

## **Growth and Composition of Expenditure on Education in Maharashtra State**

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**Abstract:** - Education is a merit good. Entire efforts of development of any country depend upon the level of education of that country. In terms of economic indicators the state is well ahead of other states but in social development it lags behind. The root cause may be hidden in the treatment of the state leadership towards the education, health and other parameters of social development. The objective of the paper is to study the pattern of expenditure on education for the period of ten years from 1995-2005 in the state of Maharashtra and to compare the expenditure on education to total expenditure of the state and NSDP of the state. The study is using only the secondary data. The information furnished by the state government through budget, financial statements, Economic survey of the State. At the same time the study is using the data furnished through the State finance reports of every year published by Reserve Bank of India. The study reveals that zigzag trend is recorded in growth of expenditure on education. Expenditure on education to NSDP is just 2.86 per cent which is less than expected growth of 6 percent. Revenue component of expenditure is more than 99 percent while capital component is less than 1 percent which is a cause of concern and this must be reversed.

**1.1. Introduction:** - Maharashtra is one of the major states of the Indian federation. It is industrially developed but facing the problem of regional imbalanced growth. It has a rich diversity, history, and cultural heritage. In terms of economic indicators the state is well ahead of other states but in social development it lags behind<sup>1</sup>. The root cause may be hidden in the treatment of the state leadership towards the education, health and other parameters of social development. From this we now in this paper try to find out whether the expenditure on education is responsible for lower pace of social development of the state.

Education is a merit good<sup>2</sup>. Entire efforts of development of any country depend upon the level of education of that country. Today every country tries to convert its traditional economy in the Knowledge economy. Knowledge is now a fifth factor of production and gradually it is becoming the most important factor of production. But to convert the traditional economy into a knowledge economy, citizens of the country must be equipped with advanced skills and that is possible with providing education to the masses.

Education develops the skills of the masses thereby improving their productivity. Enhancement of productivity leads to the increasing opportunities of income. This will further reduce the gap between rich and poor. Ragner Nurkse<sup>3</sup> defined the vicious circle of poverty for the underdeveloped countries. To break this vicious circle of poverty and thereby take the country on to the path of development, education to the masses is necessary.

**1.2. Objectives of the study:** - The objectives of the study are;

1. To study the pattern of expenditure on education for the period of ten years from 1995-2005 in the state of Maharashtra.

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2. To compare the expenditure on education to total expenditure of the state and NSDP of the state.

**1.3. Hypothesis of the study:** - The following hypotheses are set for the study;

1. The pattern of expenditure on education for the state of Maharashtra shows the increasing trend for the period under study.
2. The proportion of expenditure on education to NSDP is less than six percent.

**1.4. Scope of the study:** - The present study is taking into consideration the expenditure on education of the state of Maharashtra. Moreover it is considering only the budgetary expenditure of the state of Maharashtra for the period of ten years from 1995 to 2005. The study includes the expenditure of State of Maharashtra only and will exclude the expenditure made by other authorities like central government and local self governments. The study also excludes the expenditure of private sector on education in the state.

**1.5. Data Collection:** - The study is using only the secondary data. The information furnished by the state government through budget, financial statements, Economic survey of the State. At the same time the study is using the data furnished through the State finance reports of every year published by Reserve Bank of India.

**1.6. Statistical techniques:** - The data so collected will be analyzed and tabulated. For the statistical analysis percentage and ratio method will be used for interpretation. Initially absolute expenditure on education is analyzed then this expenditure will be compared with other fiscal variables namely total expenditure and NSDP of the state. The five year average and ten years averages are calculated for comparison and to avoid the fluctuation in the data.

**1.7. Analysis of expenditure on Education: -**

**A) Growth compare to previous year:** - Growth rate is given in table no. 1. In the year 1995-96 there is a 20.49 percentage increase in the allocation of expenditure on this account which reduces to 15% in 1996-97, 15.52 % in 1997-98, 10.85 in 1998-99, suddenly increases to 36.34% in 1999-2000. Unfortunately there is a negative growth in the year 2001-02 of -0.34 %, and further -4.75 % in 2002-03. But there is an increase in the allocation to 5.58 % in 2003-04 and further increase to 7.93 % in the year 2004-05. Here is a zigzag trend.

There is no continuous increase in allocation on this account, but education is the most important aspect to increase and maintain the level of development for any economy. Instead of increase in allocation of expenditure on education there is a decline in allocation of expenditure in the year 2001-02 and 2002-03 and slight increase in subsequent two years. This is not a healthy situation from the point view of future sustainable growth of the economy. Since education is a merit good and in an era of Globalization increase of this account is expected not the decline. In the year 1999-2000 there is a 102.24 % increase compare to the year 1995-96, it means in the span of five years there is a more than 100 % increase is made by the government while if we compare the year 2004-05 with the year 1999-2000 there is 39.95% growth is recorded. This indicates that compare to first five years the second five years shows a huge

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decline in allocation of expenditure on education and others. This five year comparison reveals clear trend towards the education that government is increasing expenditure on this account but at decreasing rate. Maharashtra state is developed state but all parts of the state are not equally developed, considering this aspect government should allocate more funds to education and direct it to backward areas. Now we shall look into ten years growth in the expenditure, it stands around 183.04%.

