from the Centre in the first year of the 14th FC period. But this has revived in the next year (Figure 3).

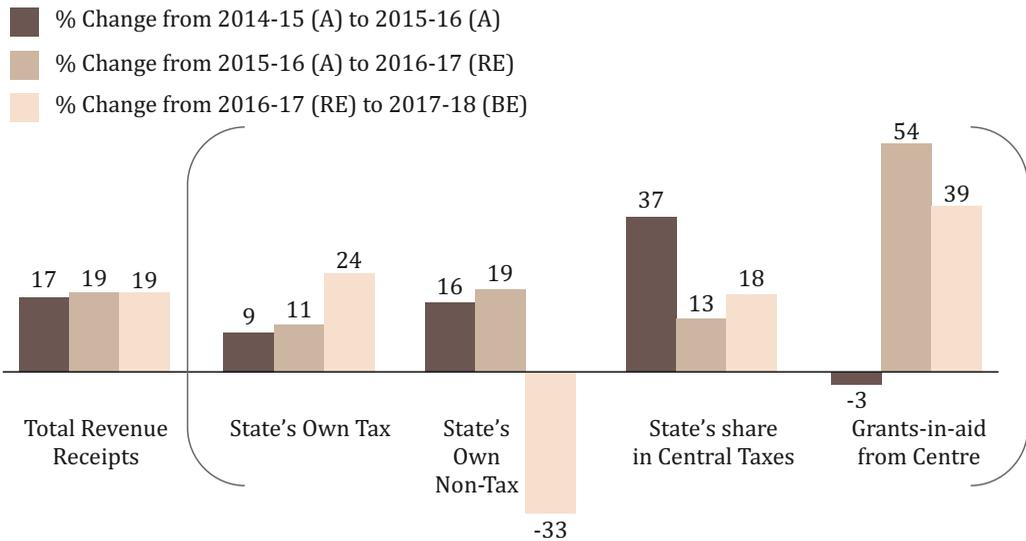
Figure 4: Change in resource envelope from 2014-15 (A) to 2017-18 (BE) (percent) - Tamil Nadu



Source: Budget at a glance, State Budget documents for 2016-17 and 2017-18

During the post 14th FC recommendation period, Tamil Nadu was able to increase and maintain the revenue receipts of the state. Between 2014-15 and 2016-17 (RE), the state gradually increased its revenue from state's own tax and non-tax collection. In 2017-18 (BE), there is a reduction in grants-in-aid from the Centre compared to the previous year (Figure 4).

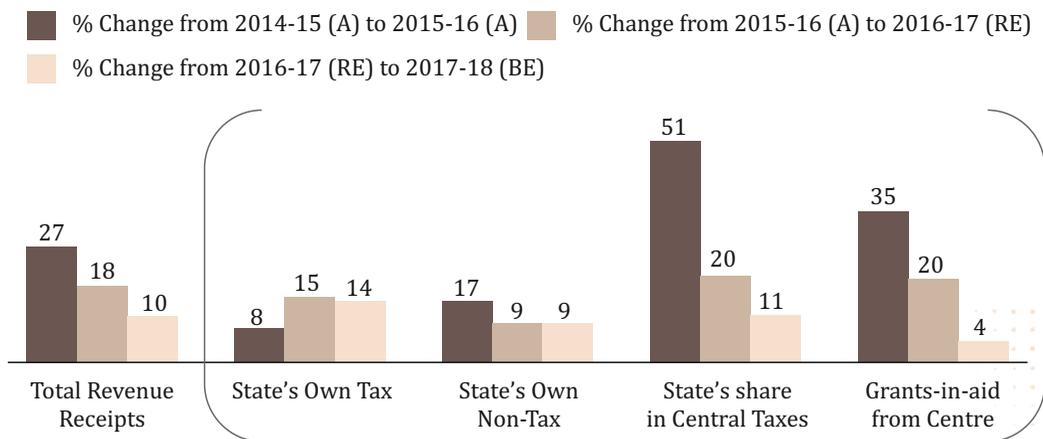
Figure 5: Change in resource envelope from 2014-15 (A) to 2017-18 (BE) (percent) - Uttar Pradesh



Source: Budget at a glance, State Budget documents for 2016-17 and 2017-18

Uttar Pradesh increased its total revenue receipts between 2014-15 (A) and 2017-18 (BE). A larger contribution to this increase is from the state's own tax revenue and grants-in-aid from the Centre mainly to various CSS. Though there is a reduction in the grants-in-aid component between 2014-15 (A) and 2015-16 (A), the Centre increased its transfer under this head in the second and third year of the 14th FC period. Between 2016-17 (RE) and 2017-18 (BE), the state's own non-tax revenue decreased by 33 percent (Figure 5).

Figure 6: Change in resource envelope from 2014-15 (A) to 2017-18 (BE) (percent) - West Bengal

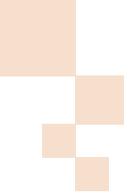


Source: Budget at a glance, State Budget documents for 2016-17 and 2017-18

Though West Bengal increased its revenue receipt in 14th FC period, the pace of revenue generation is decreasing with time. This is because of the slow growth in revenue mobilisation especially on account of state's share in Central taxes and grants-in-aid from the Centre (Figure 6). However, the state has improved its resource mobilisation through increasing its own tax revenue collection in this period.

A four-year analysis of the six states' total revenue receipts confirms that after the 14th FC recommendations, states actually benefitted in terms of generation of additional resources. A general trend of increase in revenue receipts was observed in all three years of the 14th FC period for all six states. The increase is more substantial between 2015-16 (A) and 2016-17 (RE). Between 2014-15 (A) and 2015-16 (A), the increase in revenue receipts is largely due to higher tax devolution from Centre to states. It is also the period when states witnessed maximum reduction in grants-in-aid from Centre. The incidence was especially stark in Chhattisgarh, Maharashtra and Uttar Pradesh.

With all fiscal constraints, it was obvious that after the 14th FC recommendations, there would be a compositional shift in resource transfer from Centre to states. As expected, the evidence from the six states during the pre and post 14th FC recommendation period shows a reduction in tied transfers because of the reduction of grants-in-aid for CSS schemes and an increase in untied transfers to states, through increase in the share of tax devolution. It has been argued that the net gain for poorer states would not be much because of their lesser capacity for generating own revenue resources. However, it is found that all the study states improved their own tax revenue collection during the 14th FC period. The following section is an attempt to measure whether state shave channelised some of these additional resources to bridge the gaps in school education.



### III. How much did states allocate and spend on school education in the 14th FC period?

It was felt that the implementation of the 14th FC recommendations would increase the available resources of states, which would give them the fiscal space to spend more on sectors of state priority. The analysis in Section II has shown that during the 14th FC period all six states were able to increase their revenue receipts. However, the net increase in states' resources was modest as the Union Government reduced Central assistance for state plans and outlays for Central schemes in social sectors in the first year of the 14th FC period and revived it at a later period. Nevertheless, the change in fiscal architecture led to a change in the composition of the state budget in favour of greater autonomy for state governments. Given their increased autonomy in setting spending priorities, the question is whether states had channelised some of their additional resources in development of education sector.

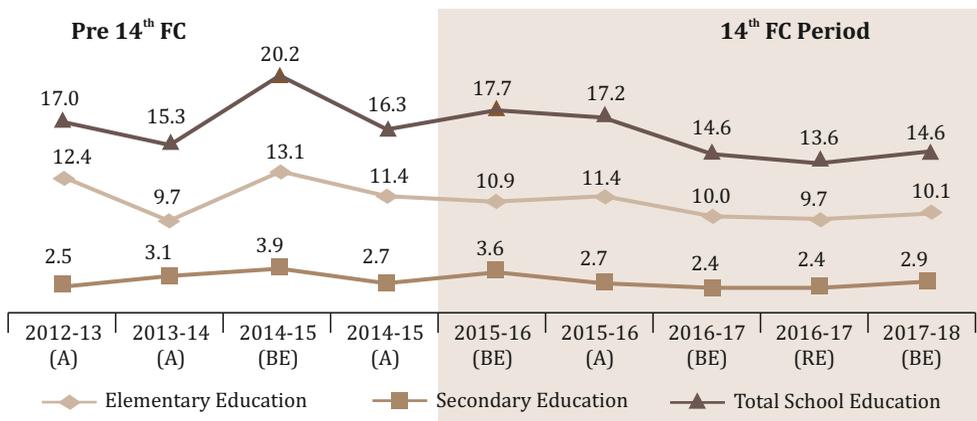
To capture the effect of the 14th FC recommendations on the state's resource envelope and therefore, its impact on school education budget, an analysis of the budget was done for four years — 2014-15 (A) (the last year of the 13th FC period), 2015-16(A), 2016-17 (RE) and 2017-18(BE) (first three years of 14th FC period). This section of the report examines the performance of the following three indicators for all six states to see whether states have prioritised school education because of additional flexible resources states earned through the 14th FC recommendations.

- a) Share of school education budget in total state budget
- b) Extent of increase in school education budget vis-a-vis state budget
- c) Per child and per student spending on school education

#### **IIIa. Share of school education budget in the total state budget**

The following figures show how the government prioritises school education in the six states. The figures show a trend from 2012-13 (A) to 2017-18 (BE). This also helps to capture the change in prioritisation in the pre 14th FC and 14th FC period.

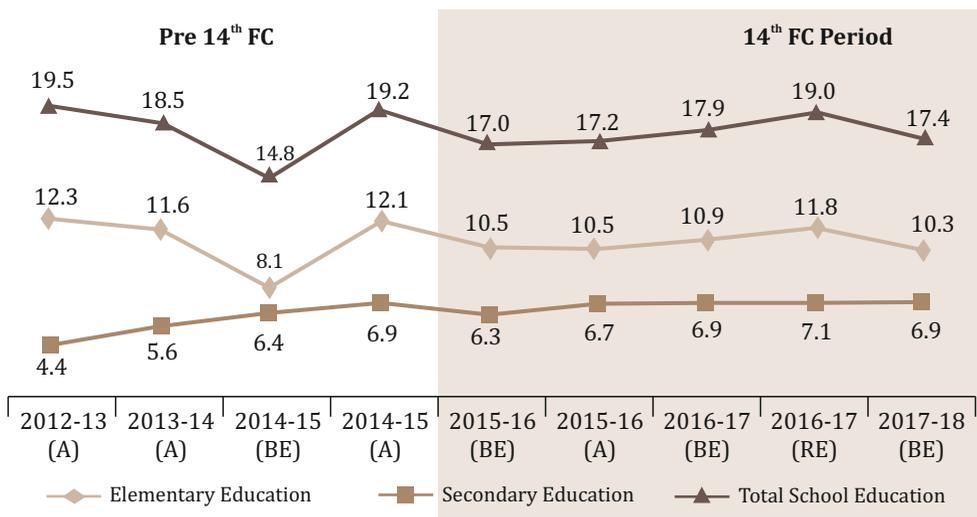
**Figure 7: Change in share of school education budget in total state budget from 2012-13 (A) to 2017-18 (BE) - Bihar (percent)**



Source: Detailed Demand for Grants, State Budget documents for 2016-17 and 2017-18

In last five years, Bihar showed a declining trend in the share of school education budget in the total state budget (Figure 7). The reduction in the share is observed more in the 14th FC period. In 2014-15 (BE), while the share was as high as 20.2 percent, it reduced to 14.6 percent by 2017-18 (BE). While 10 percent to 11 percent of the total state budget goes for elementary education, around three percent of the budget is spent exclusively on secondary education.

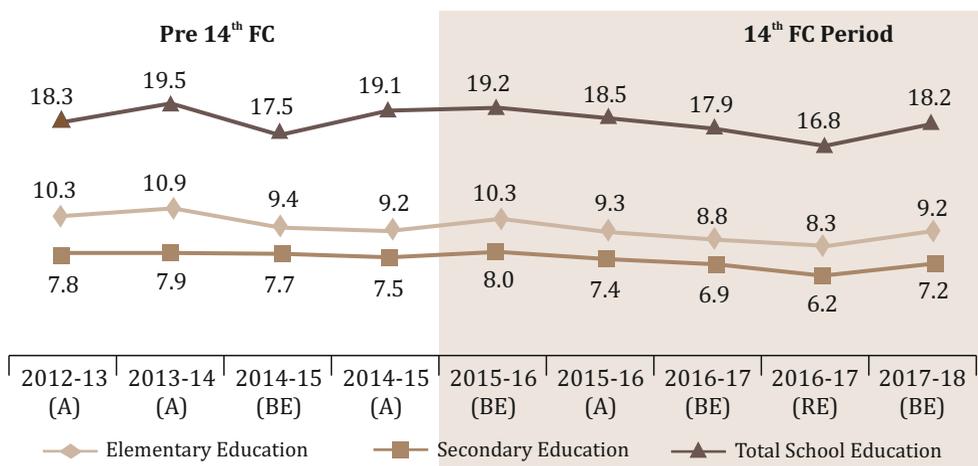
**Figure 8: Change in share of school education budget in total state budget from 2012-13 (A) to 2017-18 (BE) - Chhattisgarh (percent)**



Source: Detailed Demand for Grants, State Budget documents for 2016-17 and 2017-18

Chhattisgarh shows consistency with regard to its share of expenditure on school education as part of the state's total expenditure. Though the share was around 19 percent in the pre 14th FC period, the share reduced to 17 percent in the first year of 14th FC period and gradually increased the next year. The budget shows a continuous increase in the share for secondary education during the last five years (Figure 8).

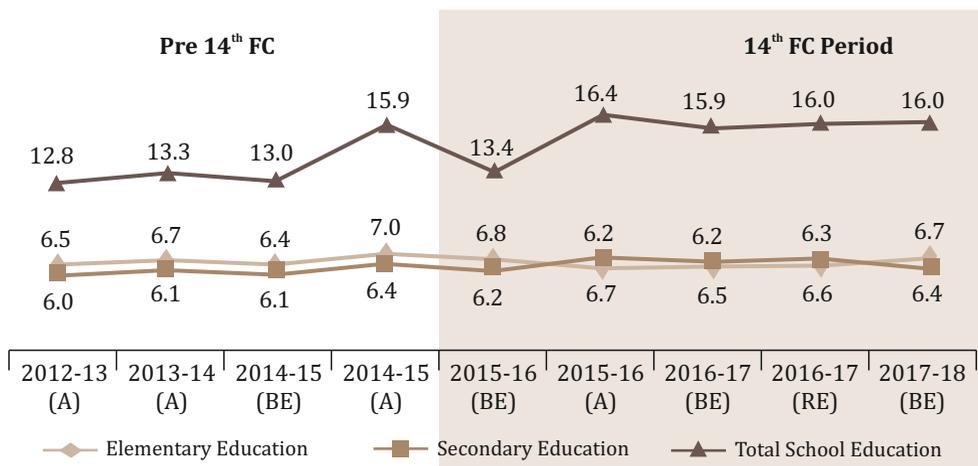
**Figure 9: Change in share of school education budget in total state budget from 2012-13 (A) to 2017-18 (BE) – Maharashtra (percent)**



Source: Detailed Demand for Grants, state budget documents for 2016-17 and 2017-18

The trend of share of school education budget in the total budget of Maharashtra shows a more or less similar picture, though there is a decrease in share in the 14th FC period vis-a-vis the pre 14th FC period. The decline is on account of the decrease in shares of both elementary and secondary education budgets in the 14th FC period (Figure 9).

