

DISCUSSION PAPER NO. XVIII

**Task Force on
Educational Finance**

FINANCING OF EDUCATION



सत्यमेव जयते

EDUCATION COMMISSION
UNIVERSITY GRANTS COMMISSION BUILDING
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Discussion Paper No. XVIII

FINANCING OF EDUCATION

Some Problems for the Consideration
of the Task Force on Educational
Finance

EDUCATION COMMISSION
University Grants Commission Building
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FOREWORD

This Discussion Paper outlines briefly the main problems under the consideration of the Task Force on Educational Finance. It also discusses a few solutions to them which have been brought to the notice of the Education Commission through memoranda received so far. Before final decisions are taken on these issues, it has been decided that they should be discussed with the different Task Forces set up by the Commission and some eminent Economists.

Meanwhile, comparative studies in educational finance have also been undertaken for a few advanced and developing countries and their data would be made available to the Task Force on Educational Finance, along with the papers prepared by the Consultants.

In the light of all these discussions, the Report of the Task Force is proposed to be finalised and submitted to the Commission by the end of December, 1965.

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Financing of Education

1. A Statement of Problems: The successful implementation of educational plans will depend, to a very considerable extent,¹ on the capacity and willingness of a country to raise the financial resources to support a national system of education of adequate coverage and quality. The problems of educational finance are, therefore, extremely important and need close attention.
2. Unfortunately, these problems have not been studied adequately so far, due mainly to the wrong attitudes adopted by educationists, economists and financial administrators. The educationists have broadly taken the view that they are mainly concerned with education and not with such mundane matters as deal with educational expenditure. The economics of education is a very recent addition to the study of social sciences and has not yet attracted adequate attention of the economists in India. The financial administrators believe that since educators always tend to 'ask for the moon' and it is anyhow impossible to provide all that they want, it really does not matter how little one provides in response to their demands. What is even worse, they decide 'Priorities' arbitrarily without reference to fundamental educational policies, especially

1. The point to be remembered here is that one should not over-emphasise the role of finance in educational development. The mere provision of more funds does not necessarily lead to better education - it often adds to an increase in existing wastage - and the old adage, 'not by bread alone' is applicable here also. At the same time, we cannot ignore the fact that larger and better facilities for education do cost more money and that a nation which needs these services must be prepared to pay for them. I am not happy about the phrase, I have used here; and we shall have to search for a substitute which clearly brings out both these shades of thought.

because educationists themselves provide little guidance in the field. All these attitudes have an adverse effect, not only on implementation of educational plans but also on the quality of plans themselves. It is, therefore, essential that the plans for the creation of a national system of education should be based on a set of new attitudes: the educator should become more cost-conscious and priority-minded; the economist should throw more light on the basic issues involved; and the financier should become more alive to the claims of education on public revenues.

3. Some of the main problems of educational finance are the following:-

(1) Quantum of financial effort: (a) What is the likely order of educational expenditure that India may need over the next three or four Plans to create a national system of education as visualised in this Report?

(b) Would the financial effort visualised in 1(a) above be considered reasonable² and within the economic competence of the country to provide?

2. This is not a happy expression; three different shades of thought are involved here:

(a) the proposed expenditure is economical in the sense that it is least wasteful and minimum needed to achieve the goals in view;

(b) the proposed expenditure does not distort the overall priorities' in the allocation of resources to different sectors of development vis-a-vis education;

(c) the proposed expenditure broadly conforms with the international practices and experience on the subject.

(2) Sources of Educational Finance: (a) How and through what different sources - both public and private - would the needed resources be raised?

(b) What should be the role of the Central Government, State Governments, local bodies in this endeavour to raise the needed resources?

(c) What should be the role of parental contributions, voluntary organisations, industry, religious trusts, part-time student earnings, productive programmes of educational institutions and such other non-governmental sources in raising resources needed for educational development?

(3) Social Expenditures: What are the types, structure and quantum of social expenditures and transfers needed to equalise educational opportunities and thereby increase the 'pool of talent' available for national development? (This would include a discussion of health services, free school meals, free studentships and scholarships (in relation to fee structure), hostel facilities, etc.).

(4) Priorities: What should be priorities in educational expenditure for different stages or sectors of education?

(5) Grants-in-aid: What should be the principles on which grants-in-aid -

(a) from the Centre to the States,

(b) from the Centre/States to the Universities,

(c) from the Centre/States to the local bodies, and

(d) from the Centre/States/local bodies to private organisations

be regulated?

(6) Efficiency of Utilisation: What are the areas of educational activity in which we do not get an adequate return at present? What are the reasons for this inadequate utilisation and what measures should be adopted to reduce it to the minimum?

(This is a vast area which cuts across the work of all the task forces. Here we may refer to the findings of the different Task Forces on the subject and highlight their financial implications. In addition, some special issues like the location and size of institutions may also be discussed here. Problems of 'economies' such as reduction of building costs, pupil-teacher ratios, part-time and own-time education, new techniques of teaching, etc. may also be discussed here with advantage).

(7) Financial Administration: What are the main shortcomings of the existing system of financial administration and how can they be overcome?

An attempt to answer these questions will be made in the paragraphs that follow.

II. Total Educational Expenditure (1966-80)

4. Total Educational Expenditure needed over the next Three Plans: The first exercise in this discussion would be to work out a rough estimate of expenditure involved in developing a national system of education in India as recommended in this Report.

5. Such an exercise has been attempted (Monograph II prepared for the Task Force on Educational Finance). It

It shows that the total educational expenditure needed by 1980-81 for the purpose of creating a national system of education would be Rs. 69 per head of population (at 1965-66 prices). In this connection, discussion is needed on the following three points:-

(a) Is the technique of costing adopted in this monograph satisfactory? If not, how can it be improved?

(b) Should any items of educational expenditure be added to or excluded from this estimates? If so, what would be the consequential changes needed?

(c) Is the expenditure proposed in this monograph on any item either excessive or too low?

If these issues are raised and discussed in detail, it would be possible to have some rough indication of the total expenditure, which may be regarded as reasonable or minimum inescapable, for implementing the large-scale programme of educational expansion and improvement which the Commission would like to propose. (3)

6. In this connection, an important question has been raised:

(a) Is it better to work on the basis of a single estimate like this?

3. Some guidance in this matter can also be had from two earlier studies on this problem: The Sargent Report and the Kher Committee. Both these documents have been summarised in Monograph I of the Task Force.

or

(b) Would it not be better to work on the basis of two or three alternative estimates at different levels?

The answer is both yes and no. Obviously, alternative (b) is better for a clear understanding of the problems and priorities involved. It is, therefore, felt that the problem may be considered in all its aspects, as an internal exercise for the Commission itself, on the basis of three estimates given below:-

Estimate I: Rs. 30-35 per head of population: This is a level of total educational expenditure which is probably the minimum to be reached. It presumes a national income of about Rs. 600-700 per head of population and an educational investment of the order of 5-6 per cent of the national income.

Estimate II: Rs. 45-50 per head of population. This will mean a very considerable effort on the part of all concerned and in the opinion of several scholars, this is probably the highest target the country can reasonably hope to achieve. It implies a national income of 700-800 per head of population and an educational investment of the order of 6-7 per cent of the national income.

Estimate III: Rs. 65-70 per head of population. This would need an intensive and supreme effort on the part of all concerned in all the three directions: population control; economic growth; and development of education. It presumes a national income of about Rs. 800-900 per head of population and an educational investment of the order of 7-8 per cent

of the national income. Several persons hold this to be absolutely unattainable; but others would like to hitch the educational wagon to this star rather than to any other.

Such an exercise has been attempted in Monograph III of the Task Force. . . A detailed consideration of the several issues raised therein should be taken up in the Task Forces as well as in the Commission; and in the light of the decisions thereon, the final recommendations of the Commission should suggest only a single target of total expenditure to be reached by 1981 - a target which, in the opinion of the Commission, would be reasonable as well as within the economic competence of the country to provide. If several targets are suggested, it will create confusion and weaken the case for education because the 'minimum' in theory generally tends to be the 'maximum' in practice.

