

UNIT 5

FINANCING EDUCATION IN INDIA



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Mechanism of Financing Education in India

Education in India is financed by both central and state governments. The governments at these levels provide funds for their own institutions and to institutions set up by private individuals or societies to whom grants are made on the basis of grants-in-aid policies of the government.

The Constitution of India has categorised the government functions into three:

List 1: list of union or central government functions;

List 2: list of state government functions;

List 3: list of concurrent functions.

The Central Government intervenes in education in three ways:

- 1) The Central government has its own central sector in education, which includes the Regional Colleges of Education, Central Schools, National Scholarships, the programmes of University Grants Commission (UGC), etc.
- 2) There is a sector known as centrally sponsored sector, the responsibility of which the States do not accept on their own. The central government could however persuade the State governments to accept the responsibility of their implementation.
- 3) The centrally assisted sector which includes activities in the promotion of which the centre is actively interested, though they are embodied in the state plans.

Sources of Income for Financing Education

There are multiple sources of finances for education in India. These sources can be broadly classified into two:

- external sources
- internal or domestic sources

External sources do not form a significant part of educational finances in India. The domestic sources of funding are broadly divided into public and private sources. The public sources include contributions made by central, state and local governments. The private or non-governmental sources include fees and other household expenditures Incurred by the direct beneficiaries (students/parents) of education and endowments

Role of Central Government in Financing Education

Since independence the Central Government has started spending increasing amount of money on education due to the following three reasons.

- After independence, the need for education has increased.
- Government is trying to improve quantitative expansion and qualitative improvement of education.
- Manpower with education and skills is needed for the economic development of the country.
- Central funds must be utilized for providing equality of opportunity.

Three Ways of Central Government Providing Financial Assistance to States

1. Central Government performs educational functions through fully funding Central Universities, Central Schools, Regional Colleges of education (Now known as Regional Institutes of Education), National Council for Educational Research and Training (NCERT).
2. Central Government sponsors schemes fully financed by it but implemented by States. E.g. Programmes to promote Sanskrit, Promoting Hindi in non-Hindi speaking States, promotion of students' tour etc.
3. Central Government partially finances some programmes, planned and implemented. By the State Governments (E.g.) Opening of non-formal education centres, enrolment of handicapped students in the integrated schools etc.

Expenditure for Education by the Central Government

Expenditure on education of the Central Government is broadly divided into the following two sectors.

- (i) School Education and Literacy
- (ii) Higher Education.

Role of State Governments in Financing Education

States Contribute education funds. The state recognizes schools and other institutions run by private bodies in accordance with set rules and regulations. It also provides them with suitable aids and grants to run efficiently and effectively. Financial aid is also given to State Universities functioning in the State. The Finance Commission transfers adequate resources at the end of each plan to each State as follows:

- a) Share in Income-tax
- b) Share in excise
- c) Lump-sum grant in-aid.

Role of Local Bodies in Educational Financing

Local Bodies like Municipalities, Boards, District bodies, Zilla Parisads and Panchayats run schools in their respective area. They appoint staff, provide equipment and finance to these schools through local taxes and grants from the State Government. Such educational institutions are directly under the control of these Local Bodies.

For meeting the expenditure, the school committees should receive:

- 1) A certain proportion of the income of the local village panchayat and
- 2) A grant-in-aid fixed on the basis of equalisation.

Role of UNESCO in Financing Education

UNESCO supports national education authorities in developing robust and coherent education policies and strategies and in managing their effective implementation all within the context of Sustainable Development Goal 4, which aims to ensure inclusive and equitable quality education and promote lifelong programmes opportunities for all.

UNESCO offers technical assistance in education policy analysis, the design of education sector development plans and donor mobilization in support of national educational priorities such curriculum reform, teacher training and information and communication technologies ((CTS) in education either by sending concerned experts or providing scholarship for those who have creditable academic record till their graduation, to go abroad and pursue their post graduation studies Doctoral programmes

Role of UNICEF in Financing Education

Too often, public resources don't reach the children most in need. In some places policymakers fail to allocate the funds necessary for children to grow and learn in a safe, healthy environment. In others, public finances may not be well managed, reducing the quality or accessibility of health care, education and other services.

UNICEF's Work

UNICEF works to tackle challenges in public financial management so that all children, especially the most vulnerable, get a fair chance in life. Its efforts are:

- Ensure child-related policy commitments are better reflected in budget processes.
- Identify cost-effective and equitable ways to deliver services and life-saving supplies, and help governments plan cost and budget for them.
- Improve the flow and use of budgeted resources for service delivery, including at the subnational level.
- Allocate necessary funds from UNICEF'S Fund to run the programme for promoting children's education and health when any such programme is at the point of break down.