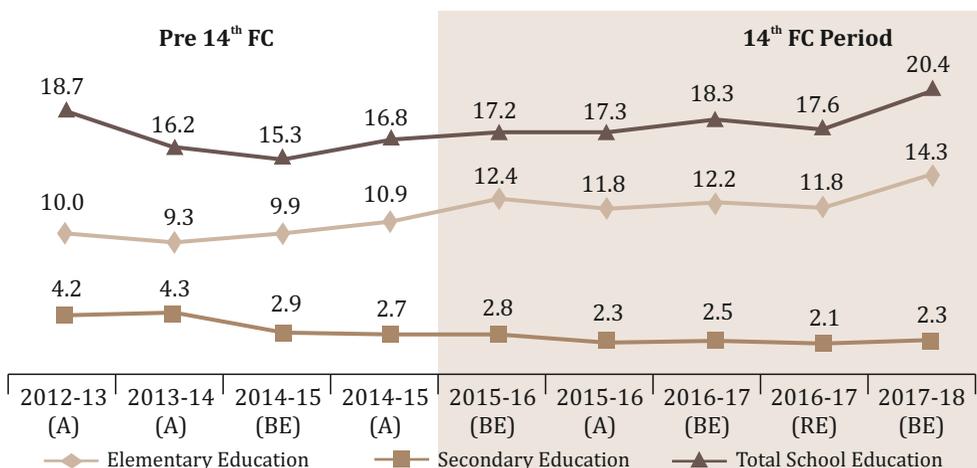
**Figure 10: Change in share of school education budget in total state budget from 2012-13 (A) to 2017-18 (BE) – Tamil Nadu (percent)**



Source: Detailed Demand for Grants, State Budget documents for 2016-17 and 2017-18

At present, Tamil Nadu spends around 16 percent of the total state budget on school education. The priority for school education in Tamil Nadu is observed in the continuous increase in the state budget's share for school education. Unlike other states, an equal weightage for both elementary and secondary education is observed in the school education budget of Tamil Nadu (Figure 10).

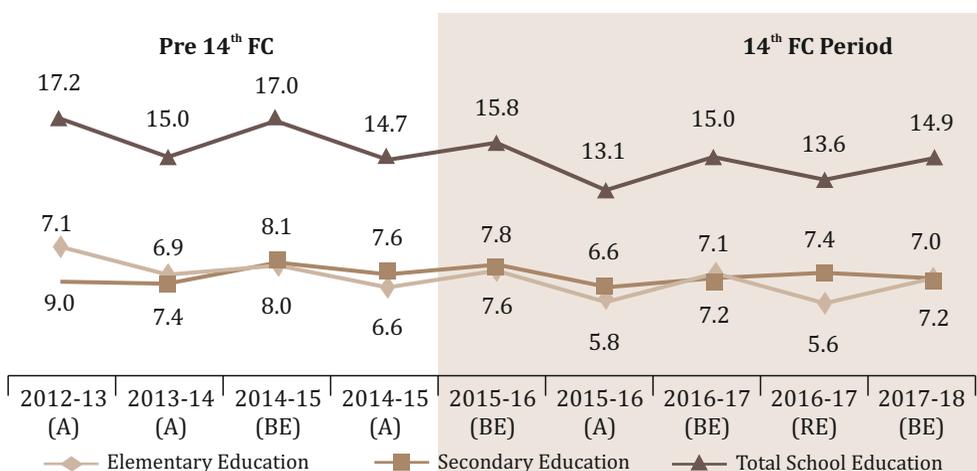
**Figure 11: Change in share of school education budget in total state budget from 2012-13 (A) to 2017-18 (BE) - Uttar Pradesh (percent)**



Source: Detailed Demand for Grants, State Budget documents for 2016-17 and 2017-18

Compared to the pre 14thFC period, the school education budget of Uttar Pradesh records an increased share of the total state budget in the 14th FC period. The increase is on account of a substantial rise in the share of the elementary education budget, as part of the total school education budget. However, the decreasing priority for secondary education is observed in the Uttar Pradesh school education budget (Figure 11).

**Figure 12: Change in share of school education budget in total state budget from 2012-13 (A) to 2017-18 (BE) - West Bengal (percent)**



Source: Detailed Demand for Grants, State Budget documents for 2016-17 and 2017-18

In West Bengal, declining priority for school education is observed in the 14th FC period. West Bengal is the only state under study, where the share of secondary education in the total school education budget is higher than the share of elementary education. Overtime, the priority for elementary education in the state budget as a whole has decreased in West Bengal (Figure 12).

The year to year pattern of expenditure for school education compared to the total state budget reveals a mixed picture in terms of priorities. Except Bihar and West Bengal, the three other states—Chhattisgarh, Tamil Nadu and Uttar Pradesh showed relatively higher priority for school education in the 14th FC period compared to the 13th FC period. The spending pattern in Maharashtra is more or less stagnant in both the periods. The data shows that despite a fall in grants-in-aid, low income states like Chhattisgarh and Uttar Pradesh have increased their spending on school education. This implies that states are compensating the resource loss from the Union government by investing more from their own resource kitty.

As 2014-15 was the last year for the 13th FC period and there was a rush for utilisation of the 13th FC transfer, the pattern of school education expenditure across states shows both upward and downward movements compared to the budget estimates. A detailed scrutiny of the data shows that between 2014-15 (BE) and 2014-15 (A), for the states of Chhattisgarh, Maharashtra and Tamil Nadu, the state's total expenditure decreased, but expenditure on school education increased in absolute terms which has raised the share. West Bengal emerged as the state where there is an increase in both the total expenditure of the state, as well as education expenditure, but this is not getting captured in the state budget share for school education. This implies that though the state has prioritised school education by spending more, there is nevertheless a decrease in priority for the sector compared to other sectors in the state budget. Therefore, it is better to assess the priority for the sector in relation to changes in the resource envelope.

### **IIIb. Extent of increase in school education budget vis-a-vis state budget**

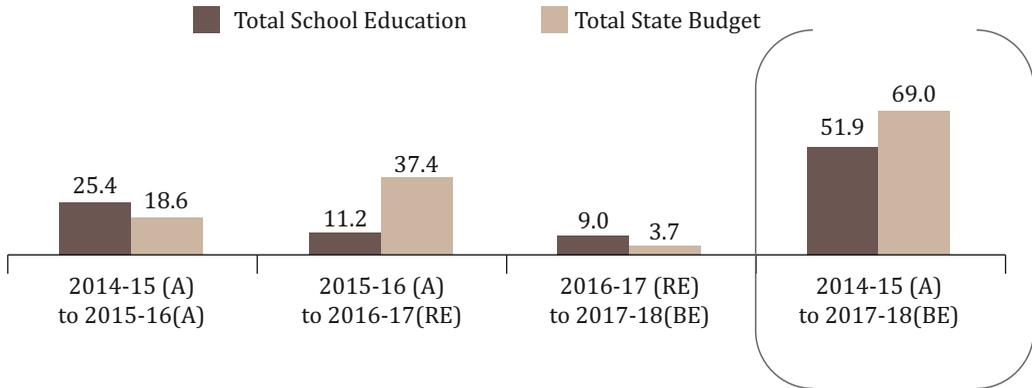
The prominent indicator to gauge the budgetary priority of the state for school education is the extent of increase in the total state budget in comparison to the increase in the school education budget, between the pre 14th FC and 14th FC period. In this section, we present an assessment of budgetary priorities for school education across six states during the last four financial years, which includes 2014-15 (A), 2015-16(A), 2016-17 (RE) and 2017-18 (BE)

The indicators are as follows:

- i) The extent of change in the total state budget vis-à-vis the allocation for school education overall
- ii) The extent of change in elementary education as well as secondary education between 2014-15 (A) and 2017-18 (BE)

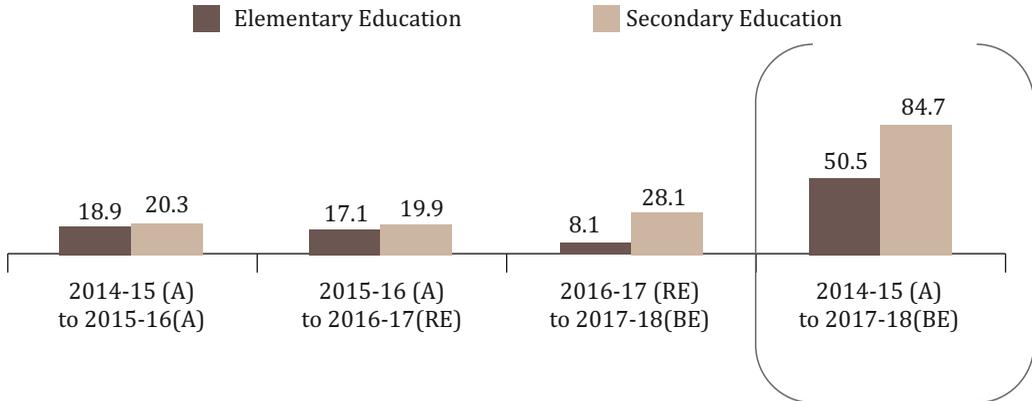
One can assume that if the extent of increase in the budget for school education is significantly higher than the extent of increase in the overall state budget during the 14th FC period, it reflects an increase in priority for the sector in the state concerned in the post 14th FC recommendations phase.

**Figure 13a: Extent of change in the total state budget vis-à-vis change in allocation for school education - Bihar (percent)**



Source: Detailed Demand for Grants, State Budget documents for 2016-17 and 2017-18

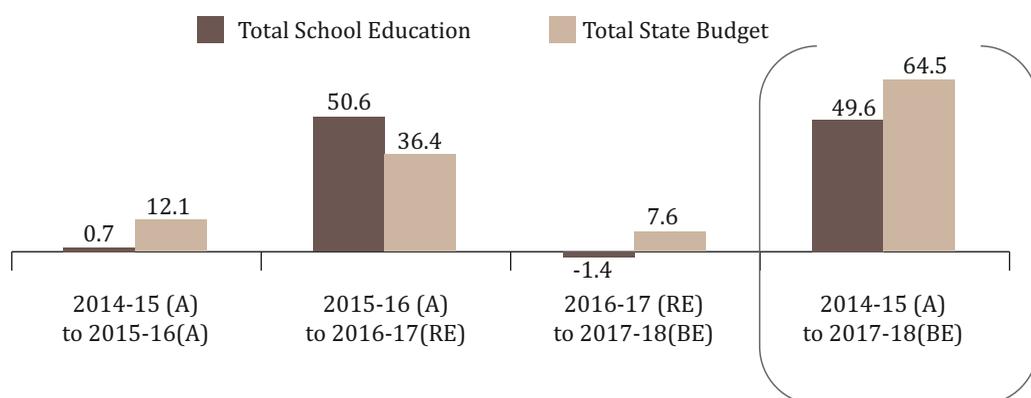
**Figure 13b: Extent of change in elementary education and secondary education - Bihar (percent)**



Source: Detailed Demand for Grants, State Budget documents for 2016-17 and 2017-18

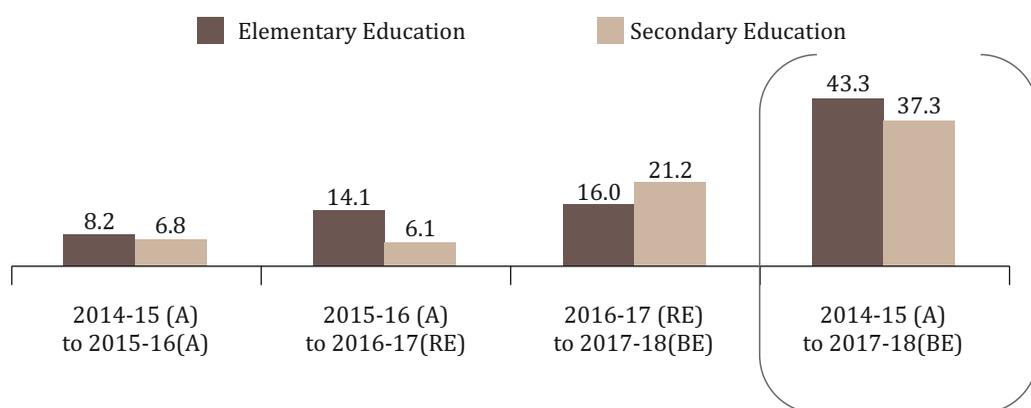
Figures 13a and 13b together explain that between 2014-15 (A) and 2017-18 (BE), while the state budget increased by 69 percent, the expenditure on school education increased by 52 percent. This indicates the absence of budgetary priority for school education in Bihar during the 14th FC period. This also shows the extent of increase in the elementary education budget at a decreasing rate compared to the secondary education budget which witnessed increasing priority overtime.

**Figure 14a: Extent of change in the total state budget vis-à-vis change in allocation for school education-Chhattisgarh (percent)**



Source: Detailed Demand for Grants, State Budget documents for 2016-17 and 2017-18

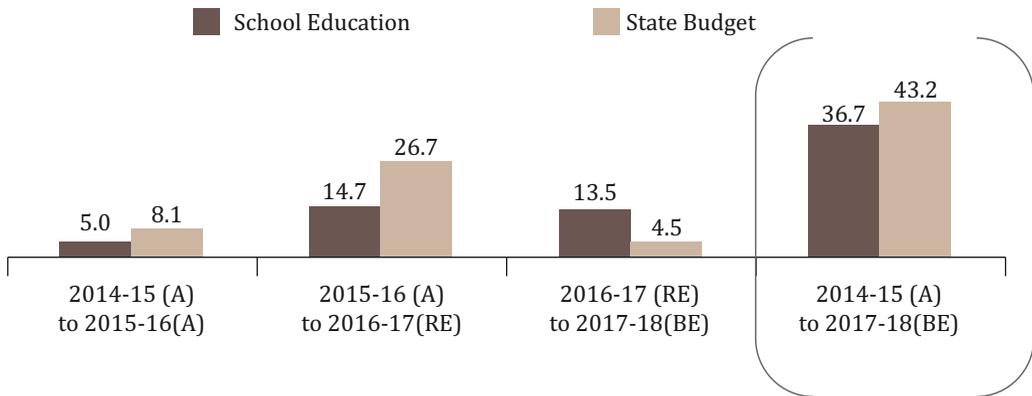
**Figure 14b: Extent of change in elementary education and secondary education-Chhattisgarh (percent)**



Source: Detailed Demand for Grants, State Budget documents for 2016-17 and 2017-18

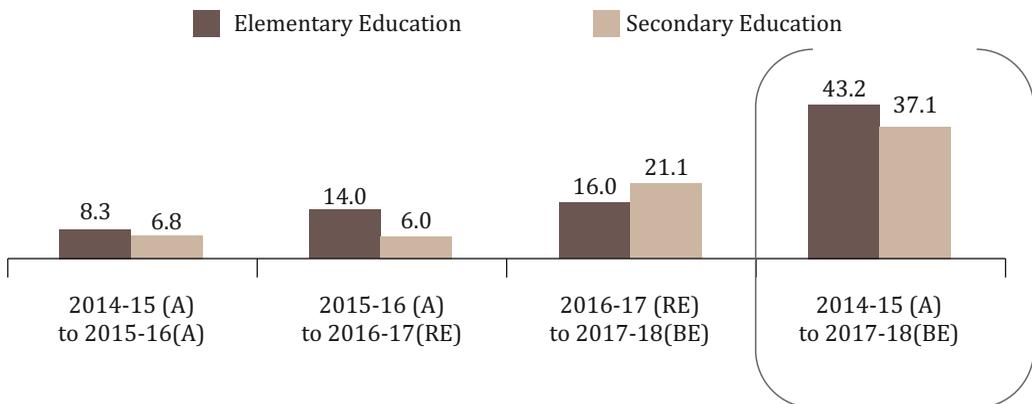
Chhattisgarh is also the state where the extent of increase in the state's school education budget is much lesser compared to the overall growth of the resource envelope in the 14th FC period. While the increase in school education budget surpassed the increase in state budget between 2015-16 (A) and 2016-17 (RE), owing to a reduction in the school education budget between 2016-17 (RE) and 2017-18 (BE) — the overall impact of school education expenditure compared to the state budget in the 14th FC period is negligible (Figure 14a). In all the three years of the 14th FC period, there is an increase in expenditure for secondary education. Between 2014-15(A) and 2017-18(BE), though spending on elementary education has also increased by 41 percent, however, the budget shows a decline between 2014-15 (A) and 2015-16 (A) and also between 2016-17(RE) and 2017-18 (BE) (Figure 14b).