7. Whatever the final decision on the target may be, one thing is certain: the effort to raise additional resources for education would have to be far more intensive in the next three Plans than at any time in the past.

8. The achievements of the first three Plans in this regard are really commendable.⁽⁴⁾ But, in the next three Plans, the efforts would have to be far greater on account of the following reasons:-

4. The details of this study will be found in Monograph IV.

(a) The expansion visualised in the next three Plans is of a very large order. The total enrolment in all types of educational institutions was only about 25 million in 1950-51 and it rose to about 70 million 1965-66. It is anticipated that this may further rise to about 160 million in 1980-81. In other words, the increase in total enrolment in all types of educational institutions was only 45 million in the first three Plans; but it will be at least 90 million in the next three Plans.

(b) Very little has been done for improving quality in the first three Plans. But the pursuit of quality will have to be a key-note of educational policy in the next three Plans.

9. On the whole, it may be said that the educational expenditure will have to be increased to more than two-fold to provide for expansion and to a further two-to-four-fold, for raising standards. The total educational expenditure would, therefore, have to be increased to a minimum of four times in the next 15 years and, if possible, to about 6 or 8 times.

10. In absolute terms, it may be said that the total educational expenditure increased by Rs. 4,410 million in the first three Plans - from Rs. 1,140 million in 1950-51 to Rs. 5550 million in 1965-66. In the next three Plans, the increase will have to be Rs. 19,000 million at the minimum and Rs. 43,500 million at the optimum⁽⁵⁾ - from

(5) One important point needs mention. Should the Commission discuss the investment needed for scientific research and development or should it not? These have been left out in these estimates. But the problem will have to be taken note of.

Rs. 5550 million (at Rs. 11 per head of population) in 1965-66 to Rs. 24,500 million (at Rs. 35 per head of population) at the minimum or even to Rs. 49,000 million (at Rs.70 per head of population) at the optimum.

11. Vast as these magnitudes are, it has to be remembered that these estimates for 1980-81 are at constant prices (or 1965-66) while the increases given above during the first three Plans are at current prices.⁽⁶⁾ If the increase in educational expenditure in the first three Plans at constant prices is compared to the increase at constant prices needed in the next three Plans, the magnitude of the task before the country would appear to be even greater.

(6) Reducing the total educational expenditure in each year of the first three Plans to constant prices on the basis of the cost of living index, we get the following results:

	1950-51	1955-56	1960-61	1965-66 (Estimates)
1. Total educational expenditure at current prices(Rs.)				
2. Cost of Living Index (1950-51 = 100)				
3. Total educational expenditure at constant prices of 1950-51.				

12. It may also be pointed out that such large increases in educational expenditure would be possible only if -

(1) The national income per head of population increases very rapidly and is doubled in a period of 15-20 years;

(2) Education is accorded a very high priority in Central and State budgets and an effort is made to allocate the largest possible share of available resources to it;

(3) The efforts to provide the highest allocations from public funds are supplemented by equally intense efforts to raise private funds for education in all possible ways.

III. Sources of Educational Finance:

13. The present system of educational finance may be described as a 'multiple-source' system, the different sources which contribute to total educational expenditure being (1) Central funds, (2) State funds, (3) Municipal funds, (4) District Board funds, (5) fees, and (6) other sources which include endowments, donations, popular contributions, etc. The statistics showing the extent to which these sources financed the total educational expenditure in the first three Plans in each significant sector of education, have been given in Appendix I.

14. A multiple-source system is to be preferred to a single source finance system because of two reasons:-

(1) It helps to raise larger revenues; and (2) it is less likely to be adversely affected in times of financial stress

because of the possibility of balancing shortfalls in some sources by increased efforts under others. It should, therefore, be an objective of financial policy to retain the existing multiple-source system of supporting education and to extend it, if possible, by including new and potential sources of revenue.

15. The extent to which the existing sources contribute to total educational expenditure can be seen from the following statistics:-

	(in millions of Rs.)			
	1950-51 Rs.	1955-56 Rs.	1960-61 Rs.	1965-66 (Estimate) Rs.
Central Funds	35.25 (3.1)	121.49 (6.4)	295.78 (8.6)	400.00 (7.3)
State Government Funds	617.43 (54.0)	1,050.56 (55.4)	2,045.14 (59.4)	260.00 (65.5)
District Board Funds	78.60 (6.9)	99.00 (5.2)	118.33 (3.6)	160.00 (2.9)
Municipal Funds	46.39 (4.0)	64.55 (3.4)	106.58 (3.1)	200.00 (3.6)
Fees	233.27 (20.4)	379.03 (20.0)	590.26 (17.1)	800.00 (14.5)
Other sources	132.88 (11.6)	101.98 (9.6)	287.71 (8.4)	340.00 (6.2)
Total =	1,143.82 (100)	1,896.61 (100)	3,443.80 (100)	5,550.00 (100)

N.B. The figures in brackets give percentages of total expenditure.

Source: Ministry of Education, Form A.

16. Central Funds - The contribution of this source to total educational expenditure was practically negligible in 1946-47. In the first three Plans, it has increased from Rs. 35.25 million to Rs. 400 million in 1965-66 (an increase of over 1,000 per cent). This is a very elastic,

significant and rapidly increasing source of educational finance*.

17. It is not probably realistic to judge the contribution of Central funds to education on the basis of direct Central programmes in education. It would also be necessary to take into consideration the grants-in-aid given by the Centre to State Governments for educational development which, in the published statistics of the Ministry of Education, are merged with the State Funds. This data was collected for all years of the Third Plan and the results are shown in the Table on the next page:-

*The contribution of Central Funds to total educational expenditure is made in three ways:-

- (1) Grants to State Governments for their total committed expenditure (which includes that on education) under the quinquennial awards of the Finance Commissions;
- (2) Grants to State Governments for their total Plan expenditure (which includes education) under the proposals approved by the Planning Commission; and
- (3) Conduct of educational programmes directly under the Government of India like the U.G.C., N.C.E.R.T. or Central Scholarships Scheme.

Data on (1) are not directly available because the Central grant for committed expenditure is a block grant for all purposes and it is not possible to say what portion of it is intended for education. Data on (2) is available but is included, in the above statistics, under 'State Funds'. The expenditure given above refers, therefore, to (3) only.

Table No.2: Total Central Expenditure on Education
(1961-62 to 1965-66)

(in million of Rs.)

	Total Central Expendi- ture on revenue account	Total Central Direct Progra- mmes	Expendi- ture on Grant- in-Aid to States	Total	Percentage of col.5 to col.3
1961-62					
1962-63					
1963-64					
1964-65					
1965-66					

Source: Budget Estimates of the Government of India for the years concerned.

18. In the above table, the grant-in-aid given by the Centre to the committed expenditure of the States in education has been ignored. Its quantum is so small that it will not alter the fundamental picture given above. The problem is, however, being discussed in detail in a separate paper.

19. The main point is whether this order of Central expenditure on education is adequate or not. In this connection, it is very strongly urged that the Centre is not spending adequately on education and that it should increase its educational expenditure several-fold. As early as 1950, the Kher Committee recommended that the Centre should spend about 10 p.c. of its revenues on education. This has remained a

pious hope even to this day. It is true that it is not possible to fix a definite proportion for the Central expenditure on education and that it cannot at all be fixed for all times to come. But there can be no doubt that an adequate system of national education in India cannot be developed unless the Centre is prepared to provide far larger funds than it does at present, especially because the financial resources available to the States are far too meagre to support the programme of expansion and improvement of education that is now visualised. As an immediate objective, it is felt that -

(1) the Centre should try to increase its educational expenditure very largely by expanding the Central and Centrally-sponsored sectors and by providing larger grants-in-aid, earmarked for education, to State Governments; and

(2) the target proposed by the Kher Committee may kept in view and vigorous attempts be made to reach it by 1981.