**Table No.1:- Expenditure on education (Rs in thousands)**

Year	Edu.,Sport,Art& Culture Total exp	Edu.,Sport,Art& Culture Growth rate	% of EASC to TE	% of EASC to NSDP
1995-96	36364355	20.49	16.21	2.58
1996-97	41825536	15.01	18.29	2.63
1997-98	48319010	15.52	17.74	2.47
1998-99	53561659	10.85	18.50	2.49
1999-00	73030117	36.34	18.56	2.94
2000-01	94202514	28.99	21.93	3.73
2001-02	93879061	-0.34	22.50	3.42
2002-03	89414163	-4.75	22.76	2.97
2003-04	94409822	5.58	20.24	2.76
2004-05	101900498	7.93	18.55	2.63
95-96 to 99-00				2.62
00-01 to 04-05				3.10
95-96 to 04-05				2.86

Source<sup>5</sup>: - Financial statement ( Budget) of the government of Maharashtra( 1995-96 to 2008-09) and Economic survey of Maharashtra<sup>6</sup>, various issues.

**B) Comparison with other variables:** - Comparison of expenditure on education to total expenditure and NSDP is given in table no. 1.

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i) **Proportion of EASC to Total expenditure:-** In 1995-96 proportion of education expenditure to total expenditure was 16.21%, which is increased to 21.93 % in the year 2000-01 and declined to 18.55% in the year 2004-05. From 1995-96 till 2002-03 there is an increasing trend in proportion of expenditure on education but there after a slight decline is booked. Overall proportion of expenditure on education to total expenditure shows increasing trend.

ii) **Proportion of EASC to NSDP:** -In 1995-96 proportion of expenditure on education compare to NSDP stands at 2.58%, in 2000-2001 it increases to 3.73%, then it falls to 2.63%. Average of expenditure on education for first five years from 1995 to 2000 stands at 2.62% while for next five years i.e. from 2000 to 2005 it increases to 3.10%, indicating an increasing trend in allocation to education sector. Our hypothesis of decline in expenditure on education is rejected as proportion of expenditure on EASC to NSDP shows increasing trend. Compare to first five years second five years shows increasing proportion although, allocation is increasing but in the years after 2000-01 there is a consistent declining trend is observed.

Common minimum programme document<sup>4</sup> of United Progressive Alliance government at the centre which was published in 2003 emphasized at least 6% of GDP to be allocated on education. But, in the state of Maharashtra if we take an average of ten years from 1995-96 to 2004-05 only 2.86% of NSDP allocated to education sector. Average allocation for 2000 to 2005 stands at 3.10%, but recent trend shows decline in allocation. This necessitates the state government to raise allocation of expenditure on education to the level prescribed by CMP of UPA government.

**C) Proportion of expenditure on revenue and capital component:** - Table no.2 shows revenue and capital component of each head of expenditure. This will be helpful in understanding how much resources are used by the state to create new assets in the economy as capital expenditure is necessary for creation of capital assets in any economy specially the underdeveloped and developing economies.

**Table no. 2 - Proportion of expenditure on Education on revenue and capital component**

Heads of expenditure	1995-96 to 1999-2000	2000-01 to 2004-05	1995-96 to 2004-05
Revenue component	99.24	99.92	99.58
Capital component	0.75	0.07	0.41

Source<sup>5</sup>: - Financial statement ( Budget) of the government of Maharashtra( 1995-96 to 2008-09)

i) **Education, sports, art and culture:** - Revenue component of education for first five years stands at 99.24%, for second five years it is 99.92 which indicates a slight increase in allocation of funds to this head on revenue account. For capital component it is 0.75% for first five years and 0.07 for second five years. A meager amount spent for capital component will have adverse consequences for education in the state. Capital component is even less than one percent of total allocation. Ten year average for revenue expenditure is 99.58% and for capital component it is 0.41%. This should be changed to achieve higher and qualitative growth in the area of education for the developing state like Maharashtra.

**1.8. Conclusions and Suggestions:** - In terms of growth of expenditure there is a zigzag trend in the period of ten year which is not a good sign, here government must have a proper mechanism to avoid the ups and down in the growth of expenditure on education. As far as expenditure on education to NSDP a slight increase is recorded but this is quite inadequate, as the expenditure on education is expected to have more than 6 per cent but it is just 2.86 per cent in ten years period in Maharashtra state. Here, we can suggest to the government to raise this to more than 6 percent. In revenue-capital distribution capital expenditure is less than one and revenue component is more than 99 percent. Capital component is very meager which must be increased.

**1.9. References: -**

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