**Figure 15a: Extent of change in the total state budget vis-à-vis change in allocation for school education - Maharashtra (percent)**



Source: Detailed Demand for Grants, state budget documents for 2016-17 and 2017-18

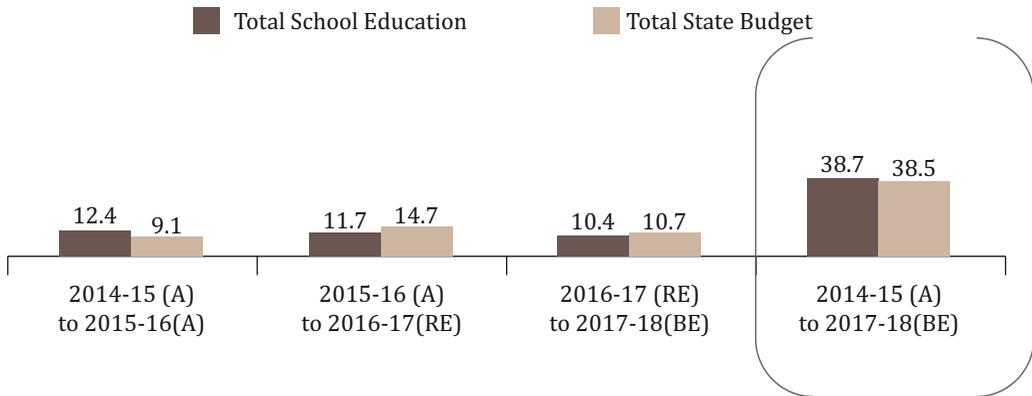
**Figure 15b: Extent of change in elementary education and secondary education- Maharashtra (percent)**



Source: Detailed Demand for Grants, State Budget documents for 2016-17 and 2017-18

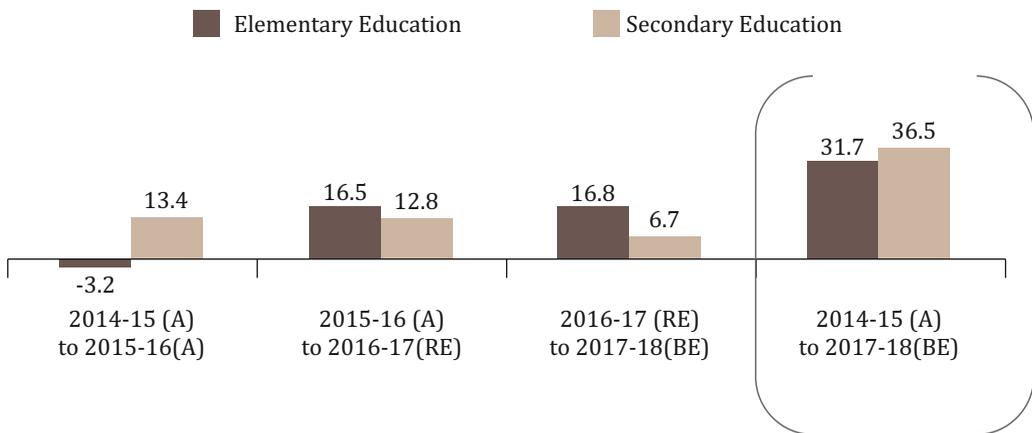
Like most of the states under study, there is no budgetary priority for school education in Maharashtra between 2014-15 and 2016-17 (RE). However, in 2017-18 (BE), while the state budget increased by 4.5 percent, the allocation for school education increased by 13.5 percent from the previous year's revised estimates (Figure 15a). Though the allocation for elementary education is in harmony with the increase in state budget, not much priority is observed for secondary education (Figure 15b).

**Figure 16a: Extent of change in the total state budget vis-à-vis the change in allocation for school education - Tamil Nadu (percent)**



Source: Detailed Demand for Grants, State Budget documents for 2016-17 and 2017-18

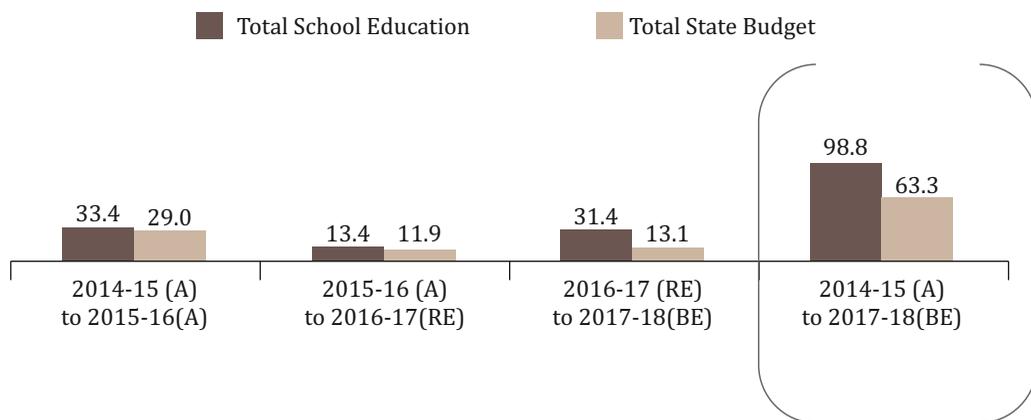
**Figure 16b: Extent of change in elementary education and secondary education - Tamil Nadu (percent)**



Source: Detailed Demand for Grants, State Budget documents for 2016-17 and 2017-18

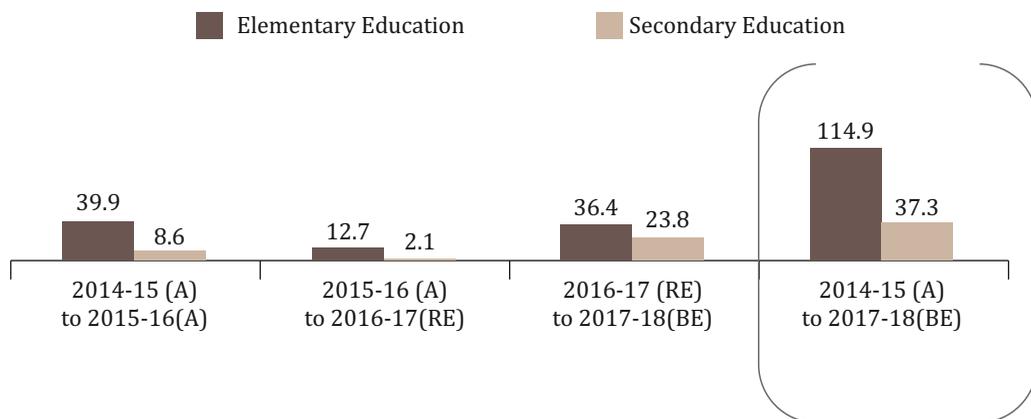
In Tamil Nadu, the budgetary priority for school education remained unchanged in both the pre and post 14th FC recommendation period (Figure 16a). In this period, the expenditure on elementary education increased by 32 percent and it is 36 percent for secondary education (Figure 16b).

**Figure 17a: Extent of change in the total state budget vis-à-vis change in allocation for school education - Uttar Pradesh (Percent)**



Source: Detailed Demand for Grants, State Budget documents for 2016-17 and 2017-18

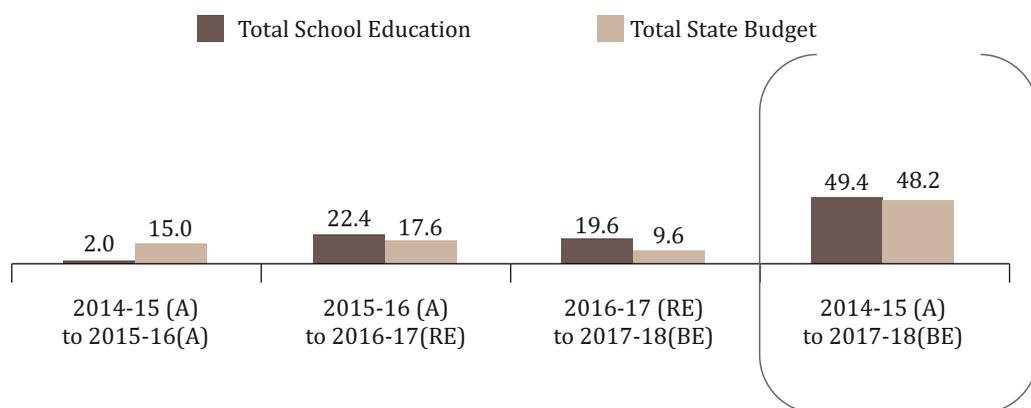
**Figure 17b: Extent of change in elementary education and secondary education - Uttar Pradesh (percent)**



Source: Detailed Demand for Grants, State Budget documents for 2016-17 and 2017-18

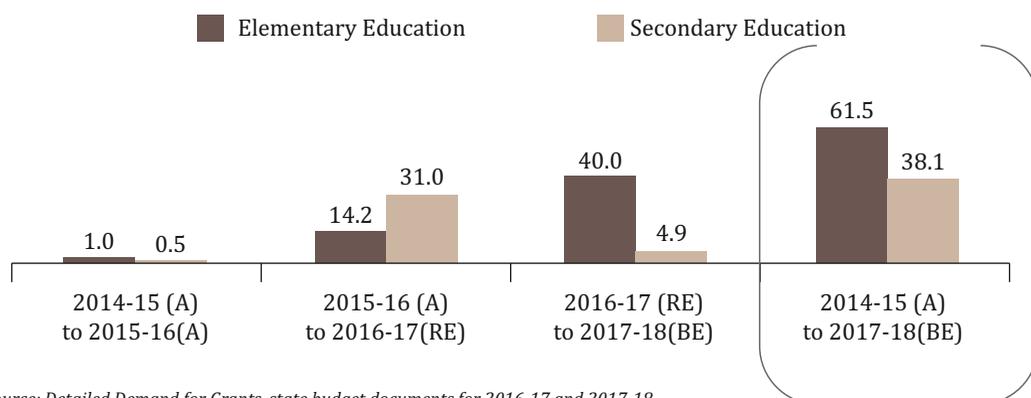
In Uttar Pradesh, as against 63 percent increase in total state expenditure, school education expenditure increased by 99 percent (Figure 17a). This increase is mainly because of the increase in expenditure at the elementary level by 115 percent between 2014-15 and 2017-18 (BE) (Figure 17b).

**Figure 18a: Extent of change in the total state budget vis-à-vis change in allocation for school education-West Bengal (percent)**



Source: Detailed Demand for Grants, state budget documents for 2016-17 and 2017-18

**Figure 18b: Extent of change in elementary education and secondary education - West Bengal (percent)**



Source: Detailed Demand for Grants, state budget documents for 2016-17 and 2017-18

In the last two years of the study period, i.e. 2016-17 (RE) and 2017-18 (BE), the West Bengal government prioritised school education in relation to total expenditure by the state. Against a 48 percent increase in the state budget between 2014-15 and 2017-18 (BE), the school education budget increased by 49 percent (Figure 18a). While the expenditure on secondary education between 2016-17 (RE) and 2017-18 (BE) witnessed a meagre five percent increase, there is continuous increase in expenditure for elementary education in the 14th FC period (Figure 18b).

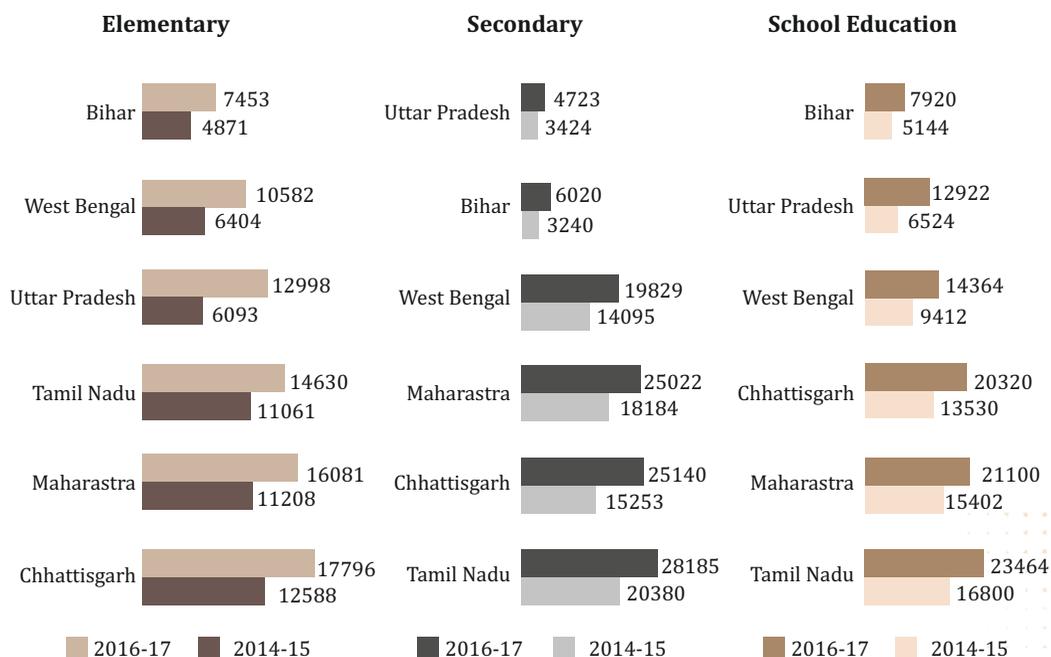
The analysis presents a mixed picture for trends in budgetary priority for school education across different states. Bihar, Chhattisgarh and Maharashtra are the three states where no budgetary priority is observed in the first three years of the 14th FC period. On the other hand, Uttar Pradesh and Tamil Nadu witnessed a higher priority for school education as the budget for school education was significantly higher than the extent of increase in overall state budgets

during 14th FC period. No such encouraging trend is observed in West Bengal; the state maintained its allocation for school education in relation to the state budget both in the pre and post 14th FC recommendation phase. While Uttar Pradesh and West Bengal experienced substantial increase in allocation for secondary education during the 14th FC period, the extent of increase in the school education budgets of these two states was more on account of increase in elementary education.