20. Objects of Direct Central Expenditure on Education: On what objects does the Government of India incur its direct educational expenditure? The Table on the next page throws light on this problem:

Table No. 2: Central Expenditure on Education by
Objects in the First Two Five Year
Plans (1950-51 to 1960-61)

Object	(in 000's of Rs.)			
	1950-51		1960-61	
	Amount	p.c.	Amount	p.c.
<u>Direct Expenditure</u>				
1. Pre-Primary Schools	-	-	1,87	(0.1)
2. Primary/J.B. Schools	4,68	(1.3)	1,79,43	(6.1)
3. Middle/S.B. Schools	3,08	(0.9)	1,19,14	(4.0)
(A) First-Level Education (Total 1-3)	7,76	(2.2)	3,00,45	(10.3)
4. High/Higher Secondary Schools	22,29	(6.3)	64,12	(2.2)
5. Schools for Teacher Training	-	-	17,78	(0.6)
6. Schools for Vocational and Tech. Edu. (Excluding T.T.)	17,20	(4.9)	92,41	(3.1)
7. Schools for Special Education	1,04	(0.3)	10,37	(0.4)
(B) Second-Level Education (Total 4-7)	40,53	(11.5)	1,85,18	(6.3)
8. Universities and Institutions for Higher Education (Gen. Edu)	1,15,91	(32.9)	5,89,62	(19.9)
9. Colleges for Teacher Trg.	1,36	(0.4)	11,00	(0.4)
10. Colleges for Pro. Edn. (Excluding T.T.)	79,28	(22.5)	3,02,55	(10.2)
11. Colleges for Special Education	1,27	(0.4)	13,73	(0.5)
(C) Third-Level Edu. (Total 8-11)	1,97,82	(56.1)	9,16,95	(31.0)
Total Direct Expenditure (A+B+C)	2,46,11	(69.8)	14,02,59	(47.4)
<u>Indirect Expenditure</u>				
12. Direction & Inspection	-	-	6,72	(0.2)
13. Buildings	82,78	(23.5)	11,14,47	(37.7)
14. Scholarships & other Financial Concessions	17,69	(5.0)	3,24,78	(11.0)
15. Hostel Charges	1,58	(0.4)	11,06	(0.4)
16. Miscellaneous	4,31	(1.2)	98,15	(3.3)
(D) Total Indirect Expenditure	1,06,36	(30.2)	15,55,19	(52.6)
Grand Total (Direct & Indirect) (A+B+C+D)	3,52,47	(100.0)	29,57,78	(100.0)

Source: Ministry of Education, Form A.

21. It will be seen that at present, about a third of the Central expenditure is being incurred on higher education and about half on buildings and scholarships (most of which are meant institutions of higher education). Elementary education and especially secondary education are neglected. The thesis that the Central Government should be mainly responsible for programmes of higher education is correct. But it may be desirable to change the existing pattern of Central activity in two ways:-

- (1) Under the U.G.C. Act, the Commission's grants to the State universities are for developmental expenditure only and are limited to a period of five years. This encourages larger outlays on buildings and capital expenditure. It is essential to change this position.
- (2) The Centre should have a programme of assisting qualitative improvement at the elementary and secondary stages and of equalization at the elementary stage.

Both these points would be discussed further in detail under the section on 'grant-in-aid'.

22. State Government Funds: The contribution of the State Governments (inclusive of general Central grants for committed and plan expenditure) form the most important source of educational finance on which rests the residual responsibility for finding all the funds that education needs.

23. The Kher Committee recommended that the State Governments should spend about 20 p.c. of their total budget on education. By and large, this target has already been reached as the following statistics will show:-

Table No.4: Total Educational Expenditure of the States as a percentage of their total budgeted expenditure on revenue account (1961-62 to 1965-66)

State	Percentage of the educational expenditure of the State to its total budgeted expenditure:				
	1961-62	1962-63	1963-64	1964-65	1965-66
1. Andhra Pradesh	26.4	23.2	21.1	20.8	21.8
2. Assam	19.7	20.8	20.3	21.3	19.6
3. Bihar	23.1	20.5	22.8	22.6	21.9
4. Gujarat	21.4	19.8	20.5	20.4	19.7
5. Jammu & Kashmir	12.9	11.6	12.9	12.6	13.3
6. Kerala	33.8	31.5	30.8	33.2	33.9
7. Madhya Pradesh	26.1	27.5	28.4	29.0	29.5
8. Madras	26.1	23.4	24.0	24.8	25.0
9. Maharashtra	21.3	16.9	19.2	18.2	18.4
10. Mysore	15.8	18.5	20.3	21.3	21.9
11. Orissa	15.4	17.3	16.1	16.9	16.4
12. Punjab	21.0	19.1	17.0	17.4	17.2
13. Rajasthan	23.9	23.6	21.3	23.1	23.1
14. Uttar Pradesh	18.5	15.9	15.9	16.5	17.7
15. West Bengal	21.5	21.5	22.3	20.4	19.0

24. In this context, the following points need attention:-

- (1) With each Plan, the committed expenditure of the States on education increases by leaps and

bounds. In addition, the developmental outlays on education go on increasing from plan to plan. Consequently, the contribution of the State funds to education will go on increasing continuously as the years pass. It appears that by 1980-81, the States would be spending about 30-35 p.c. of their revenues on education.

(2) Some States are spending far too less on education. Where the State income is large (as in Punjab), this does not create a serious problem; but when it is small, as in Orissa, the whole tempo of development is held up. It is essential to increase the State expenditure on education in these areas in all ways possible and especially through the stimulating effect of the Central grants.

(3) Since the resources of the State Governments are limited, their efforts to finance education can succeed only on four assumptions:-

(a) the States will make an intensive effort to raise their own tax-revenues;

(b) the Central grants to States would be liberalised;

- (c) the State accord a very high priority to education in their programmes; and
- (d) the local funds, fees and other sources are stimulated to the utmost extent possible to reduce the direct burden on State funds.

25. Should the States levy a special educational cess or tax? This question has often been raised. At present, we have only three instances of such levy in Maharashtra, Gujarat and Bihar. It has often been recommended that the States should levy special educational cesses. There is something to be said in favour of the proposal because a tax in the name of education is likely to be more easily accepted in the present climate; and it would be wise to encourage the States to adopt the suggestion wherever possible. But the issue is not important because the yields from such taxes can only be marginal with reference to the total outlays essential for education.

26. District Board Funds: At the local level there are two sources of educational finance: Funds of the District Boards and Zilla Parishads in rural areas and those of municipalities in the urban areas. The two issues are very different and will have to be discussed separately.

*For details, see Appendix I.

27. In all States except four, viz. Jammu & Kashmir, Kerala, Punjab and Nagaland, primary education is entrusted to the local authorities such as the District Boards or Zilla Parishads in rural areas. They all levy some special cesses or taxes for education or general cesses and taxes, a portion of which is earmarked to education. The question of the amount raised varies considerably from State to State as the following table will show:-

Table No. 5 Expenditure from District Board Funds (1956-57 and 1961-62)

(in 000s)

State	1956-57		1961-62	
	Amount raised from District Board Funds	Percentage of total educational expenditure	Amount raised from District Board Funds	Percentage of total educational expenditure
Andhra Pradesh	1,65,00	11.2	2,95,24	10.8
Assam	2,23	0.5	5,26	0.5
Bihar	2,62,14	19.1	48,31	1.9
J & K	22,27	1.8	60,23	2.8
Kerala*	37,69	3.3	1,62	0.1
Madhya Pradesh	41,35	3.8	64,83	2.6
Madras	1,86,25	9.6	3,46,04	9.0
Maharashtra	59,14	2.2	81,59	1.5
Mysore	43,16	4.0	49,36	2.3
Orissa	5,86	1.3	84	0.1
Punjab	62,27	5.5	1,08	0.1
Rajasthan	4,44	0.7	3,44	0.2
Uttar Pradesh	1,30,54	4.7	2,07,22	4.6
West Bengal	42,60	1.8	44,89	1.2
INDIA	10,65,64	5.2	12,09,95	3.5

*The State Government has abolished the District Boards, hence this is a disappearing contribution.

Source: Forms A of the State Governments available in the Ministry of Education.