Role of the World Bank in Financing Education

The World Bank Group is the largest financier of education in the developing world. It works on education programmes in 90 countries and are committed to helping them reach SDG4, which calls for access to inclusive and equitable quality education and lifelong learning opportunities for all by 2030. The World Bank provides financing, global knowledge, and long-term commitment to help low- and middle-income countries end poverty, achieve sustainable growth, and invest in opportunity for all. It comprises the International Bank for Reconstruction and Development (IBRD), the world's, largest development bank, and the International Development Association (IDA), one of the largest sources of funding for the world's poorest countries

The Global Partnership for Education

GPE is a shared commitment to ending the world's learning crisis. World Bank mobilizes partners and funds to support 76 lower-income countries to transform their education systems so that every girl and boy can get the quality education they need to unlock their full potential and contribute to building a better world.

Role of UNFPA in Financing Education

United Nations Family Planning Agency (UNFPA) is formerly named the United Nations Population Fund. The organisation was created in 1969, the year United Nations General Assembly declared, “Parents love the exclusive right to determine freely and responsibly the number and spacing of the children.”

Providing more educational opportunities for girls and young women is a priority for UNFPA. Promoting girls’ primary and secondary education and women’s literacy was also one of the main items identified in a report UNFPA co-authored.

UNFPA mobilizes financial resources from governments and other partners to support programmes that aim to promote sexuality education, education of girls and women’s literacy as well as healthcare of women.

Role of U.N.D.P. in Financing Education

The United Nations Development Programme (UNDP) is a United Nations organization tasked with helping countries eliminate poverty and achieve sustainable economic growth and human development. UNDP mainly funds for the following:

- i) Crisis prevention and recovery
- ii) Environment and energy
- iii) Poverty reduction
- iv) STD (Sexually Transmitted Diseases) Control Including HIV/AIDS

Funding System of Education India

Funding on education in India could be classified into external and internal funding. Funding from Governments (Central and State Governments as well as local bodies which are Quasi-Government) constitutes 'Public Funding'. The private or non-governmental sources of funding include funding from the general public in the form of donations, endowments by individuals or trusts and fees and other house-hold expenditure incurred by the students / parents for education.

1. Funding Education by the General Public

A) Individual/Trusts Donations

Many individuals, trusts and commercial institutions have established approved educational institutions and running them. In addition to this, people belonging to a particular area or community may also contribute for the development of educational institutions in their area.

B) Endowment Funds

A financial endowment is a proper donation of money or property to an institution. The total value of an institution's Investments is often referred to as the institution's endowment and is typically organized as a public charity, private foundation, or trust.

C) Education Cess

While collecting Income tax, Property tax and Service Tax, Education Cess is also collected at source. Education Cess of 2% for primary education and 1% for secondary education and higher education (total 3% of taxes) is being collected.

2. Funding Education by Students' Parents

A) Student Fees

Under the Right to Education Act, school education has become free upto Std. X. No tuition fee is levied in Government and Government aided schools. However, privately managed self- financing schools collect fees from students as per State Government prescribed rules. Such fees include tuition fees, admission fees, special fees for various activities and programmes.

B) Educational Loans

Nationalized Banks in India, provide long term educational loans to students at low interest rate. Among those who avail educational loans, 45% of students are from Tamil Nadu. The salient features of this loan scheme are, enabling those students who could not avail any other loan, to avail loan from banks

3. Funding Education by Governments (Public Funding)

A) Central Government Funding Education

Central Government provides grants in aids for centrally Sponsored schemes. These schemes are formulated by the Central Government and are Included in Centre's five year plans; the Centre persuades the states to implement these schemes through financial incentives in the form of grants- in aid.

B) State Governments Funding Education

The state meets the non-plan and plan expenditure on education at all levels. The non-plan expenditure is met from the states' own revenue supplemented by the financial resources passed on from Centre to the State through finance commission as grants-in-aid of revenue.

Type of Grant-in-aid

There are 4 types of grants given by government to institutions. They are:

1. Salary grant:- Salary grant include the salary paid to the teaching and non-teaching staff as per the actual pay scales and allowances
2. Non-salary grant:- Non-salary grants includes the rent of the building housing the institution and a percentage of the amount of all other admissible administrative expenses apart from salary, allowances and rent.
3. Building, hostel, furniture, teaching aids, library and laboratory grants.
4. Other grants sanctioned by the government from time to time.

C) Fund of Local Bodies

Local bodies of Municipal Corporations. Municipal Boards, Zilla Parishad, Panchayat, Samiti etc. provide grants assistance to schools from their revenue for management of education at their command.

4. Financing Education by Industry

Industrial establishments set up schools / colleges after getting the approval from the respective State Government and fully meet the expenditure of the educational institution thus set up. In most cases, industrial houses set up Charitable Trusts through which they sponsor a school or two and meet the expenditure held for constructing new buildings, expansion of infra- structure in the form of building, etc.

5. External Financial Aids

This can be considered in two ways:(i) Financial aid given (ii) Providing scholarships and concessions for Indian students under various programmes.

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Thank you