### IIIc. Per child and per student spending on school education

Per child spending on school education captures the relative resource availability for the sector, taking into account the variations in child population across states. It is expected that a state's planning and budgeting for school education should be based on the number of children in the age group of 6-17 in the state. Hence per child allocation or spending does serve as an important indicator on spending across states. However, the Annual Workplan & Budget (AWP&B) for different schemes like SSA and RMSA shows that states do planning and budgeting on the basis of current enrolment. Hence, it is also important to look for resource availability of each enrolled child in school across states. A comparison of both the indicators during the pre and post 14th FC recommendation period will reveal any changing pattern in school education expenditure across states.

**Figure 19a: Per child spending on school education-2014-15 (A) vis-a-vis 2017-18 (BE) (Rs.)**



Source: State Budget documents and projected population of 6-17 age group from MHRD portal

In this analysis, the age group of 6-13 years was considered for calculating per child spending at the elementary level while the age group of 14-17 formed the basis for analysing per child spending at the secondary level. The age bracket of 6-17 years was used to calculate per child expenditure for schools. As data for children of this age group was not available for the study

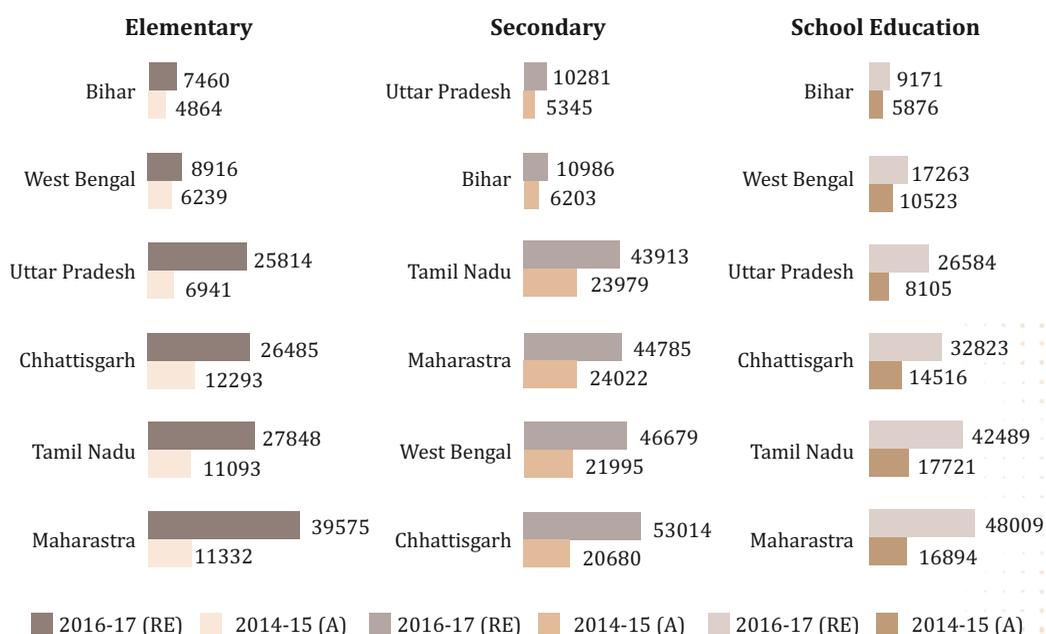
period, the projected population data for children in the 6-17 age group provided by MHRD was used for the calculation.

Figure 19a shows that in 2014-15, Tamil Nadu and Maharashtra were the two states with highest per capita spending on school education. In Bihar, Uttar Pradesh and West Bengal, the per child education spending remained less than Rs. 10,000 in this period. A disaggregated picture of the per child spending by level of education shows that the per child spending was highest in Chhattisgarh (Rs.15,253) for elementary education and Tamil Nadu (Rs. 20,380) for secondary education.

An improved scenario is observed in 2017-18 (BE), where the magnitude of per child spending increased for all the states under study compared to 2014-15 (A) (Figure 19a). However, the states maintained their ranking in terms of per capita spending. Similar to 2014-15, the highest per capita spending state in 2017-18 (BE) remained Tamil Nadu with a unit cost Rs. 23,464 for school education, followed by Maharashtra (Rs. 21,100) and Chhattisgarh (Rs.20,320). This can be attributed to two factors. First, an absolute increase in the school education budget post the 14th FC recommendation and second, the decline in the growth rate of population in the 6-17 years age group. Bihar and Chhattisgarh show a significant jump in per child spending, especially at the secondary level.

Per student spending of a state represents the unit cost of the education system as a whole in that state. In an ideal situation, there should be marginal or no difference between per child spending and per student spending. However, in a country like India, where a large number of children are out of school and substantial numbers attend private school, it is obvious that per student spending would be higher than per child spending.

**Figure 19b: Per studentspending on school education- 2014-15 (A) vis-à-vis 2016-17(RE) (Rs)**



Note: The enrolment data for 2017-18 was not available. Source: State Budget documents and DISE data

Like per child spending, all the states witnessed an absolute increase in per student spending in all levels of school education between 2014-15 (A) and 2016-17 (RE) (Figure 19b). In 2014-15, the highest per student spending state for school education was Tamil Nadu (Rs. 17,721). In 2016-17 (RE), the unit cost of Tamil Nadu increased to Rs. 42,489, a 140 percent increase from the pre 14th FC period. Maharashtra was the highest spending state in 2016-17 with a unit cost of Rs. 48,009 for school education, a 184 percent increase from 2014-15. As was the case for per child spending, Bihar, Uttar Pradesh and West Bengal also had the lowest per student spending in the pre and post 14th FC recommendation period. Despite the increase in unit cost, the per student spending for school education in Bihar remained less than Rs. 10,000 (Rs. 9171). In this context, it is also important to highlight that *Kendriya Vidyalayas*, considered to be 'model' government run schools in terms of providing quality education, spent Rs. 35,664 per student in 2016-17 (RE) for school education, which was Rs. 32,263 in 2014-15 (A).

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## IV. Did the composition of the states' school education budgets change in the 14th FC period?

### Iva. Teachers

Teachers are the fulcrum of the school education system. Professionally qualified teachers are a prerequisite for improving the quality of education. However, a common feature of the Indian education system is shortage of qualified teachers. There is a shortage of more than five lakh teachers in elementary schools and 14 percent of government secondary schools do not have the prescribed minimum of six teachers (MHRD, 2016a). Recruitment of additional teachers has not kept pace with rapidly growing enrolment. Lack of regular recruitment, failed deployment of teachers and a lack of subject teachers are some of the key reasons for persisting teacher shortage. The problem is seen both at the elementary and secondary levels.

#### *Issue of teacher shortage: Elementary level*

The table (Table 1) below highlights the extent of teacher shortage at the elementary level in the six states. Tamil Nadu and Maharashtra are the only states that filled up roughly 95 percent of the sanctioned posts. Bihar and Uttar Pradesh together have more than 4.2 lakh vacant posts. As per the minutes of the SSA Project Approval Board (PAB) meeting, 87,781 teacher posts are vacant in West Bengal, of which 32,661 are under the state and 55,120 are under SSA. Interestingly, in 2016-17, the vacancy was lower in all six states, than in 2017-18. This increase in vacancy could be attributed to reasons like retirement of teachers, but no additional recruitment.

**Table 1: Teacher positions at the elementary level (as on March, 2017)**

State	Sanctioned Post	Vacancies	Vacancy as % sanctioned post, 2017	Teacher recruitment between 2016 and 2017
Bihar	592541	203934	34.4	-284
Chhattisgarh	200429	48506	24.2	-5406
Maharashtra	314938	18671	5.9	-4814
Tamil Nadu	147982	3788	2.6	-107
Uttar Pradesh	759828	224329	29.5	-49603
West Bengal	454860	87781	19.3	-1946

Source: MHRD, 2016b; 2017b

#### *Shortage of subject teachers*

At the upper primary level, there is a need not only for teachers but subject specific teachers with command over their respective subject areas. Data from the District Information System for Education (DISE) on teachers and the respective subjects taught presents a picture of imbalance in the midst of overall shortage. In Tamil Nadu, 37 percent of upper primary schools

do not have a subject teacher as per rules of the RTE Act. In West Bengal, there are 40 percent upper primary schools where subject teachers are not available as per RTE, while only 23 percent of schools in Maharashtra had subject teachers. In Bihar and Uttar Pradesh 37 percent and 46 percent of schools respectively do not have subject teachers, Chhattisgarh has 25,457 surplus teachers in terms of the pupil teacher ratio (PTR).

### *Single teacher schools*

The national PTR for elementary schools is 24:1 and for secondary schools is 27:1. While the numbers are satisfactory enough in terms of the stipulated PTR, they do not present a complete picture. A large number of schools in India are run by just a single teacher. A report on single teacher schools tabled in Parliament last year revealed that more than one lakh schools in India were being run with only one teacher on board to teach all the enrolled students. These single teacher schools are a catastrophe as far as education is concerned. As per the PAB minutes of SSA, the number of single teacher schools increased in Maharashtra from 12,137 (14 percent) primary schools in 2015-16 to 12,229 (15 percent) primary schools for 2016-17. Similarly, single teacher schools increased from 5857 (15 percent) upper primary schools in 2015-16 to 5980 (20 percent) upper primary schools for 2016-17. A similar trend is observed in Uttar Pradesh, Bihar, West Bengal and Chhattisgarh where the officially reported number of single teacher schools is 18190, 3697, 3450 and 2730 respectively.

### *Issue of teacher shortage: Secondary Level*

In the last few years, the increase in enrolment at the elementary level has resulted in considerable expansion of secondary schools and also enrolment at the secondary level. This has created a demand for a strong cadre of teacher workforce. But the truth is that the problem of teacher shortage is more acute at the secondary level. As per RMSA guidelines, each school should have five subject specific teachers and one head teacher. However, the table shows that other than Tamil Nadu, all the other states suffer from shortage of both the head teacher and subject teachers. The Bihar government has acknowledged that the issue of teacher shortage at the secondary level is critical. Due to low salary and stipulation of higher qualifications, the government does not get qualified teachers, especially for science and mathematics. As an alternative, the state is opting for virtual classrooms in 10,000 schools with ICT facilities. The state is also appointing guest teachers with an honorarium of Rs.1000 per class. In Bihar and Chhattisgarh, more than 70 percent posts for head master are vacant. About 52 percent of regular teacher posts are vacant in Uttar Pradesh (Table 2).

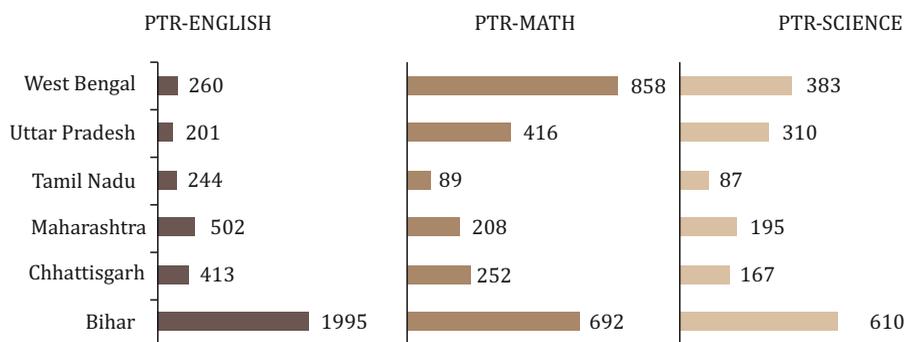
**Table 2: Teacher positions at the secondary level (as on March, 2017)**

	Sanctioned post-Head Master	Head Master vacancy	Sanctioned post-Subject Teacher	Teacher vacancy
Bihar	6789	5306	55020	20494
Chhattisgarh	1916	1386	28127	8278
Maharashtra	1638	959	9746	1604
Tamil Nadu	5879	0	6682	1276
Uttar Pradesh	3700	1806	23171	12008
West Bengal	7854	2241	57877	3618

Source: MHRD, 2017c

However, the number of vacant posts for teachers fails to capture the magnitude of shortage of subject teachers. Moreover, a significant number of teachers teaching 'all subjects', owing to the very small size of secondary schools also hides the problems of shortage of subject teachers (RMSA, 2016).

**Figure 20: The pupil teacher ratio for subject teachers at the secondary level**



Source: MHRD, 2017c

As per government records, the PTR for English in Bihar is as high as 1995:1, whereas in West Bengal the PTR for mathematics is 858:1. Among the six states, the situation for subject teachers is favourable in Tamil Nadu compared to other states (Figure 20). Despite this, the PTR for English in Tamil Nadu is 244:1. The third RMSA Joint Review Mission (JRM) highlighted the fact that shortage of science and mathematics teachers had far reaching implications in India. This included the present cohort of students not being able to acquire skills and competencies needed in these subjects. This also meant that these students were less likely to seek scientifically oriented degrees and employment, which in turn further reduces the supply of such teachers (RMSA, 2014).

The analysis reaffirms that after eight years of RTE implementation, states still suffer from acute shortage of teachers, both at the elementary and secondary level. The problem is severe

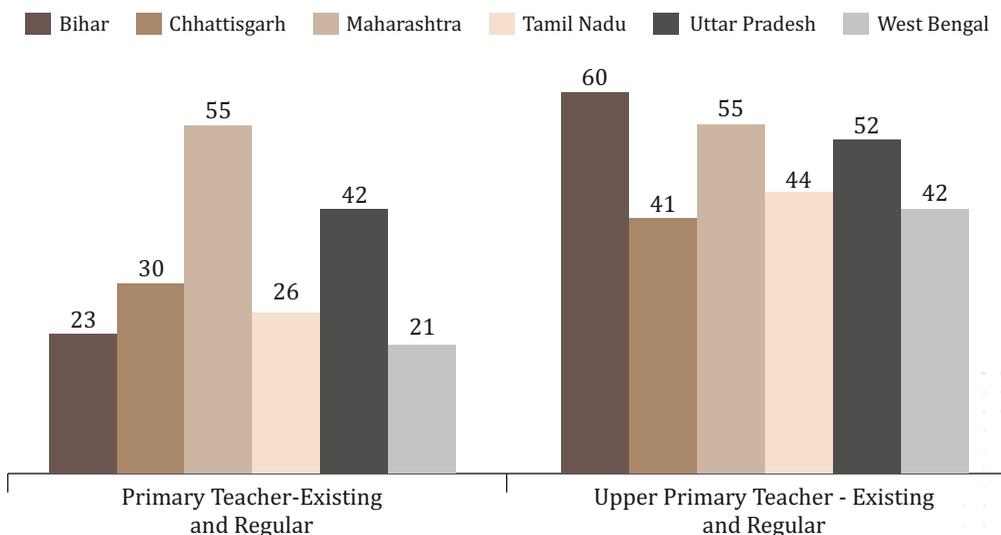
for subject teachers at the upper primary schools and secondary schools. Instead of recruiting regular teachers, states are in the process of deploying teachers so that there is no single teacher school and all schools have PTR as per norms under the RTE Act. In the absence of proper policy for deployment and transfer, states frequently disregarding the RTE mandate and arbitrarily either merge or close schools with lower enrolment, withdraw teachers from these schools and redeploy them in other schools to maintain PTR.

Despite understanding the urgent need of teacher recruitment, states have stopped recruiting permanent teachers for a while now and serve the purpose by employing contractual teachers. The limited fiscal space available to the states is the key reason that causes low recruitment rates or no recruitment situation.