28. Among the objects to which the revenue raised from District Board Funds is applied, primary education stands foremost. Not very long ago, this was almost the exclusive object of expenditure; but in recent years several Boards have established secondary schools in rural areas in response to the growing demand for such education. The following table shows the different objects to which the revenue raised from District Board Funds was applied in the first two Five-Year Plans:-

Table No.6: Expenditure from District Board Funds by objects (1950-51 and 1960-61)

Object	1950-51		1960-61	
	Amount (in 000s) Rs.	Percentage to total expendi- ture from District Board Funds	Amount (in 000s) Rs.	Percentage to total expenditure from District Board Funds
<u>DIRECT EXPENDITURE</u>				
1. Pre-Primary Schools	1	0.0	184	0.2
2. Primary/Junior Basic Schools	5,65,66	72.0	6,01,60	50.8
3. Middle/S.B. Schools	85,57	10.9	2,21,15	18.7
(A) First Level Ed. (Total 1-3)	6,51,24	82.9	8,24,60	69.7
High/				
1. Higher Secondary Schools	33,76	4.3	2,20,74	18.7
2. Schools for Teachers' Training	193	0.2	12	0.0
3. Schools for Vocational & Technical Education (Excluding T.T.)	257	0.3	234	0.2
4. Schools for special Education.	122	0.2	382	0.3
(B) Second Level Ed. Total (4-7)	39,48	5.0	2,27,02	19.2

1. University & Insts. for Higher Ed. (General Education)	36	0.0	91	0.1
2. Colleges for Teachers' Training.	-	-	-	-
3. Colleges for Prof. Edn. (Excluding T.T. Colleges)	1	0.0	2	0.0
4. Colleges for special Education	19	0.0	32	0.0
(C) Third Level Ed. Total (8-11)	56	0.1	125	0.1
(Total Direct Expenditure (A + B + C))	6,91,28	87.9	10,52,88	89.0
<u>INDIRECT EXPENDITURE</u>				
1. Direction & Inspection.	526	0.7	10,71	0.9
2. Buildings.	57,52	7.3	82.75	7.0
3. Scholarships etc.	677	0.9	10,31	0.9
4. Hostel Charges	193	0.2	217	0.2
5. Miscellaneous	23,26	3.0	24,54	2.1
(D) Total Indirect Expenditure (12-16)	94,74	12.1	1,30,48	11.0
Grand Total (A+B+C+D)	7,86,02	100.0	11,83,36	100.0

Source: Ministry of Education, Form A.

29. It will be seen that, in 1950-51, 82.9 per cent of these funds were spent on the first level of education and 7.3 per cent on buildings (mostly at the same level) In 1960-61, the expenditure on the second level of education increased to 19.2 per cent at the cost of the first level of education. But even in this year, the first level of education and buildings absorbed 76.7 per cent of the total revenue from this source. In future also, this source can be of use mostly at the first level

and to a limited extent only at the second level.

30. The sources of revenue open to District Boards or local bodies in rural areas are meagre and inelastic. We cannot, therefore, expect much from this source.

However, the contribution of this source is significant and it could be exploited to the full somewhat on the

lines suggested below :-

(a) The State should legislate imposing an educational cess as land-revenue for local educational purposes.

(b) A minimum cess should be prescribed by the State itself; but the rural local body (village Panchayat, Panchayat Samiti, Zilla Parishad, etc.) should have authority to raise it to a prescribed maximum.

(c) The trend to raise the cess should also be encouraged by a grant-in-aid given on the basis of the additional revenues thus raised.

(d) The local body should also have the authority to raise funds for education through some other sources (such as house or profession tax) and trend to exploit them to the full should be encouraged through suitable grant-in-aid.

31. In the present circumstances, there is every justification to increase the land-revenue. But on political grounds, any increase in land-revenue for the general purposes of the State administration is practically ruled out. But it is still possible, by the adoption of methods like those suggested above, to increase the land revenue substantially and to utilise it for educational

purposes.

32. Municipal Funds: From the quantitative point of view, municipal funds are more important. They are growing rapidly due to industrialisation, urbanisation and the increasing concentration of wealth in urban areas. And yet, we are not fully exploiting them. In the erstwhile British Indian Provinces, the municipalities were made to pay for the support of primary education as early as 1882. A tradition has thus grown up and we now find municipalities like Bombay spending a few crores a year on primary education. On the other hand, in the erstwhile Princely States, the municipalities were not entrusted with primary education nor paid for it. Thus even big municipalities like Hyderabad, Bangalore or Gwalior make no contribution to the support of primary education. But there is no reason why this tradition should be continued. It is obvious that, if exploited properly, the municipal funds can yield a fair-sized and increasing revenue for the support of education.

33. The municipal funds are mainly utilized, as in the case of District Board Funds, for the first level of education. There is no pressure to utilize them largely for secondary education because, in urban areas, the needed facilities are generally provided abundantly by Government or private enterprise (there is, however, a growing trend at present for municipalities to conduct secondary schools for girls or for children of the poor). The Bombay Corporation even maintains medical colleges. The table on the next page shows the amount of these funds as well as the purposes to which they are being utilized at present :-

Table No. 7: Expenditure from Municipal Board Funds by Objects
(1950-51 to 1960-61)

	1950-51		1960-61	
	Amount (in 000s)	Percentage to total expendi- ture from Municipal Board Funds	Amount (in 000s)	Percentage to total expendi- ture from Municipal Board Funds
	Rs		Rs	
<u>Direct Expenditure</u>				
1. Pre-Primary Schools	66	0.1	346	0.3
2. Primary Schools	3,45,86	74.6	4,65,40	43.7
3. Middle/S.B. Schools	28,82	6.2	3,20,36	30.1
(A) First Level Education (Total 1-3)	3,75,33	80.9	7,89,22	74.1
4. High/Higher Secondary Schools	31,92	6.9	1,00,32	9.4
5. Teachers' Training Schools	75	0.2	98	0.1
6. Schools for Vocational & Tech. Edn. (excluding T.T. Schools)	3,53	0.8	3,54	0.3
7. Schools for Special Education	3,00	0.6	5,34	0.5
(B) Second Level Education (Total 4-7)	39,20	8.5	1,10,18	10.3
8. University & General Educational Insts for Higher Education	1,56	0.3	4,12	0.4
9. Teachers Training Colleges	-	-	-	-
10. Colleges for Professional Education (excluding TT Colleges)	2,54	0.5	15,46	1.5
11. Colleges for Special Education	7	0.0	13	0.0
C. Third Level Education (Total 8-11)	4,17	0.9	19,71	1.8
Total Direct Exp. A+B+C	4,18,70	90.3	9,19,11	86.2
<u>INDIRECT EXPENDITURE</u>				
12. Direction and Inspection	4,64	1.0	8,28	0.8
13. Buildings	25,82	5.6	1,07,01	10.0
14. Scholarships etc	4,63	1.0	2,23	0.2
15. Hostel Charges	24	0.1	5,57	0.5
16. Miscellaneous	9,82	2.1	23,58	2.2
(D) Total Indirect Exp. (12-16)	45,14	9.7	1,46,67	13.8
GRAND TOTAL (A+B+C)	4,63,85	100.0	10,65,78	100.0

Source: Ministry of Education, Form 'A'

34. It will be seen that, in 1960-61, 74.1 per cent of the municipal funds were spent on the first level of education, 10.3 per cent on higher education, and 10.0 per cent on buildings.

35. Steps to utilise this source of revenue more fully for educational purposes will have to be taken as early as possible. There is no reason why the richer urban areas should be exempted from supporting education when the rural areas are compelled to do so. Every municipality should be authorized to pay a certain proportion of its revenues or a certain proportion of the expenditure on primary education incurred in its area. For this purpose, it should have the authority to levy an educational cess as house-tax, if it so desires. As was pointed out before, this tradition already exists in the erstwhile British Provinces (although even here, there is considerable scope for increase of revenue). The additional revenues from this source can come mainly in the areas of the erstwhile princely States.

Secondly, a general principle may be adopted (as recommended by the Kale Committee) that richer municipalities should be required to pay a proportionately larger proportion of contribution.