Teacher salaries constitute the major share of school education budgets in India. In recent times, there have been huge debates over the salary levels of teachers. It is argued that despite getting high salaries, teachers are not accountable to the education system, which results in poor learning outcomes in government school.

But the assumption of high teacher salary in government schools is nothing but a myth (Bhatty et. al, 2015). There is no uniform teacher salary across states. Even under SSA, the per month teacher salary in primary school varies from Rs. 22,500 in Bihar to Rs. 55,000 in Maharashtra. The salary for upper primary teachers ranges from Rs. 41,000 per month in Chhattisgarh to Rs. 60,000 in Bihar (Figure 21). Even within the state, teacher salaries vary on the basis of education and work experience of teachers. Moreover, due to paucity of funds, states often fail to pay teacher salaries on time.

**Figure 21: Variation in teacher salaries at the elementary level (Rs. Thousands)**

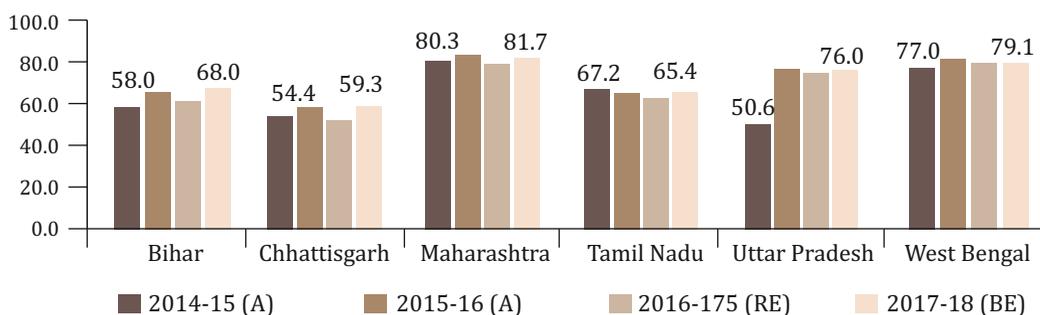


Source: MHRD, 2017b; 2017c

The following figure (Figure 22) tries to capture how states allocate resources for teachers in terms of salaries, pensions and any other incentives like awards, incentives to children of teachers, transfer allowance, etc. The figure shows teacher salary varies from 60 percent of the

school education budget in Chhattisgarh to 82 percent in Maharashtra. Interestingly, except Tamil Nadu, the share of teacher salaries increased in the remaining five states during the 14th FC period compared to 2014-15 (A). Between 2014-15 and 2017-18, a large number of contractual teachers known as '*shikshamitras*' have been promoted as regular teachers in Uttar Pradesh, which has increased the teacher salary component by 20 percentage points during this period. But it needs to be remembered that states are already under allocating for teachers. Given the huge shortage of teachers, this component should be much higher than what it is at present. However, as the overall resource envelope for education is small, it is difficult for states to increase spending on other important components like teacher training, infrastructure building or monitoring.

**Figure 22: Share of teacher salary and incentives for teachers in the total school education budget (percent)**



Source: Detailed demand for grants, State Budgets for 2016-17 and 2017-18

### ***The issue of untrained teachers***

The Indian school education system suffers not just from a lack of teachers, but more specifically, the lack of professionally qualified teachers. Section 23 of the RTE Act mandates that all government school teachers should possess minimum qualifications laid down by the National Council for Teacher Education (NCTE). Those not qualified had time until 31st March, 2015 to complete the training. However, as per government records, of a total number of 66.41 lakh teachers at the elementary level, 11 lakh are still untrained — of which 5.12 lakh are in government and aided schools and 5.98 lakh in private schools. To ensure that all teachers have minimum prescribed qualifications, the government recently amended the RTE Act by allowing time till 2019 for teachers to acquire minimum qualifications (PIB, 2017a). This implies that 11 lakh teachers appointed till March 2015 under the RTE Act now have time till 2019. It was decided that the required expenditure for training of untrained teachers would come from the approved allocation under SSA. The financial memorandum of the RTE amendment bill estimated a non-recurring expenditure of Rs. 453.62 crore in subsequent years to complete the training of untrained teachers by March 31, 2019 (MHRD, 2017).

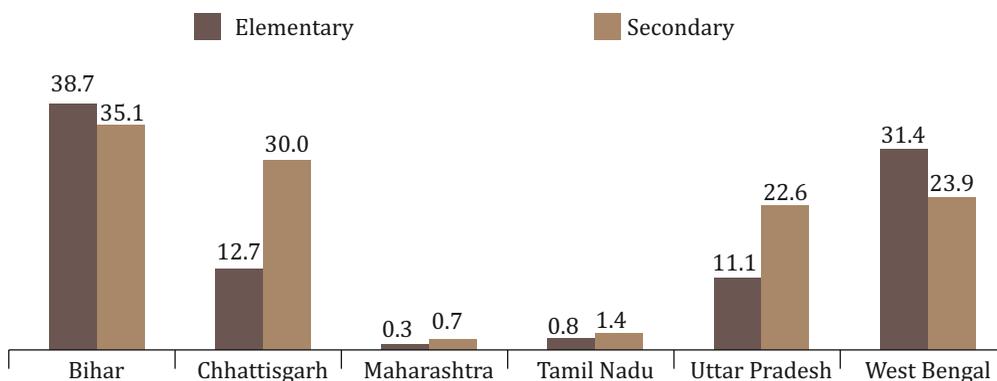
After the implementation of the RTE Act in 2010, a large number of unqualified teachers were recruited to meet the student-teacher ratios specified in the Act. Due to a paucity of qualified

teachers, many states were compelled to recruit unqualified teachers and contractual teachers by not adhering to the qualification norms of RTE Act. As per DISE data, among the six states, Bihar has the highest proportion of untrained teachers both at the elementary and secondary level, followed by West Bengal (Figure 23).

Training of untrained teachers is a major issue in states like West Bengal, Bihar and Chhattisgarh, reported by the states themselves in SSA PAB meetings. In 2017-18, there were 1,07,046 untrained teachers at the elementary level in West Bengal; Chhattisgarh had 11,963 untrained teachers out of which 5147 teachers are yet to be enrolled for their professional qualification training. Bihar has 64,762 untrained teachers yet to be enrolled in the two-year professional course and training plan prepared by the state with the help of World Bank. Tamil Nadu and Maharashtra reported no untrained teachers at the elementary level.

At the secondary level, as per PAB minutes of RMSA, states suffer from the absence of enough teacher training institutions. The Bihar government opposes the recommendation of no salary to untrained teachers by the Union Government, as the state failed to provide institutional facilities to teachers for training. However, the government accepts the NCTE guidelines of relaxing the training requirement with regard to SC/ST teachers to address the issue of teacher shortage.

**Figure 23: State wise share of professionally untrained teachers (percent)**



Source: NUEPA, 2016a; NUEPA, 2016b

In the recent past, the government has moved its focus from inputs towards outcomes. NITI Aayog's Three Years Action Agenda critically assesses the RTE for its input approach and holds it responsible for the continuing deterioration in learning outcomes (NITI Aayog, 2017). Though, the government is concerned about the poor quality of learning and the role of teachers in school, there were never serious efforts to address the issue.

Among various provisions in the RTE Act, the introduction of Continuous and Comprehensive Evaluation (CCE) was projected as a great reform. The larger idea of CCE was to develop a system of school-based evaluation of students that covers all aspects of students', development rather than taking 'examinations' in the narrow traditional sense. The Act requires that CCE be

implemented for each child up to the completion of elementary education. However, the CCE, proved to be stillborn. It never took off in the true sense in government schools, since conditions were not conducive to the introduction of CCE.

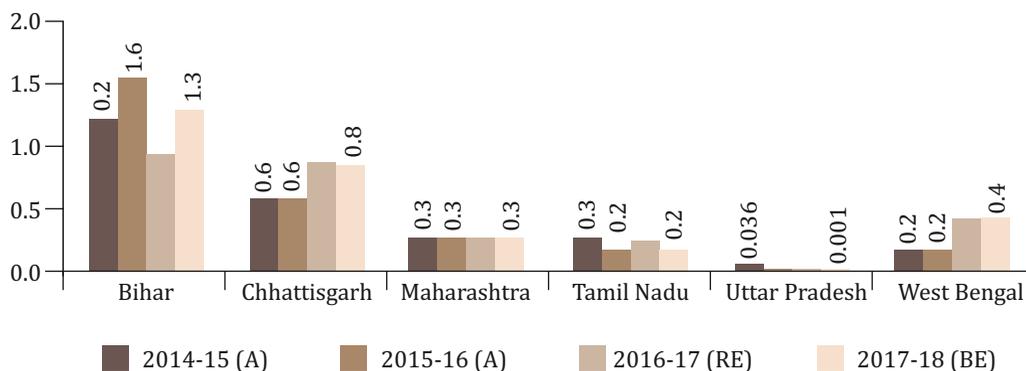
Since CCE demands intensive engagement by teachers, a precondition for successful implementation is an adequate number of well-trained teachers for different subject areas. These teachers must receive periodic inputs for capacity building. At present, a small fraction of the teachers receive in-service teacher training in a given year. As a result, untrained teachers have been teaching children in government and government-aided schools since the last seven years.

Lack of adequate resources has been cited as a major reason for non-recruitment of professionally qualified teachers or training of teachers in position. Because of poor allocation for teacher education, states have failed to build adequate teacher training institutes and institutional capacity to train teachers. The District Institutes of Education and Training (DIETS), conceived as teacher training and curriculum development institutions, have failed to live up to their role. Studies have shown about 80 percent vacancies in faculty positions in some states. Staff and faculty members are not adequately trained (Azim Premji Foundation, 2010). Training programs lack innovation and the faculty members have not undergone capacity building in the last five years. More than 90 percent of teacher training institutes are private and do not even follow the National council for Teacher education (NCTE) guidelines.

Since the RTE was enacted, the government has addressed the issue of untrained teachers only through in-service teacher training under SSA, instead of building institutional capacity for teacher education. But SSA provides only the running costs for refresher courses. It does not cover the costs for institutional establishment.

Not only is the total SSA budget inadequate, the unit cost for in-service training under SSA is also very low and varies across states. For example, as per the PAB minutes of SSA, Uttar Pradesh in 2016-17 budgeted for a refresher in-service teachers' training programme at the Block Resource Centre (BRC) level for four days and the unit cost was Rs. 100 per head per day. Whereas, in Bihar the training period was 10 days with a unit cost RS. 500, which implies a cost of Rs. 50 per teacher per day. This cost also includes travel allowance/dearness allowance for resource persons as well as participants. With such insufficient funds, it is impossible for teachers to develop an understanding of subject matter with pedagogy. The unit cost for in-service training under RMSA is Rs. 300 per head per day. However, due to a lack of teacher training institutions and trainers, states are not able to utilise the funds stipulated for teacher training.

Figure 24: Share of teacher education in total school education budget (percent)



Source: Detailed Demand for Grants, State Budget documents for 2016-17 and 2017-18

Building institutional capacity for teacher education is resource-intensive and states have not invested in it for long. This is reflected in the share of total school education budget towards creating professionally qualified teachers. In 2017-18 (BE), the share varied from 0.001 percent in Uttar Pradesh to 1.3 percent in Bihar (Figure 24). However, it seems that with additional resources received by states after the 14th FC recommendations, they have increased the spending on teacher education in the 14th FC period compared to 2014-15 (A). This might also be the effect of the deadline set by the government under the RTE Act to impart required training to all professionally unqualified teachers by 2019.

#### ivb. Infrastructure

Along with teachers, school infrastructure plays a key role in quality education. It includes not only available facilities but also the extent to which they are utilised. The RTE Act has clearly specified norms for school infrastructure. The Act states that each school should have 1) at least one classroom for every teacher, 2) office cum-store-cum-head teacher's room 3) separate usable toilets for girls and boys 4) safe and adequate drinking water facility 5) a kitchen in the school where the mid-daymeal can be cooked 6) playground and 7) arrangements for securing the school building by boundary wall or fencing. The Supreme Court has also ruled that separate toilets for boys and girls as well as drinking water facilities should be in all schools, including those run by minority communities to ensure RTE (Times of India, 2014).

There is a huge continuing deficit in infrastructure despite eight years since RTE's inception. While infrastructure alone cannot ensure learning outcomes, it is undoubtedly necessary. Across states there are problems with school buildings, classrooms, repair work in classrooms and other physical infrastructure like drinking water facility, separate toilet for girls and playground etc. For example, Bihar has an alarming gap in classrooms. More than 66 percent of primary schools have a student classroom ratio (SCR) of more than 30. The number is as high as

72 percent for upper primary schools with SCR greater than 35 (Table 3). A study by National Institute of Public Finance and Policy (NIPFP) shows that the number of students enrolled in schools with no classrooms is around 11 lakh. The students have to sit in outdoor for classes, automatically increasing the number of absentees (Bose,et.al,2017). In addition to Bihar, Maharashtra, Uttar Pradesh and West Bengal also have substantial gaps in terms of classrooms. The following table shows that all the six states have failed to meet RTE mandated infrastructure norms even after eight years of implementation of the Act (Table 3).

**Table 3: Status of school infrastructure at the elementary Level**

States	Bihar	Chhattisgarh	Maharashtra	Tamil Nadu	Uttar Pradesh	West Bengal
% Govt. primary schools with SCR > 30	66.3	19.7	22.0	17.6	39.5	21.3
% Govt. upper primary schools with SCR > 35	71.9	26.4	35.4	29.8	27.9	55.0
% Schools with drinking water facility	94.2	99.2	99.7	100.0	98.7	98.4
% Schools with girls' toilet facility	89.9	99.4	99.4	99.9	99.8	98.3
% Schools with ramp	86.7	77.9	93.0	72.8	86.5	91.9
% Schools with playground	35.3	54.6	87.2	77.0	70.5	40.4
% Schools with boundary wall	52.5	61.1	81.3	79.6	71.6	42.8
% Schools with kitchen shed	62.5	84.7	88.2	96.3	82.3	86.3
% schools with electricity	34.9	64.8	85.9	98.7	40.5	72.4

Note: SCR- Student-Classroom Ratio; Source: NUEPA, 2016a

Like elementary education, DISE data also portrays a healthy picture of school infrastructure for secondary schools. In the six states, almost 99 percent schools have buildings. The highest percentage of single classroom schools is in Maharashtra, which is only 1.31 percent of all secondary schools (Table 4). However, as per the PAB minutes for RMSA, states face problems with infrastructure expansion. Despite immediate requirement, civil works in states are happening at a slow pace because of two reasons. Firstly, states are not getting regular funds for

civil work from the Union Government. Secondly, the schedule of rate for construction (SORC) is very low and has not been revised since a long time. It is difficult for states to undertake new projects at such a rate. Moreover, as states have limited resources for education, states find it difficult to allocate additional resources for infrastructure building after paying teachers' salaries and other expenses.

As per the National Family Health Survey - 4 (NFHS-4), lack of toilets and the taboo around menstruation forces girls to opt out of school once they reach puberty, impeding the growth of female literacy in India. In rural India, 23 percent of girls listed menstruation as the chief reason for dropping out of school (Salve, 2017). As many as 28 percent said they do not go to school during their period because they lack clean and affordable protection. However, the data shows that in all six states, more than 95 percent of schools have separate girls' toilets both at the elementary and secondary levels.

The ground reality shows the absence of basic infrastructure in schools. However, the focus of education is continuously shifting from input to outcome. NITI Aayog's Three Year Action Agenda envisioned 'right to education' as 'right to learning' and emphasised modification of the input approach in the RTE Act. The report has strongly advocated the removal or relaxing of otherwise mandatory norms from the RTE Act, such as PTR, infrastructure norms related to school buildings, playgrounds etc. Instead, it highlights the need for technology driven education to improve learning efficiency. However, only 57.3 percent of elementary schools in India have electricity. In Bihar and Uttar Pradesh not even 40 percent of elementary schools have electricity. Though the scenario is relatively better at the secondary level, the government has largely failed to provide basic infrastructure like electricity in all schools.

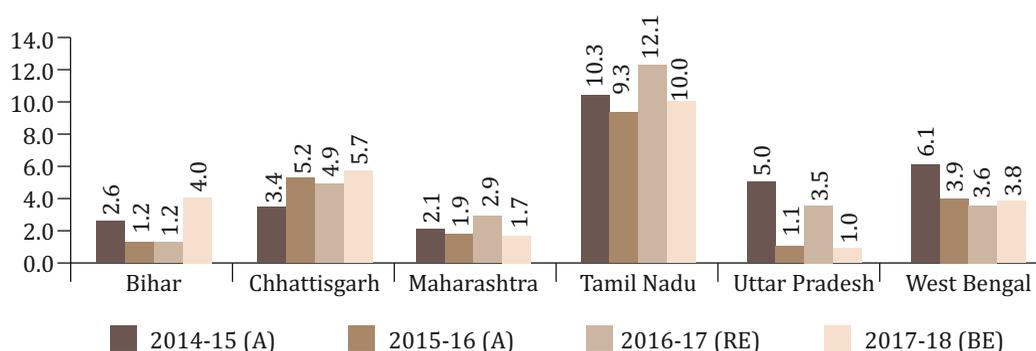
**Table 4: Status of school infrastructure at the secondary level**

States	Bihar	Chhattisgarh	Maharashtra	Tamil Nadu	Uttar Pradesh	West Bengal
% of single classroom schools	0.58	0.65	1.31	0.92	0.04	0.45
% of schools with buildings	99.4	96.7	100.0	99.9	99.9	100.0
% of schools with girls' toilets	94.7	98.0	99.8	100.0	99.7	99.8
% of schools with toilets for CWSN	16.5	31.4	27.0	21.7	33.6	20.6
Student Class Room Ratio	98	43	54	37	53	66
% schools with electricity	58.1	89.0	97.1	99.9	79.5	97.3

Source: NUEPA, 2016b

Despite the shortfall in basic infrastructure, no clear trend in resource allocation or expenditure for infrastructure is observed for the six states. In 2017-18 (BE), the share of infrastructure in the total school education budget varies from one percent in Uttar Pradesh to 10 percent in Tamil Nadu. Between 2014-15 (A) and 2017-18 (BE), while states like Bihar and Chhattisgarh increased the share of expenditure on infrastructure as part of the total school education budget, the infrastructure budgets for Uttar Pradesh and West Bengal drastically reduced, compared to the total school education budget of the states. A higher share of allocation for infrastructure was observed in most states in 2015-16 (BE) because of the target for RTE compliance on infrastructure (Kundu et. al, 2016). However, Figure 25 indicates that no state, barring Chhattisgarh could actually spend the allocated money, if the expenditure is compared with the previous year. Instead of imposing conditionality on fund utilisation, states should allow schools to meet their infrastructure requirements by permitted them to use resources as per need.

**Figure 25: Share of infrastructure in total school education budget (percent)**



Source: Detailed Demand for Grants, State Budget documents for 2016-17 and 2017-18

## V. Are states budgeting for inclusive school education?

### Va. Interventions for out of School Children (OOSC)

In the last ten years, there has been substantial improvement in the coverage of elementary education in terms of increased enrolment. Despite this, there are still exist a large number of OOSC in India. To achieve the goals of education in a timely manner, the government needs to bring back the large numbers of OOSC into the formal schooling system.

**Table 5: State wise estimates of out of school children by different institutions**

States	Census (2011)	SRI-IMRB (2014)	SSA (2017-18)
Bihar	70.70 lakh	11.69 lakh	2.01 lakh
Chhattisgarh	7.6 lakh	1.67 lakh	29759
Maharashtra	23.27 lakh	1.45 lakh	78501
Tamil Nadu	8.20 lakh	57529	36930
Uttar Pradesh	106 lakh	16.12 lakh	18910
West Bengal	28.02 lakh	7.06 lakh	15000

Source: MHRD, 2017b

Whatever the method of calculating OOSC, India is home to the largest number of such children in Asia and second highest in the world (UNICEF, 2014). The number of OOSC in the age group of 6-13 years varies from 226 lakh in the National Sample Survey (2009-10) to 381 lakh in Census 2011 and 60 lakh according to MHRD (2014). The disparity is more prominent across states (Table 5).

Only few policy initiatives like National Child Labour Project (NCLP) schools and bridge courses had been undertaken by the Union Government to bring back OOSC to school. At present, the provisions are mainly channelled through SSA and RMSA in the form of special training programmes. As per the policy guidelines of these programmes, state governments are responsible for planning, designing and implementation of programmes to bring back OOSC to formal education in age appropriate classes. This process is resource intensive. Financial assistance is provided on the basis of assessment of OOSC and provisions made in the District Plan. In most states, special training facilities for age-appropriate admission of OOSC was approved on the condition that all children are enrolled in regular schools and the school headmaster reviews the centres at regular intervals. Most states conduct annual household surveys, as part of SSA, to identify children who are out of school. However, their estimates of OOSC are much lower than estimates from nationally representative sample surveys. For example, in the case of Bihar, while the state reported 2.01 lakh OOSC in 2017-18, IMRB (2014) estimated 11.69 lakh out of school children and Census 2011 reported 70.7 lakh children as out of school. Similarly, for Chhattisgarh, Census 2011 reported 7.6 lakh OOSC; IMRB estimated

1.67 lakh while the state reported only 30,000. The data variation is particularly glaring in Uttar Pradesh. While the state reported 19,000 out of school children, IMRB estimated 16.12 lakh and Census (2011) reported 86.92 lakh children as 'never attended educational institution' in the age group of 6-14 years (Table 5).

While the intervention for OOSC in all the states is channelled through SSA, the planning and implementation varies across states. For example, Bihar has a comprehensive plan under SSA to mainstream all OOSC. The plan covers child labour, migrant and deprived children from urban Bihar and mainstreams them through residential special training capsules ranging from three, six, nine and 12 months; non-residential special training in similar capsules of three, six and nine months; training at worksite centres and appointment of *Tola Sevak* (community volunteers). Maharashtra has decided to identify OOSC only through search and not through any kind of official household survey. It has also decided that drop out children will not be referred to as 'out of school'. Tamil Nadu has developed Child Tracking System (CTS) for all OOSC which has provisions of unique ID and photograph.

In comparison to other sample surveys, the estimation of OOSC by all six states is much lesser. Despite this, states have failed to design necessary measures to tackle the problem. Existing interventions have collectively not succeeded in bringing back all OOSC in mainstream education. Hence, it is important to see how state budgets towards mainstreaming out of school children.

**Table 6: Interventions for OOSC in SSA**

States	2016-17					2017-18		
	Approved outlay for SSA (Rs. Crore)	Approved outlay for OOSC (Rs. Crore)	Expenditure for OOSC (Rs. Crore)	Approved outlay for OOSC as % of total SSA approval	Expenditure for OOSC as % of approved outlay for OOSC	Approved outlay for SSA (Rs. Crore)	Approved outlay for OOSC (Rs. Crore)	Approved outlay for OOSC as % of total SSA approval
Bihar	9665	74	10	0.8	13.6	10559	52	0.49
Chhattisgarh	2351	27	7	1.1	26.7	2269	21	0.93
Maharashtra	2296	87	25	3.8	28.7	2447	85	3.47
Tamil Nadu	2656	21	17	0.8	81	2778	18	0.65
Uttar Pradesh	19014	5	1	0.03	23.3	20688	4	0.02
West Bengal	4688	5	0.5	0.1	9.9	4726	2	0.04

Source: MHRD, 2016b; 2017b

The analysis of the SSA budget shows there is huge disparity between approved outlays and actual expenditure on mainstreaming OOSC. For example, Bihar, which is the state with the largest number of OOSC in India, has an approved outlay of Rs. 74 crore for 2016-17, which was 0.8 percent of total SSA approval. Despite the low outlay, only Rs. 10 Crore was spent, which is just 14 percent of the total approval. Uttar Pradesh and West Bengal, the other two states with substantial numbers of OOSC, approved outlays of Rs. 5 crore each for special training of OOSC in 2016-17. Of this, Uttar Pradesh spent Rs. one crore and West Bengal Rs. 50 lakh on the

training programme. Table 6 shows that other than Maharashtra and Chhattisgarh, the approved outlay was not even one percent of the total SSA approval in 2016-17 and the share decreased further in 2017-18.

The situation is more severe at the secondary level. Other than Tamil Nadu and Maharashtra, the drop-out rate in the other four states has increased between 2015-16 and 2016-17. For example, in West Bengal, the dropout rate increased from 18.6 percent in 2015-16 to 23.7 percent in 2016-17. In Bihar, the drop out has increased by 9.5 percent in just one year. Despite provisions for training OOSC under RMSA, there is no demand for resources from states in the Annual Work Plan and Budget (AWP&B) of the states.

The analysis shows a miniscule demand for resources for training of OOSC to bring them back in mainstream education. It is also clear that states have not even planned for capital expenditure to accommodate OOSC in mainstream education.

Section 16 of the RTE Act stipulates “No child admitted in a school shall be held back in any class or expelled from school till the completion of elementary education.” However, recently the Union Cabinet approved a proposal for scrapping the 'no detention policy' of the RTE Act. Accordingly, the government introduced a RTE amendment bill in Parliament that would allow states to conduct examinations in Class V and Class VIII and detain students if they failed. The proposal is unconstitutional as the RTE Act says, “The overall objective of age appropriate admission for these children is to save them from the humiliation and embarrassment of sitting with younger children. When older children are forced to sit in a class younger than their age, they tend to be teased, taunted, suffer lower self-esteem, and consequently drop out” (RTE, Section 4). This proposal will have far-reaching consequences for the education scenario. Since continuous and comprehensive evaluation (CCE) could not take off satisfactorily enough, as envisaged under RTE, detaining children on the basis of examinations will lead to an increase in the dropout rate. Moreover, the government education system as a whole suffers from a shortage of professionally qualified teachers and lack of basic infrastructure in schools. Given this environment, it is unfair to evaluate children in an examination and deny them promotion based on performance.

As a first step, there is an immediate need for both the Union Government and state governments to revisit the suggested amendment to scrap the 'no detention policy' and prioritise bringing back all children to school. It should design policies of mainstreaming OOSC in a more focused manner and should support policies with adequate resources for implementation. States should, above all, acknowledge the existence of the high number of OOSC. As long as states are able to identify the exact number of OOSC and the reasons for children not being in school, no policy measure can provide the expected outcome.

#### **Vb. Interventions for children with special needs (CWSN)**

Any discussion on inclusive education must include discussion on children with special needs (CWSN). However, there is not enough literature that analyses the policies for children with special needs from a budgetary lens. Though disability is a state subject as per the Seventh Schedule of the Constitution, only six states have dedicated departments and district social welfare officers for issues of disabled persons. At the Union level, the welfare of CWSN is mainly

under the Ministry of Social Justice and Empowerment. In 2014-15, Union Government changed the name of the Department of Disability Affairs to the Department of Empowerment of Persons with Disabilities. NITI Aayog's Three Year Action Agenda too emphasises the inclusion of interests of persons with disabilities. Though such policy measures give an impression that this sector receives focused attention and the idea that 'empowerment' is the key to policies and programmes for disabled people, there is a lack of focused initiatives for the welfare of disabled children at both the Union and state level.

India is home to 4.9 million disabled children in the age group of 6-17 years and the six states together constitute 60 percent of disabled children in India. Of these, only 67 percent children attend any educational institutions and the remaining 33 percent have either dropped out or never attended any educational institutions (Census 2011). A key reason for this large number of OOSC is supply side bottlenecks.

Section 2 (i) of the Persons with Disabilities Act, 1995 defines disability as: (i) Blindness (ii) Low vision (iii) Leprosy-cured (iv) Hearing impairment (v) Loco motor disability (vi) Mental retardation (vii) Mental illness. However, there are very limited educational interventions for children with different kinds and degrees of disabilities across states (MOSPI, 2017). The interventions by the Department of Education are mostly in the form of providing monetary and non-monetary incentives to CWSN through SSA and RMSA. Under SSA, the focus is on providing inclusive education to CWSN in neighbourhood schools, where children with and without disabilities participate and learn together in the same class. SSA provides Rs. 3000 per child per annum for interventions related to education of CWSN, with Rs. 1000 exclusively earmarked for engagement of resource teachers. The major interventions under SSA are provision of free aids and appliances, transport, escort support, appointment of resource teachers, and barrier free access etc. After the amendment of RTE Act in 2012, CWSN are included in the 25 percent admission quota for disadvantaged children in private schools, in consonance with Section 12(1) (c) of the RTE Act.

**Table 7: Interventions for CWSN in SSA**

States	2016-17					2017-18		
	Approved outlay for SSA (Rs. Crore)	Approved outlay for CWSN (Rs. Crore)	Expenditure for CWSN (Rs. Crore)	Approved outlay for CWSN as % of total SSA approval	Expenditure for CWSN as % of approved outlay for OOSC	Approved outlay for SSA (Rs. Crore)	Approved outlay for CWSN (Rs. Crore)	Approved outlay for CWSN as % of total SSA approval
Bihar	9665	54	20.5	0.6	38.1	10559	52	0.49
Chhattisgarh	2351	16	2.7	0.7	16.7	2269	13	0.59
Maharashtra	2296	76	57.4	3.3	75.1	2447	68	2.78
Tamil Nadu	2656	41	35.0	1.5	85.6	2778	41	1.47
Uttar Pradesh	19014	50	44.7	0.3	89.0	20688	64	0.31
West Bengal	4688	45	32.0	1.0	70.9	5157	31.2	0.60

Source: (MHRD 2016b; 2017b)

The approved outlay for CWSN under SSA and the actual expenditure confirms under allocation and underutilisation of resources for CWSN children. For example, in Bihar, against a population of 1.7 lakh children, an outlay of Rs. 54 crore was approved in 2016-17, which is 0.6 percent of the total outlay approved by SSA. Of the total approved outlay for CWSN, only 21 percent has been utilised. The expenditure is the least for Chhattisgarh as the state spent only Rs. 2.7 crore for 53,057 identified CWSN, i.e. Rs. 508 per child per annum. Interestingly, despite increase in approved outlays for SSA in 2017-18, the share of outlays for CWSN in the total SSA outlay has decreased for all six states (Table 7).

Similarly, under the RMSA, a programme called 'Inclusive Education of Disabled at Secondary Stage' (IEDSS) has been implemented to provide an opportunity to students with disabilities, to complete four years of secondary schooling in neighbouring schools in an inclusive and enabled environment. At the secondary level, matters relating to admission of CWSN in schools are under the state government. Like SSA, the IEDSS programme also earmarks Rs. 3000 per child per annum as Central assistance. This is to be topped by the states with a scholarship of Rs. 600 per disabled child per annum, which includes a monthly stipend of Rs. 200 to the girl students with disability (PIB, 2017b).