36. Other Sources: Other sources mainly include endowments, donations and such other voluntary contributions of the people. These form a small but important source of educational finance at present as shown in the table on the next page :-

Table No.8: Expenditure from Other Sources by Objects
(1950-51 and 1960-61)

Object	1950-51		1960-61	
	Amount (in 000s) Rs	Percentage to total expendi- ture from other sources	Amount (in 000s) Rs	Percentage to total expendit- ure from other sources
<u>DIRECT EXPENDITURE</u>				
1. Pre-primary schools	2,80	0.2	1,585	0.6
2. Primary schools	1,59,58	12.0	1,93,70	6.7
3. Middle/Senior Basic Schools	79,07	5.9	2,53,15	8.8
(A) First Level Education (Total 1-3)	2,41,45	18.2	4,62,70	16.1
4. High/Higher Secondary Schools	2,37,51	17.9	5,55,85	19.3
5. Teacher Training Schools	13,76	1.0	13,75	0.5
6. Schools for Vocational & Technical Education (Exclud- ing Teacher Trg. Schools)	25,39	1.9	60,07	2.1
7. Schools for Spl. Education	83,72	6.3	79,11	2.7
(B) Second Level Education (Total 4-7)	3,60,38	27.1	7,08,78	24.6
8. University and General Education Institutions for Higher Education	1,96,99	14.8	5,11,23	12.8
9. Teachers' Training Colleges	3,29	0.2	19,93	0.7
10. Colleges for Professional Education (excluding Teacher Trg. Colleges)	27,69	2.1	96,57	3.4
11. Colleges for Special Education	8,45	0.6	17,09	0.6
(C) Third Level Education (Total 8-11)	2,36,42	17.8	6,44,82	22.4
Total Direct Expenditure (A+B+C)	8,38,25	63.1	18,16,31	63.1
<u>INDIRECT EXPENDITURE</u>				
12. Direction & Inspection	73	0.1	1,35	0.0
13. Buildings	2,83,99	21.4	6,52,39	22.7
14. Scholarships etc.	50,87	3.8	1,18,52	4.1
15. Hostel charges	49,99	37.6	1,03,89	3.6
16. Miscellaneous	1,05,03	6.9	1,84,69	6.4
(D) Total Indirect Expenditure (12-16)	4,90,61	36.9	10,60,84	36.9
Grand Total (A+B+C+D)	13,28,85	100.0	28,77,15	100.0

Source: Ministry of Education, Form 'A'.

37. It will be seen that, in 1960-61, the other sources played a major role at the second level of education (24.6 per cent), at the third level of education (22.4 per cent) and in the construction of buildings (22.7 per cent). Their role at the primary stage was comparatively smaller but still significant (16.1 per cent). The other areas in which they contributed to some extent were scholarships (4.1 per cent) and hostel charges (3.6 per cent).

38. These sources will continue to provide a fair revenue even in future if steps on the following lines are taken :-

(a) Private enterprise should be encouraged to the extent possible. It can make a substantial contribution to the non-recurring expenditure and to some extent even for recurring expenditure.

(b) The voluntary contributions of the people should be tapped to the utmost in rural areas by organising school improvement programmes on the lines of the Madras State.

39. Fees: The problem of fees has now become very important. In the nineteenth century, fees were looked upon as an important source of revenue and contributed very largely to the support of education in the erstwhile British Indian Provinces. Early in this century the idea that primary education should be free was first accepted; but secondary and higher education still continued to be largely supported

through fees. In the erstwhile princely States, on the other hand, the tradition of free education held sway—fees, when levied at all, were low, and there were large concessions in fees at all stages, especially for girls. Both these traditions have continued to exist side by side and the attempt to evolve a common policy (very often through integration of different areas under States' reorganisation) has made the present picture slightly confused. On the one hand, there is a view and a trend to increase fees in secondary and particularly in collegiate education (although this meets with stiff parental opposition and student strikes). On the other hand, there is a view and a trend to make all education (or at least education till the end of the secondary stage) free. Consequently, the levy of fees in educational institutions is one of the major controversial problems on which the Commission is expected to give an unambiguous lead.

40. The discussion would be helped by a description of the existing situation. The table on the next page shows the contribution of fees to the total educational expenditure according to types of institutions and objects :-

Table No. 9: The Role of Fees in Education
(1960-61)

Stage or object	Total amount collected through fees (in 000s)	Percentage of students paying fees	Average annual fee collected per student per year	Percentage of fees to total expenditure on the stage or object.	Percentages of fees collected at the stage to total of fees collected all stages
	Rs		Rs		
1. Pre-primary Schools	2,184	77.5	23.3	37.2	0.4
2. Primary/Junior Basic Schools	17,169	3.9	16.4	2.3	2.9
3. Middle/Senior Basic Schools	31,677	16.4	18.2	7.4	5.4
4. High/Higher Secondary Schools	270,394	64.8	55.6	39.2	45.8
5. Schools for Teacher Training	1,856	20.0	84.2	5.3	0.3
6. Schools for Vocational and Technical Education (excluding T.T.)	13,604	72.0	65.0	17.2	2.3
7. Schools for Special Education	1,375	10.0	8.1	4.2	0.2
8. Universities & Higher Educational Institutions					
(a) Universities	52,934	90.1	800.2	37.4	9.0
(b) Research Institutions	375	86.3	147.1	1.4	0.1
(c) Colleges for General Education	101,384	84.9	172.7	48.5	17.2
9. Colleges for Teacher Training	2,761	34.7	156.9	22.2	0.5
10. Colleges for Professional Education (Excluding Teacher Training)	30,346	87.9	240.5	12.8	5.1
11. Colleges for Special Education	1,447	52.4	109.0	15.9	0.2
All Institutions	527,570	18.7	58.9	-	89.4

	Total amount collected through fees (in 000s)	% of students paying fees	Average annual fee collected per student per year	% of fees to total expenditure on the stage or subject	% of fees collected at the stage to total fees collected at all stages
	Rs		Rs		
12. Fees Boards of Secondary and Intermediate Education and Indirect Expenditure	62,748	-	-	96.7	10.6
GRAND TOTAL	590,258	-	-	-	100.0

Source: Ministry of Education, Form A

41. A number of issues will have to be considered in this regard at different stages of education.

42. Junior Primary Stage: By and large, education at this stage is free in all parts of the country. There are a few private schools at this stage, especially in urban areas which charge fees. But the problem can be safely ignored.

43. Senior Primary or Middle School Stage: Here the problem becomes a little more difficult. In most parts of the country, education even at this stage is free. But in Bihar, fees are charged in middle schools and in U.P. education is free only upto class VI. In Maharashtra and Gujarat (and particularly in West Bengal and Assam), these classes can be attached also to secondary schools where fees can be charged.

Under Article 45 of the Constitution, the nation is under an obligation to provide free education upto 14 years. It is, therefore, strongly suggested that all education at the

primary stage (classes I-VII or I-VIII) should be made free immediately in all parts of the country. The loss of revenue involved would be neagre except in Bihar, U.P., and West Bengal and it could be easily made up from other sources.

44. Second level of education: At the second level of education, the issue has become most crucial. On the one hand, it is argued that the fees collected here form about half of all fees collected in all types of educational institutions so that they cannot be lightly ignored as a source of revenue. It is also urged that abolition of fees will lead to still faster expansion and dilution of standards. It is, therefore, proposed that fees at the second level of education should be raised generally with a more liberal provision of free studentships or scholarships to ensure that no deserving poor students are prevented on financial grounds from receiving second level education.

45. There is another proposal that second level education should be made free, not for all, but for only the economically backward classes. In Maharashtra, for instance, the children of all parents whose annual income is less than Rs 1000 per year get second level education free. This principle, according to another group of thinkers, needs two modifications:-

(a) The limit of income should be raised to Rs 2400 for full free-studentships; and (b) Half-free studentships should be given to the children of those whose income is between Rs 2400 and Rs 3600.

There is still another group which suggests that all girls should receive free education (without any means test). The main arguments against these proposals are two:

(a) They lead to a good deal of dishonesty and cheating and the only persons who pay fees are income-tax payers and employees with

fixed salaries and

b) In actual practice, the financial difference between these and the proposal to provide full free second level education for all is very small.