**Table 8: Interventions for CWSN in RMSA - 2017-18**

States	Total RMSA approval (Rs. Crore)	IEDSS Approval (Rs. Crore)	IEDSS as % of total RMSA approval
Bihar	864	3.8	0.4
Chhattisgarh	339	1.4	0.4
Maharashtra	294	73.0	24.8
Tamil Nadu	449	11.8	2.6
Uttar Pradesh	316	11.9	3.8
West Bengal	242	6.8	2.8

Source: MHRD, 2017c

According to Table 8, the approved outlay for IEDSS varies from Rs. 1.4 crore in Chhattisgarh to Rs. 11.9 crore in Uttar Pradesh. In Uttar Pradesh, the Project Approval Board (PAB) for RMSA observed that states have problems with availability of Braille books and recommended that Braille books given to visually impaired children in an academic year should be taken back at the end of the session for CWSN attending forthcoming sessions.

The appointment of special educators for CWSN is an intervention under both SSA and RMSA. However, it is observed in the AWP&Bs of the last few years, that states have not budgeted for special educators. In 2015, Central Board of Secondary Education (CBSE) made it compulsory for its affiliated schools to appoint a special educator (Singh, 2017). However, in 2015-16, the Maharashtra government terminated appointments of all special educators. Later, with a court order, they restored the services of IEDSS teachers, but salaries were approved only for 70 percent of teachers. In West Bengal, under the IEDSS component, 483 special educators were approved in 2016-17. However, till date, no special educators have been recruited by the state.

Not only is there a need for special educators, teacher training with a focus on 'special children' is still in a nascent phase in India. Moreover, the module for teacher training is single dimensioned and lacking in techniques to teach children with physical and learning disabilities, and does not consider the cultural and socio-economic diversity of the country. Despite identifying these major issues, no additional efforts were recorded from any of the states.

In addition to MHRD, Department of Empowerment of Persons with Disabilities has a financial provision for the education of CWSN. Under the 'Deendayal Disabled Rehabilitation Scheme' (DDRS), grant-in-aid are provided to NGOs for running special schools and vocational training centres. The Department of Empowerment of Persons with Disabilities assisted 371 special schools during 2016-17. However, there is no financial provision for opening special schools or any other project under DDRS.

The following table (Table 9) shows the allocation and expenditure of states in the last five years in the context of all educational interventions for CWSN by different departments. In 2014-15 (A), while the six states together spent Rs. 110.3 crore, this increased to Rs. 133 crore in 2017-18 (BE). The existence of a separate department for disabled people in Tamil Nadu since 1993 is probably the reason for the relatively higher allocation and expenditure in the state, compared to other states. A major reason for low resource allocation for the education of CWSN is the absence of realistic estimates of the numbers of children coping with various types of disabilities. The actual identification of CWSN is a key element in the design and budgeting of programmes.

**Table 9: Budgetary interventions for school education of children with disabilities (Rs. Crore)**

States	2014-15(A)	2015-16 (A)	2016-17 (BE)	2016-17 (RE)	2017-18 (BE)
Bihar	2.7	2.8	3.6	3.6	4.2
Chhattisgarh	10.4	12.2	17.6	15.1	21.1
Maharashtra	3.5	4.4	4.8	4.1	4.9
Tamil Nadu	58.9	53.0	68.2	68.6	66.3
Uttar Pradesh	30.6	24.3	32.5	30.2	29.5
West Bengal	4.2	5.3	3.6	3.6	7.3

Source: Detailed Demand for Grants, State Budget 2016-17 and 2017-18

NITI Aayog in its action agenda recommended awarding at least 4.8 lakh scholarships and fellowships to students with disabilities over the three-year period (2017-18 to 2019-20) of the action plan. The report suggested giving out one-third of the scholarships by 2017-18, with a cost of approximately Rs 4728.7 per student. However, the expenditure by states speaks volumes about the importance attached by state governments to issues faced by children with disabilities. To increase the unit cost in line of NITI Aayog's recommendation, states need to push up their investments for CWSN.

## VI. Decentralised planning for school education: Budget priority for School Management Committee and community mobilisation

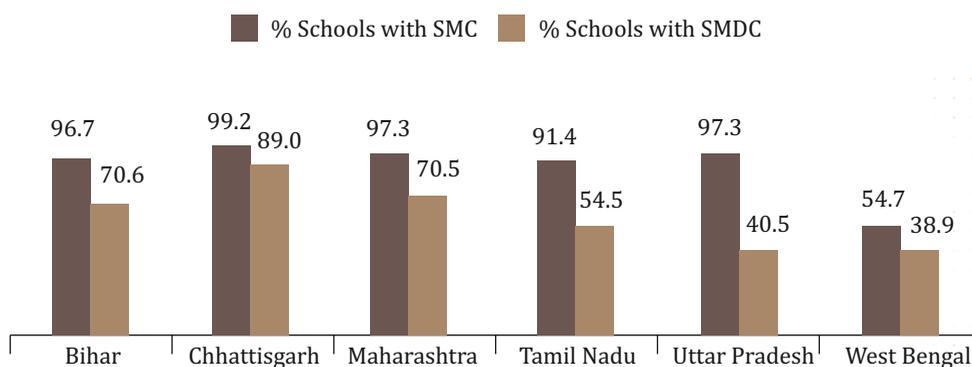
For inclusive quality education, responsible need-based planning, budgeting, management, monitoring, supervision, reporting, and maintenance is required. To have a bottom up approach, community mobilisation and active participation of community members in implementation of school education is extremely critical, not only in effective planning and implementation of interventions in schools, but also in effective monitoring, evaluation and ownership of the government programmes by the community. The declared policy of the government in the field of education is to decentralise planning and management to provide equal access to quality education to all children. Towards this end, Section 21 of the RTE Act, 2009 mandates the formation of School Management Committees (SMCs) at the elementary level in all government, government-aided schools and special category schools.

A SMC is the bridge between community and the school. It comprises parents, teachers, head teachers and representatives from local bodies. As per RTE norms, parents must constitute 75 percent of the committee on the grounds that it is their right to demand better quality of education for their children.

The major activity of SMC is preparation of the annual and three-year School Development Plan (SDP), on the basis of which school grants are allocated by the government. It also plays an additional role in providing oversight to schools to ensure all basic requirements of the school are met as per RTE guidelines. The SSA has financial provisions for three-day non-residential training programmes for SMC members at a unit cost of Rs. 100 per day. The training takes place once a year.

As per the District Information System for Education (DISE), more than 95 percent of government and government aided schools in all the states under study, barring West Bengal, have constituted SMCs (Figure 26). More than 90 percent of schools with SMCs have bank accounts to avail and facilitate the entitlement of SMCs over grant expenditure.

**Figure 26: Schools with SMC and SDMC (percent)**



Source: NUEPA, 2016a; 2016b

It has also been reported that more than 95 percent of SMCs in Tamil Nadu, Maharashtra and Chhattisgarh have prepared SDPs. The figures are relatively lower for Bihar and West Bengal at 72 percent and 40 percent respectively (Figure 26).

It needs to be pointed out that the information provided by DISE and SSA PAB minutes are contradictory. For example, DISE reported that West Bengal has 40 percent of schools with SMCs. But according to per SSA PAB minutes, the state is yet to constitute SMCs in government primary schools as per RTE guidelines. West Bengal RTE guidelines state that SMCs should be constituted through elections (West Bengal RTE Rules, 2012). However, the state finds it difficult to conduct elections for 67,000 primary schools and hence is in the process of amending WBRTE rules.

Like SSA, RMSA guidelines too require each secondary school to form a School Development Management Committee (SDMC). DISE data shows that the proportion of secondary schools with SDMC varies from 39 percent in West Bengal to 89 percent in Chhattisgarh (Figure 26). As per guidelines, at least 16 members need to constitute the SDMC. There is also financial provision for the annual training of SDMC members, at a unit cost of Rs. 300 per day for two days. As per RMSA PAB minutes, the training period varies from one day in Tamil Nadu to two days in the remaining states.

Other than School Management Committees', the education policy also emphasises on community mobilisation for community participation in the schooling process. The financial provision for community mobilisation comes from SSA. As per SSA financial norms, 0.5 percent of the SSA district outlay could be used to conduct community mobilisation activities like media and community participation activities, campaigns such as enrolment drives, awareness about SSA-RTE in educationally backward blocks and decentralised grievance redressal mechanism.

Field based studies show that members of SMCs and SDMCs lack awareness regarding their roles and responsibilities. SMC members have limited capacity for school monitoring and planning due to inadequate training. There is also insufficient monitoring of the quality and frequency of SMC training, fund utilisation and overall SMC functioning (Central Square Foundation, 2015; Dayaram, 2011). The following table (Table 10) describes the pattern of allocation and utilisation of resources for community engagement in school education.

**Table 10: Budgetary intervention for SMC training and community mobilisation**

States	2016-17				2017-18	
	Approved outlay for SMC training and community mobilisation (Rs. crore)	Expenditure for SMC training and community mobilisation (Rs. crore)	Approved outlay for community participation as % of total SSA approval	Expenditure for SMC as % of approved outlay for community participation	Approved outlay for community participation (Rs. crore)	Approved outlay for community participation as % of total SSA approval
Bihar	36.7	3.9	0.38	10.7	44.0	0.42
Chhattisgarh	16.3	1.0	0.70	6.3	17.5	0.77
Maharashtra	22.2	12.2	0.97	55	23.8	0.97
Tamil Nadu	17.7	7.5	0.67	42.4	20.2	0.73
Uttar Pradesh	122.1	70.2	0.64	57.5	130.1	0.63
West Bengal	21.9	1.2	0.47	5.4	21.9	0.46

Source: MHRD, 2016b; 2017b, SSA audited expenditure for 2016-17

The table clearly shows that approved outlays for both SMC training and community mobilisation together is not even one percent of SSA approval in all six states. For example, in 2016-17, Uttar Pradesh approved a budget of Rs. 122.1 crore for community participation, which is only 0.64 percent of the total SSA approval. Also, only 58 percent of this approval was actually spent in 2016-17. A similar pattern of allocation and utilisation in the remaining states confirms a huge gap between approval and expenditure under this head. In West Bengal, the total approval reported in the table is under the head of 'community mobilisation' only. No outlay for SMC training was approved in the PAB meeting in West Bengal as the state has not yet formed SMCs as per RTE guidelines.

Both SSA and RMSA have prioritised the decentralisation process, with emphasis on the role of PRIs and community organisations in the school education system. However, the effectiveness of these committees depends not only on the context in which they were introduced, but also on the capacity of the members to undertake responsibilities. Scanty allocation towards the training of SMC and SDMC members has failed to bring about effective capacity building at the ground level. As a result, decentralised planning remains on pen and paper in most states.

## VII. Moving from outlays towards outcomes in school education: The ongoing policy debate

In the recent years, several policy makers and experts have referred to the prevailing approach in budgeting for school education in India as ineffective and undesirable from the perspective of the learning outcomes delivered by government schools, citing mostly the argument that budgeting is focused merely on the inputs and outputs with no emphasis on the end results.

What is largely correct or significant in this argument is that the government departments in most states, at the helm of budgeting for various sectors including education, are not paying enough attention to the end results (learning outcomes, for instance) of the outputs and services delivered through public financing. But it would be misleading to say that government budget should not be denied at all on the basis of inputs required for school education since those are but obviously the necessary part of government intervention in the sector without which the desired end results cannot be achieved. Hence, the growing references to the need for performance-based or outcome-based budgeting for school education need to be debated in depth. This section attempts to do that.

Over the last few years, key institutions like NITI Aayog and Finance Commission (14th FC report and 15th FC terms of reference) have advocated performance linked budgeting for all programmes and schemes. The advocacy for performance or outcome-based budgeting takes into account the need for better planning and resource allocation, performance measurement, evaluation, operational transparency, and better governance.

The conventional process of budgeting in most states is based largely on financing of the inputs required to deliver certain outputs and services, the references in this process to the end results or outcomes are non-existent or weak. While there is undoubtedly a need for bringing in a much stronger 'outcome orientation' in budgeting, what needs to be debated is whether fund transfers should be made contingent upon outcomes being achieved. Outcome-based budgeting is a shift from conventional budgeting in the sense that it goes 'towards 'budgeting by measurable outcomes'. It is argued that this method of budgeting will improve fiscal discipline in all tiers of government and ensure better value for money from public resources' (Jena, 2013).

In this context, it is important to examine whether there is readiness to introduce outcome-based budgeting in all sectors including school education. Secondly, if it does get introduced, will it certainly ensure the end results or outcomes expected.

### *The challenges in outcome-based budgeting*

The idea of outcome-based budgeting to improve the management of public finances is not new in India. From 1968, Union ministries and departments have been asked to produce 'Performance Budget' documents, linking financial outlays to physical achievements. However, the effort was not fruitful. In 2005-06, the UPA government introduced 'outcome budget' document with an increased focus on the results sought and achieved from government spending (i.e. ensuring value for money), and it became mandatory for all Union ministries and departments to bring out outcome budget statements annually. States were also recommended to publish outcome budgets, though this was not binding.

While attempts were intermittently made over the years to address these issues, achievements seem to have fallen short of intent. Due to this drawback, the Union Ministry of Finance recently

tightened norms under which each ministry and department would have to prepare an outcome budget. The Union Government budget circular for 2017-18 has suggested the framework for the document (See Figure 27) where outcomes need to be given over the period of Medium-Term Expenditure Framework (MTEF) for three years and Budget Estimates and Revised Estimates need to be prepared with reference to the measurable/monitorable commitments made in the outcome budget.

**Figure 27: Framework of outcome budget reporting in the Union Budget circular, 2017-18**

Outcome Budget 2017-18									
APPENDIX - XIV									
(see paragraphs 13.1) Outcome Budget									
S. No.	Name of Scheme/ Sub-Scheme	Projected Financial Outlay			Output/Deliverables against the Outlay			Projected Medium Term Outcomes	Remarks/ Risk Factors
1	2	3			4			5	6
		2017-18	2018-19	2019-20	2017-18	2018-19	2019-20	2017-18 to 2019-20	
Centrally Sponsored Schemes									
1	Scheme Name				a.	a.	a.		
					b.	b.	b.		
					c.	c.	c.		
Central Sector Schemes									
2	Scheme Name				a.	a.	a.		
					b.	b.	b.		
					c.	c.	c.		

Source: Budget Circular, 2017-18, Ministry of Finance

Preparation and publication of outcome budget documents can be seen as the introduction of 'outcome orientation' in budgeting, which in any case has to be the first step towards ensuing better end results from public spending in any sector. An examination of outcome budget documents of school education departments at the Union and state level reveals some useful insights about the current status of 'outcome orientation' in the departments (Table 11).

Of the six states, three states – Maharashtra, Uttar Pradesh and West Bengal have not even started the exercise of preparing outcome budget documents. The available ones do not establish clear linkages between the financial outlays and outcomes. None of the documents available provide details of the actual performance in the preceding year, or performance in the first nine months (up to December) of the current financial year, or the targeted performance for the ensuing financial year. In the outcome budget documents of Bihar and Tamil Nadu, for instance, there is little information on short-term outcomes being projected or measurable interventions. For most Union ministries and departments too, the publication of the outcome budget appears to have been a mechanical exercise, which lacks depth.