46. The third group of thinkers suggest free second level education for all. This has been adopted as a goal of national policy by the National Congress at Thubanechwar. In Jammu and Kashmir, all education is free. Madras has recently made all education upto the end of the secondary stage free. Mysore and Andhra Pradesh have decided to do so from the Fourth Plan. U.P. has made second level education free for girls and it is already free for them in Rajasthan and Punjab. In States which have adopted the Economically Backward Class Concessions Scheme, more than 70 per cent of the students are already given free education. There is also a view that the country should strive to provide free and compulsory education till the age of 16 plus as quickly as possible; and as a first step in the direction, provide at least free education upto class X. There is thus a very strong case to provide free education till the end of the secondary stage or at least till the end of Class X.

47. All things considered, it would appear to be a wise step to recommend that all secondary education should be free till the end of class X and that, in classes XI and XII, there should be a fairly high level of fees, coupled with an adequate provision of scholarships and free studentships.

48. The issue with regard to fees becomes very important at the third level of education. Here, the choice will have to be made between the following

alternatives proposals that are being put forward:-

(a) There should be no fees at the collegiate stage but admissions should be strictly controlled on the basis of merit.

(b) Fees may be charged for boys; but it should be free for girls.

(c) Free-education should be given on the principle of economically backward classes, i.e., free or half-free collegiate education should be given to the children of all persons who do not pay income-tax.

(d) The level of fees should be high with adequate provision of free studentships and scholarships, especially with a view to keeping down the inordinate expansion which is diluting quality. This reform is urgently needed, at least in the Arts Colleges.

49. It may be desirable to adopt (c) with the proviso that the general level of fees should be increased.

50. It has to be remembered that our system of higher education depends too heavily on fees; these form about 11 per cent of the total expenditure on higher education in U.K. (and most of these are paid indirectly by the State itself because about 80 per cent of the students receive scholarships) while in India, they form 37.4 per cent of the expenditure in universities and 48.5 per cent in Arts and Science Colleges. Secondly, it must also be remembered that 'fees' are not really an educational problem. They are a method - and a most progressive method at that - of raising funds for education and the sooner we replace them by a better method of financing, the better. Thirdly, fees do tend to reduce equality of educational opportunity. While the case for fees is stronger in an affluent economy, it is correspondingly weak in a developing economy.

51. A suggestion has also been made that there should be a graduated scale of fees according to the income of the parents.

While this is unquestionable in theory, it would be difficult to implement it in practice, except in special institutions conducted by some industrial or other organisations.

52. It has also to be remembered that mere free education is not enough. This helps the urban people more because they have institutions of second and third level in their areas and places the rural people who do not have this facility (or even the poor people in urban areas who have to put their children to work) at a comparative disadvantage. What is needed is a policy of free education for all the poorer groups combined with an adequate provision of scholarships.

53. Academic achievement should also be a consideration especially at the university level.

54. New Sources: What are the new sources that can be tapped for education? The following are some of the suggestions put forward in this context:-

(a) Religious Trusts: Some religious trusts do a great deal for education (The Venkateshwar Temple Trust, for instance). It is suggested that an attempt to utilize the religious trusts for educational purposes would be of great help. This would, however, be only a marginal source and its scope would have to be largely limited to those factors which tend to be ignored in the public system of education.

(b) Industry: The cooperation of the industry can help education considerably in developing a programme of technical education and in providing work experience. It may also participate to some extent by providing educational facilities (with or without grant-in-aid) for the children of its

employees and adult education programme for its workers (e.g. there are statutory obligations in industries like tea plantations). But in financial terms, its contribution can only be marginal.

(c) Betterment Funds: It has been suggested that schools should be permitted to levy betterment funds, with the prior approval of the Department, for providing facilities and amenities and generally for improving their educational programmes. This is a very good suggestion and needs to be fully exploited in the next five to ten years.

55. Before leaving this subject of the total finances needed for educational development and of the sources through which they can be raised, it would be desirable to remember the following:-

(a) The most important factors which have a bearing on the total quantum of resources that can be raised at any given time for educational purposes are two: the amount of national income per head of population and the strength of the national determination to educate itself. If education in India is ever to have the resources it needs, the national income per head of population will have to be at least doubled during the next 15 years and the process would have to be kept up for nearly a generation.

Secondly, the determination of the nation to educate itself would have to be deepened and strengthened and maintained at an intensive level throughout this period. If these things can be done, the problem of developing existing sources of educational finance or evolving new ones could be successfully tackled.

56. Some very difficult value judgements are involved in deciding the total quantum of educational expenditure which a country needs at a given moment in its history. In an affluent society, the resources available are plentiful and the problem

of choices is not very difficult. Moreover, the relationship between educational expenditure and economic growth is also clear - ^{each} supports the other. The problem, however, becomes considerably difficult and clouded in a developing country (and especially in the early critical stages before the economy reaches the 'take off' stage. The view is that the educational take off must precede the economic take-off and, therefore, it would be desirable to invest more in education than in the development of physical resources. On the other hand, there is also a view that, at this stage, it would be better to invest more in physical resources than in education on the ground that the educational take-off should follow, and not precede, the economic take-off. It is thus a difficult and a challenging task to decide the most beneficial policy of educational investment at this stage.

57. It may also be pointed ^{out} that not much valuable guidance can be had in this sector from international comparisons of experience. The expenditure which a country incurs on education depends upon -

- (1) its ability, i.e., the national income per head of population;
- (2) its awareness of the 'productivity' of education
- (3) its desire to acquire education even as a 'consumer good' and the relative priority which it accords to education vis-a-vis other consumer goods;
- (4) the claims of other heads, goals, or services urged upon the national resources, against which education will have to justify its own demands;
- (5) the national concepts of the types, quantum and quality of education to be provided which, in their turn, depend upon the political system, social organisation, programmes of economic development and cultural ideals of the people and
- (6) the capacity of the economy to absorb usefully the products of the educational system.

In each nation, all these six factors are combined in a unique manner peculiar to its own traditions and aspirations and suited to the genius of its people and the combination is never precisely the same in any other country or at different periods even in the same country. Each nation has, therefore, to find its own answer to this problem and to strive to modify it continuously to suit the changing conditions.

58. It is also necessary to remember that it is not the quantum of educational expenditure but the effectiveness of its utilisation that can do a greater good to a country. The second of these factors is far more important than the first. In fact, even in a developing economy the real limitations to educational advance are not so much financial in character as those of (a) non-availability of good teachers, (b) lack of proper motivation on the part of students; (c) non-availability of other physical resources needed; and (d) non-development of really worthwhile and useful educational programmes. These fundamental issues generally tend to be ignored and the obvious non-availability of adequate financial resources tends to get over-emphasised as an over-simplified solution of the problem. It should be noted, however, that if adequate attention is not paid to these factors, a larger investment in education can only lead to an increased wastage.

IV - Scholarships and Student Aid

59. The social expenditure and transfers in education generally take the form of assistance to students in the form of scholarships, free-studentships, and ancillary services. Of these, the problem of fees has already been discussed. We shall now discuss the other forms of social expenditure and transfers.

60. Scholarships: The provision of scholarships was extremely meagre even as late as in 1946-47 (it stood at Rs 2.2 million only in that year). One of the most remarkable developments in the post-independence period is the provision of a large programme of scholarships, especially at the third level of education. This will clearly be seen from the following statistics:

Year	Total expenditure on Scholarships (in 000s) Rs	Percentage to total educational expenditure
1950-51	34,456	3.0
1955-56	82,172	4.3
1960-61	200,222	5.8
1965-66 (Estimated)	385,000	7.0

61. At the end of the Second Five Year Plan, the general picture of the scholarships programme was as shown in Table No. 10 on the next page.