**Table 11: Outcome budgeting by (School) Education Department**

Union/State Governments	Whether it brings out /reports in an outcome budget document	Coverage of Programmes/ Schemes of the Dept. in the exercise of reporting	Quality of the exercise of reporting
<b>Union</b>	Yes. The document is available with MHRD.	All school education schemes (Central as well as centrally sponsored schemes and autonomous bodies)	The document is useful. The document has tried to follow the framework suggested in the Budget Circular. It provides information on projected outcomes for the year (i.e. annual). Most of the deliverables for projected outcomes are qualitative in nature.
Bihar	Yes. The document is available with the Finance Department of the state and comes along with budget documents.	All school education schemes in the state (State schemes and CSS)	Mostly in the nature of a compilation of pre-expenditure statements on the schemes along with their objectives.
Chhattisgarh	Yes. The document is available with Finance Department of the state and comes along with budget documents.	All school education schemes in the state (state schemes and CSS)	The document is useful. It provides information on the main objectives of the schemes, the allocations for the year and the quantifiable deliverables against the budgets.
Maharashtra	No	-	-
Tamil Nadu	Yes, a Performance Budget is prepared by different line departments. However, no such document seems to be prepared by the School Education Department in Tamil Nadu.		The documents of the other departments mostly provide a listing of physical targets and achievements, and financial targets and achievements for each scheme; the purpose of spending or projected outcome is not mentioned.
Uttar Pradesh	No	-	-
West Bengal	No	-	-

Source: Compiled from MHRD Outcome budget and Finance Department and School Education Department of states

The building blocks of the outcome budgeting process are supposed to be i) Defining intermediate and final outcomes specifically in measurable and monitorable terms; ii) Specification of standards/quality of outcomes; iii) Costing of programmes; iv) Capacity building for required efficiency in terms of skilled human resources; institutional apparatus and technology; v) Adequate flow of funds at the appropriate time to the appropriate level and vi) A monitoring and evaluation system. Each of these key pillars is still evolving in India.

Lack of capacity of the existing system to pursue outcome budgeting of the kind mentioned above is not the only challenge. There are many other factors, which are important for successful implementation of outcome- budgeting. One such key factor is the quality of existing data. To set realistic and measurable performance indicators, there must be an acceptance of the need for good information within sectors and a robust system for collecting and analysing data in each line ministry. Quality of information, and its effective use in making informed budget decisions, is more important than quantity of indicators. In India, there is no dearth of data, however the reliability and validity of data is crucial for policy measures. For example, the approval of funds for any scheme from the Union Government should be based on the district AWP&B. In the compliance audit of the Midday Meal (MDM) scheme in Bihar, the Comptroller and Auditor General (CAG) observed that the number of institutions, enrolment, total number of meals served and the number of working days on which the midday meal was served as per the AWP&Bs of the state were not commensurate with the AWP&Bs of districts. The difference was due to preparation of AWP&Bs of the state on the basis of MIS data consolidated at the state level. Thus, the AWP&Bs of the MDM Directorate were not reliable and consequently, the requirements of the state could not be addressed properly (CAG, 2016).

Other than data related challenges, the use of outcomes as a basis for financing may be problematic, especially for schemes with extensive time lags between resource use and achievement of committed outcomes; or the outcome might be subject to multiple determinants, with budgeting being only one of the determinants.

The above discussion highlights only some of the challenges in introducing outcome-based budgeting in India. The following section analyses the probable impact of outcome-based financing of CSS, if such a reform in budgeting does get introduced in the near future.

### ***Possible Impact of Outcome-based Budgeting in School Education***

At the state level, resources for school education come from a number of centrally sponsored schemes, in addition to state schemes. Despite the over centralisation of CSS in its design, a large number of states, especially states with poor fiscal health are heavily dependent on CSS funds. But the poorer states mostly fail to utilise the funds optimally because of physical, financial, administrative and accountability gaps.

A close examination of the CSS for school education reveals that a general feature for all such schemes is the lower grant release, compared to the originally approved amount. Quality of the annual workplan and timely submission of the utilisation certificate are important determinants of approval and release of grant for any scheme. Poorer states sometimes fail to contribute their matching share of the funds for the CSS. This makes it more difficult for such states to fully avail the Central grants approved for them. As a result, the expenditure on CSS in the poorer states lower than the budgets approved. Underutilisation of funds in schemes occurs

also because of delayed fund flow, rigid norms and lack of infrastructure etc. These are some of the major bottlenecks that impede full and effective utilisation of funds, especially in poorer states. As a result, the levels of public expenditure in social sectors are already lower in the poorer states compared to better off states.

Pursuant to the recommendation of the 14th FC for rationalisation of large number of the CSS, the NITI Aayog sub-committee of Chief Ministers recommended restructuring the CSS to make them more outcome oriented. In the new framework, the existing 66 CSS have been rationalised under 28 umbrella schemes with a changed resource sharing pattern. However, since in the new funding pattern, the share of the Union Government in most CSS has been reduced; states need to increase their allocation to maintain even the previous level of funding. This change too puts the poorer states in a disadvantaged situation.

The 14th FC recommendations have improved the fiscal health of states. At the same time, we have observed a widening of inter-state disparity in terms of per child spending on school education across states. The new funding pattern of CSS, for which state governments need to earmark more funds under CSS, is bound to aggravate regional disparity in public spending in social sectors like education.

Therefore, at this stage, the proposed reform of linking funding for CSS with states' performance in school education sector could further aggravate the problems in poorer states instead of establishing them to achieve better end results. Making transfer of funds contingent upon the achievement defined outcomes could lead to a favourable situation for better off states and the worsening of matters for poorer states which actually need higher allocations in CSS to reach a level playing field.

Thus, the proposed reform in budgeting for schemes in school education needs to be debated a lot more. However, it is not the case that there is no need for monitoring outcomes. The overwhelming reliance on incremental budgeting and the lack of flexibility in designing and implementing the CSS has diffused the focus on outcomes. It is high time for bringing in a strong 'outcome-orientation' in planning and budgeting for all programmes and schemes. It is also necessary to change the approach of government departments for more result-oriented planning, minimising project-delays and to refrain from asking for more resources to meet spiralling costs.

To begin with, a concerted effort should be made by the education departments across states to start meaningful exercise of preparing outcome budgets annually at the state and district levels.

## VIII. Conclusion and Policy Suggestions

Despite the recognition of the significance of education by the Government of India, the pattern of allocation of resources for education in general, and for school education in particular, have been far from satisfactory. One of the major reasons for under allocation for school education is limited resource envelope of states. The recommendations of the 14th FC, which were accepted by the Union Government to promote cooperative federalism and adopted for implementation from 2015-16, have implications for public financing of government interventions in a range of sectors.

Based on the recommendations of the 14th FC, the Union Government is sharing a higher magnitude of untied funds with states during 2015-16 to 2019-20, which is on account of the share of states in the divisible pool of Central taxes being raised from 32 percent to 42 percent every year. This has increased the resource envelope of the states to some extent. However, as most states have historically had poor fiscal health, and because of additional spending responsibilities that the additional untied resources have come with, there is concern relating to the competition among different sectors within a state for public resources. As a consequence, social sectors in general and school education in particular, may not be given adequate priority in the state budgets. Hence, there is a need to probe deeper to understand how the states are budgeting for school education in the changed scenario.

In such a backdrop, the study examines the pattern of allocation and expenditure for school education with the help of available evidence, i.e. the state budgets for 2014-15, which was the last year of 13th FC period, and the first three years of the 14th FC period (2015-16 to 2017-18 (BE)). The report examines the impact of the 14th FC recommendations and restructuring of centrally sponsored schemes, on the overall spending capacity of state governments. Given their increased autonomy in setting spending priorities, did state governments reprioritise their school education budgets in the 14th FC period? This is the other question the study has dealt with.

The study found that in the 14th FC period, all six states benefitted in terms of their resource envelope getting increased to some extent. A general trend of increase in revenue receipts is observed in all three years of the 14th FC period for all six states. The analysis of school education budgets in the pre 14th FC and 14th FC period concludes that states currently account for a higher share of public spending in the sector, since the Union Government has reduced its share for education through a reduction in grants-in-aid for CSS. However, states are responding reasonably well to this change in funding scenario by increasing their share of funding for school education. It is not the case that all states accorded a higher priority to school education in their budgets, in the 14th FC recommendation phase. However, there is a visible increase in absolute terms in the school education budgets in the last three years, which is reflected in the higher per capita spending in 2017-18 (BE) compared to 2014-15 (A). Nonetheless, this too is not adequate, especially if compared with the per student spending of *Kendriya Vidyalayas* as a benchmark of public spending on good quality school education.

A significant weakness of the Indian education system is the shortage of qualified teachers. The analysis reaffirms that even after eight years of RTE implementation, states still report an acute shortage of teachers, both at the elementary and secondary levels. There is a severe shortage of

subject teachers at the upper primary and secondary levels. Instead of recruiting regular teachers, states are in the process of deployment of existing teachers in such a way that there is no single teacher school and all schools have PTR as per norms under the RTE Act. In the absence of proper policy for deployment and transfers of teachers, states are either merging or closing schools with low enrolment and withdrawing teachers from those schools and redeploying them in other schools to maintain PTR. Despite recognising the immediate need of teacher recruitment, states have stopped recruiting permanent teachers for a while now and they are addressing this gap by employing contractual teachers. The limited fiscal space available to states is the key reason behind low recruitment rates or the no recruitment situation.

Given the acute shortage in availability of professionally qualified teachers in government schools, many of the states examined in this study have utilised their improved fiscal space in the 14th FC years to address this critical gap. They have stepped up the expenditure on teachers, which constitutes the backbone of school education.

Share of teacher salaries in the total school education budget ranges from 62 percent in Chhattisgarh to 82 percent in Maharashtra. But there is no parity in teacher salary across states. Even under SSA, the per month teacher salary in primary schools varies from Rs. 22,500 in Bihar to Rs. 55,000 in Maharashtra. The problem is not confined to only a shortage of teachers. Of 66.41 lakh teachers at the elementary level, 11 lakh are still untrained. Training of untrained teachers is a major issue in states like West Bengal, Bihar and Chhattisgarh, a problem reported by states themselves. At the secondary level, states suffer from the absence of adequate number of teacher training institutions. Though, there is obviously a need for professionally qualified teachers, analysis of state budgets shows that teacher training is significantly resource-starved. Thus, despite the increased spending on teachers' salaries, states still face a serious gap vis-à-vis availability of adequate number of professionally qualified teachers.

Along with teachers, school infrastructure plays a key role in provisioning of quality education. Despite significant expansion in school infrastructure, a number of schools still do not have buildings, adequate number of classrooms, drinking water, toilets, ramps, electricity etc. The study shows that most government elementary schools in the states have failed to meet all the RTE mandated infrastructure requirements even after eight years of implementation of the Act. The problem of inadequate infrastructure is prevalent at the secondary level too. Notwithstanding the urgent requirement, states have not been able to build required infrastructure because of delays in fund flow in schemes like SSA and RMSA and the slow pace of construction in the new projects. Thus, infrastructure requires higher levels of public spending in the coming years so as to ensure that government schools have an enabling environment for quality education.

Adequate allocations for teacher and infrastructures do not necessarily lead to universal school education unless the system is inclusive. During the last ten years, there has been a substantial improvement in the coverage of elementary and secondary education in terms of increased enrolment. Despite this, there are still a large number of OOSC in the country. Government intervention for mainstreaming OOSC is mainly through SSA and RMSA for children in the age

bracket of 6-13 years and 14-17 years respectively. The analysis of SSA and RMSA budgets for the six states shows huge disparity between approved outlay and actual expenditure for mainstreaming OOSC. Surprisingly, no expenditure is observed for special training under RMSA, for children who have dropped out or working children to bring them back in the mainstream education.

A larger proportion of OOSC are children with special needs. India is home to 4.9 million disabled children in the age group of 6-17 years and the six states together constitute 60 percent of disabled children of India. There are budgetary provisions for CWSN in both SSA and RMSA. However, the approved outlay for CWSN under SSA and the actual expenditure clearly indicates under allocation and underutilisation. Similarly, the approval for IEDSS outlays under RMSA varies from Rs. 1.4 crore in Chhattisgarh to Rs. 11.9 crore in Uttar Pradesh. There is huge shortage of special educators and institutes to train them. But states are reluctant to recruit special educators because of paucity of funds for these components.

Evidence shows that community engagement in the school education system leverages policy implementation, increases transparency and increases people's investment in better performance. Towards this objective, the RTE Act mandates the formation of SMCs in all elementary government schools, government-aided schools and special category schools in the country. The SSA has a budgetary provision for training of SMC members and community mobilization for better engagement and towards more decentralized planning, However, the analysis shows that the combined spending on both SMC training and community mobilization is not even one percent of approved budget for SSA in all six states.

While many of these challenges are common to states; the depth and scale of problem or gaps are different. In the light of this analysis, there are some immediate and long-term policy measures that states could pursue to provide quality school education accessible to all sections of the society.

Teacher education and infrastructure should be the immediate priority for states. Given the huge shortage of professionally qualified teachers, there is an immediate need to create adequate teacher training institutes in states like Bihar, Chhattisgarh, Uttar Pradesh and West Bengal. These states also need to adequately invest to overcome the shortage of subject teachers at the secondary level. The RTE Act foregrounds this understanding and the norms carried therein should be non-negotiable. As an immediate policy measure, the Union Government must urge and support states to fill the crucial gaps through higher allocations. Given that RTE is an entitlement guaranteed by the Constitution to every child, this cannot wait. Substantially higher central allocations should be provided to states, especially where the gaps are large and their own spending capacity is lower.

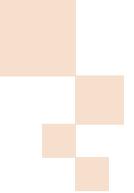
States should design their school education budgets better by allocating more funds for interventions towards marginalised children, especially for OOSC and children with disabilities. As a first step, both the Union Government and state governments should revisit the amendment for scrapping the 'no detention policy' and prioritise the need for bringing back all children in school. Policies towards mainstreaming OOSC need to be more focused and such policies need to be backed by adequate resources.

Despite provisions under RMSA, none of the six states were seen to spend or allocate for drop out or working children in the age group of 13-17 years. States must effectively implement policies to cater to OOSC in the 13-17 years age group. Prior to that, states should first acknowledge the existence of high numbers of OOSC. As long as states are unable to identify the exact number of OOSC and the reasons for their not being in school, government policies will not provide expected outcomes.

Better implementation and better governance can be achieved if there is effective participation of the community in the education system as a whole. As an immediate policy measure, West Bengal should form SMCs as per the guidelines of WB RTE. States should prioritise training of community members on a regular basis and allocate adequate funds for community mobilisation.

In a country like India, where more than 60 percent of children are dependent on the public-sector education system, there is no alternative to strengthening public provisioning for quality school education. The first step in this direction is adequate public spending. Every state needs to increase its resource allocation for school education. Given the accumulated deficit of resources across various components of education, such as infrastructure, teacher and non-teaching staff, training and monitoring, both the Union Government and state governments need to substantially step up and sustain investments on education for a longer period.

Although increase in budgets and improvements in quality of spending will not necessarily ensure quality education, it addresses the problem by creating an enabling environment for quality education.



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