Table No.10: Scholarships Programme (1960-61)

Stage of Education.	1960-61						
	Total Amount spent on scholarships and stipends.	% to total expenditure on scholarships & stipends.	% to students receiving scholarships/stipends to total No. of students.			Average annual amount of scholarship stipend per student. P.	
			Boys	Girls	Total		
A. First Level Institutions							
1. Pre-primary Schools	991	N	N	N	N	20.4	
2. Primary Schools	28,31,273	2.2	0.6	0.4	0.6	19.5	
3. Middle Schools	77,76,533	6.0	2.1	0.9	1.7	43.5	
Total A.	1,06,08,787	8.2	1.0	0.5	0.9	32.7	
B. Second Level Institutions:							
4. High/Higher Sec. Schools	2,63,37,211	20.2	5.6	3.9	5.2	67.4	
5. Schools for Vocational and Tech. Education	3,31,69,174	25.5	30.5	27.3	29.9	276.7	
6. Schools for Special Edn.	20,36,735	1.6	1.6	0.4	1.3	90.1	
Total B.	6,15,43,120	47.3	6.0	4.2	5.6	115.4	
J. Third level Institutions							
7. University Teaching Depts.	58,71,197	4.5	16.29	11.08	15.63	312.0	
8. Research Institutions.	18,39,479	1.4	39.63	49.25	40.28	1547.1	
9. Colleges for General Edn.	2,72,48,399	21.0	15.15	9.45	14.08	279.8	
10. Colleges for Professional Education.	2,20,19,512	16.9	28.28	41.01	30.08	376.8	
11. Colleges for Spl. Edn.	8,80,358	0.7	21.76	5.69	15.25	223.1	
Total C.	5,78,58,945	44.5	18.15	14.24	17.45	335.8	
All Institutions. (A+B+J)	13,00,10,852	100.0				126.3	

N = Negligible.

Source: Ministry of Education, Form 'A'.

62. It will be seen that, by and large, the scholarship programme is very poor at the first level of education. At the second level, the programme in vocational and technical schools may be said to be satisfactory, but in schools of general education it is again very poor. The best programme we have been able to evolve so far is that at the third level of education.

In the third Plan, the scholarship programme has been extended still further, the main additions being three: (a) the National Scholarships Scheme under which the Government of India gives about 2,000 scholarships every year at the post-matriculation stage; (b) the Loan Scholarship Scheme which has the same purpose in view; and (c) the Merit Scholarships Scheme for children of primary and secondary teachers. The amount of scholarships given has also been increased.

63. With regard to the problem of scholarships, the following problems need consideration:

(a) There has to be a fairly large programme of scholarships at the middle school stage. This should cover about 2.5% of the enrolment. The amount of scholarship is too small at present and mainly covers tuition fees. It may even be called a 'free-studentship in cash' rather than a scholarship proper. The amount of these scholarships should be large enough, say Rs 50/- per month, to enable the student to join a good school and remain in a hostel. In this context, the scheme of Central Schools developed in Ceylon could be a good model for adoption.

(b) The main weakness of the existing programme ^{is} at the

* See Appendix I.

secondary stage and because of this weakness, a good deal of the talent available is eliminated at the secondary stage itself and we do not get proper return even for our fairly large programme of scholarships at the university stage. The development of a good scholarship programme at this stage should, therefore, be given high priority.

(c) The present scholarship programme in general secondary schools covers about 5% of the students. This proportion is satisfactory, but the main difficulty refers to the quantum of the scholarship (Rs 67.4) which is too low. As at the middle stage, it should be called a 'free-studentship in cash' rather than a scholarship proper. It is necessary to increase the amount of this scholarship also to Rs 70 per month so that the scholarship holder can join a good school and stay in a hostel.

(d) In the vocational and technical schools the existing scholarships programme covers about 30% of the children. (In some categories of schools like teacher training in certain States, it covers every student). This proportion is not bad. But, as in schools of general secondary education, the amount of the scholarship will have to be increased in many cases.

(e) In the higher secondary schools the scholarship programme will have to be more intensified. It should cover about 10% of the students and the amount of each scholarship should be Rs 60 p.m.

(f) In colleges of general education and in the universities, the existing programme of scholarships is small (except in research institutions and colleges of professional education) and the quantum of scholarship, except in research institutions, is not adequate. Both the number of scholarships as well as

their amount will have to be increased. It should be our objective to provide scholarships of Rs 75 p.m. to at least 20% of the students at the under-graduate stage and scholarships varying from Rs 150 to Rs 400 p.m. to about 50% of students at the post-graduate stage.

64. It may be said that, as a general rule, we should have two types of scholarships:

(i) Scholarships meant for students who are studying at an institution in their native place. The amount of these scholarships should be smaller and should cover tuition fees and other incidental expenses.

(ii) Scholarships meant for students who are required to go outside their native place and stay in a hostel; the amount of these scholarships should cover tuition fees, incidental expenditure and hostel charges.

65. The total cost of a scholarship programme on the above lines would be as follows:-

Table No.11 - Proposed Scholarship Programme (1980-81)

Stage	Anticipated enrolment (in 000s)	Percentage of students to be awarded scholarships	No. of scholarship holders (in 000s)	Amount of monthly scholarship (Rs)	Total Expenditure (in 000s)
Middle School Stage	46,097	2.5	1,152	50	691,455
High School stage	21,856	5.0	1,093	50	655,680
Higher Secondary stage	6,626	10.0	663	60	477,072
Undergraduate stage	3,442	20.0	683	75	619,560
Post-graduate stage	790	50.0	395	200	948,000
Total	78,811		3,991		3,391,767

For a total population of 694 millions, this would work out roughly at Rs 4.74 per head of population. On the basis of a total educational expenditure of Rs 45 per head of population, the expenditure on scholarships would be only about 10.5 per cent of the total educational expenditure.

60 There are a large number of problems regarding scholarships which need attention. The more important of these have been noted below:

HIGHER EDUCATION

(1) Scholarships for Scheduled Castes and Scheduled Tribes: A very large part of the Central Scholarship programme is related to the backward classes because at present every student of the scheduled castes and scheduled tribes who joins a college or a university gets a scholarship. The result obtained from this investment is not very happy and even today, it is not possible to fill up all posts reserved for the backward classes. The problem is being examined by the Working Group on the education of the backward classes. But decisions will have to be taken on the following points:-

(a) What further measures are needed to see that the scholarships are fully utilised and fully benefit these communities?

(b) These concessions were originally due to expire in 1960; but they have been extended to 1970. Are these concessions to continue further or are they to end at some stage? if so, when?

(c) It has been suggested that these concessions which are based on caste should be discontinued and replaced by similar concessions to economically backward classes, i.e. for children of all persons below a certain income level, irrespective of birth or caste, if they qualify for admissions to institutions of higher education. What concrete programme can be recommended

for the purpose?

(2) Multiple Agencies: There are too many agencies at the Central level awarding scholarships. This leads to overlap, waste, and not infrequently, there are more scholarships than research facilities available. It would indeed be a good thing if a single agency is set up at the Centre to look after all the programme of Central scholarships. This may be an independent National Scholarships Board or a Standing Committee of the UGC. There could be valid arguments in favour of both proposals; but the second would be preferable.

(3) Administrative Bottlenecks: There is a great delay in considering applications for scholarships; in sanctioning them and in making payments. The machinery for this purpose would have to be streamlined. It should be possible to devise a procedure under which the Universities (or Principals of affiliated colleges) where the students would be studying would be able to consider all applications, sanction them promptly, pay them and then claim reimbursement from the Centre. (This would apply, *mutatis mutandis*, to State scholarships also).

(4) Unhappy Restrictions: In several States, scholarships are generally given, not to students from the State, but to students studying in institutions within the State. Not infrequently, a condition is attached to the effect that a student receiving a scholarship shall study at an institution within the State. These restrictions are neither in the interests of the State nor of the student - and will have to be removed. A scholarship grant should have no strings attached about the place of study.

(5) Loan Scholarships: There is a keen controversy regarding the nature of scholarships. Some would like to have only loan scholarships in higher education. Others would have only scholarship grants; and some would like to operate both programmes simultaneously for different categories of students. The problem is very important. In this connection, two papers - one by Shri Pitambar Pant and the other by Dr. A. Daniere - have been circulated separately to assist the discussion.

(6) Earn and Learn Programmes. There are hardly any programmes of helping the students to earn and learn (or at least to reduce their expenses by working on a part-time basis). It may be desirable to evolve special programmes from this point of view. For instance, Universities may be assisted to set up productive enterprises which would provide an income to them and job opportunities (with work experience) to the students.

(7) Basis of Award: If all scholarships are given only on the basis of marks, the rural students and students from the lower classes of society would be at a serious disadvantage. Alternative methods of awarding scholarships, which will give a fair chance to native ability that is handicapped by environmental conditions, will have to be devised.

SCHOOL EDUCATION

(8) What has been said above applies, more or less, to the school stage also. (There would, however, be no loan scholarships here). By and large, the responsibility of providing scholarships at this stage will be that of the State Government.

to create, at this stage also, an efficient and adequate machinery, within the Education Departments, to deal with the large-scale programme of scholarships visualised here. This should take the form of a special unit in the office of the Director of Education to lay down policies and methods of selection and generally to coordinate the work at the District level supplemented by effective executive units at the direct level for selection of students and their placement, for payment of scholarships and for a general supervision over their progress. In an average district with a million of population, the number of scholarships at the school stage would be about 4,150 while the number of aspirants for them would be about 50,000. This is big enough work for a small but efficient expert unit at the district level.

67. Free Supply of Text-books and Writing Materials: Another very important programme of student aid is to provide every student with a set of good text-books. This will involve problems of producing high quality text-books at reasonable prices and making them available to all students in adequate numbers and in good time. These would be discussed separately. What is relevant here is the proposal that the State should assume full responsibility to see that every student is given a set of text-books, free of charge, right on the day he enters a higher class. The present position in this regard is far from happy; large numbers of students do not have all the text-books; and

very few of them get them at the beginning of the school year. This single reform, therefore, can make a far greater contribution to qualitative improvement, per rupee of investment, than any other programme one can think of and hence it deserves to be taken up on a high priority basis.

68. This is not a costly programme by any standards; and its costs could be cut down very considerably by such devices as the following:-

- (1) At the primary stage, and especially in classes I and II, the text-books could be provided to all children but kept in the school to ensure longer life;
- (2) In secondary schools and colleges, cooperative book-banks could be established and through them, text-books could be made available to all students, either free of charge, or at a nominal price;
- (3) Students could be trained to use text-books carefully and return them so that each set of books would be used by three or four successive batches of students.
- (4) In secondary schools and colleges, text-book libraries of adequate size could be built up to cater to the needs of all students and kept open all the year round and from 8 a.m. to 10 p.m. every day; and at the post-graduate stage it would be desirable to provide a set of basic books and essential readings to each student.

In view of its great importance, this programme has been fully provided for even in the lowest of the assumptions made regarding total educational expenditure to be reached by 1980-81.

69. School Meals and Health Services: School meals and Health Services for students form an important ancillary service and will contribute materially to the well-being of students and to the qualitative improvement of education. The need for these services is universally accepted. But the main problem to be discussed from the financial point of view is that of the priority, to be accorded to them.

- (a) At the primary stage, the provision of free school meals, free health services and free uniforms can be the greatest force for creating equality of educational opportunity and for creating the new social order visualised in the Constitution, specially if the standard of education in public primary schools is substantially raised, and all the children are required to attend the common schools during this impressionable period of their life. But this involves an immense increase in the cost per pupil and in the total investment in primary education - an investment which would distort priorities in other sectors - and which may well prove to be beyond the physical and financial resources of the country. For instance, it has been shown in Monograph III that a programme of primary education prepared on the above lines would cost about Rs. 30 per head of population per year, while the total educational investment over the next three Plans may not exceed Rs. 45 (or even Rs. 35) per annum per head of population. What is needed, therefore, is some alternative programme which can be

implemented within the resources available. From this point of view, it is suggested that the minimum target to be reached in these sectors is to provide these services to at least 20-30 per cent of the pupils and to give their benefit to those who stand most in need of it - children in the urban slums, underprivileged children in rural areas, children of the poorer classes like the scheduled castes, scheduled tribes, and landless agricultural labourers.

(b) At the secondary and college stages also, a great revolution in education can take place if the working day can be made long - about eight hours. It could begin early, say at about 9 a.m. and go on to about 5 p.m. There should be fairly long breaks in between when the students can read, work at hobbies, or play - the actual learning time not being more than 4 hours. The students and the teachers should be provided a meal on the campus at reasonable prices and the cafeteria system (including even clearing one's dishes) should be adopted to cut down costs. The poor students should be subsidized - in fact a regular scholarships programme could be operated for this. It is true that a hundred per cent coverage will not be possible for this programme in the near future. But it should be our policy to make a substantial beginning with about 5 per cent of the students and gradually to expand it to cover at least 30-50 per cent of the students.

70. The provision of health services to students at all stages of education and to teachers has to be given a fairly high priority and they have to be developed as an integral part of the health services to be provided to the community.

Very little has been done so far about them; and they will, therefore, have to figure more prominently in the developmental plans during the next fifteen years.

71. Hostels and Day-Study Centres: Hostels, day boardings and day-study centres have to be encouraged liberally during the next three plans, the target being to provide hostel facilities to about 3-4 p.c. of the students at the secondary stage, to 25 p.c. of the students at the under-graduate stage and 50% of the students at the post-graduate stage. Day-study centres should be provided to at least 25 p.c. of the students at the university stage. All these problems of ancillary services and student aid are under the consideration of the Task Force on Student Welfare.

V. PRIORITIES:

72. The problem of priorities has three aspects:-
- (a) Priority for education vis-a-vis other social services and investments and particularly with reference to food and health which are also essential for human resource development.
 - (b) Priority for a given sector or stage of education vis-a-vis other sectors or stages of education (e.g. primary vs. post-graduate education, general secondary vs. secondary technical education, etc.)
 - (c) Priority for different programmes within a given stage or sector of education (e.g., in primary education, the relative priorities for improvement of salaries of teachers, provision of school meals, school buildings, etc.)

73. On the first of these issues, the old view that education is merely consumer expenditure is no longer held, thanks to science and technology which have related education to productivity. It is now universally agreed that education is not 'expenditure' so much as 'investment in human resources' and that this investment - the 'residual factor' - which creates a better and more efficient worker - plays an extremely vital role in economic growth. All over the world, therefore, education is being given an increasingly higher priority vis-a-vis other forms of investment, specially since the Second World War. It now ranks third among objects of public expenditure - the first two places going to defence and communications (in Soviet Russia, education now ranks first, even above defence). In the typical Indian situation, production of food (and the programme of family planning which should go with it) will have to be given the highest priority and the nation must become self-sufficient (and even surplus if possible) with regard to food within the near future as the basic condition of its survival. Then would come defence and development of industries following by education and health. On these assumptions, some targets to be suggested for planning may be stated as follows:-

(a) As stated earlier, the target for economic growth should be to double the national income per capita in a period of about 15 years.

(b) The level of public taxation (which is about 12 p.c. of the national income now) and which is proposed to be raised to 17 p.c. of the national income at the end of the Fourth Plan) should be raised to about 24 p.c. by 1980-81. (This will also imply that about 40 p.c. of the national income would be available for planning in the public sector through the addition of non-tax revenues).

(c) The public expenditure on education should be at least one-sixth of the total tax-revenue and may even be raised to one-fifth or one-fourth. In other words, the total public expenditure on education should be at least 16 p.c. and if possible 20 p.c. (or even 24 p.c.) of the total public revenues, as against about 11 p.c. at present.

(d) Every step should be taken to stimulate private expenditure on education: the target should be to maintain the ratio between public and private expenditure at the 80:20 level (which obtains at present). Under any circumstances, it should not be allowed to fall below 85:15.

74. On the second and third issues (which may be considered together) i.e., the relative priority between different educational programmes, the problems become very difficult and complicated. To begin with, there is no possibility of excluding any

but a few marginal programmes. For instance, one cannot say that all higher education can wait until universal primary education can be provided. Education will have to be planned as an integrated whole and all sectors will have to be attended to and advanced simultaneously. In other words, the problem of priorities is mainly a problem of 'emphasis' rather than of 'exclusion'. Secondly, the relative priorities will vary from area to area. In Kerala, for instance, where more than 80 p.c. of the children in the age-group 6-14 are already enrolled, the priority for primary education will be very different than that in Rajasthan where such enrolment is less than 40 p.c. The same argument will apply to a number of other programmes also.

75. The manner in which the total available resources were allocated to the different stages of education in the first three Five-Year Plans is given in the table on the next page:-

TABLE NO: 12 EDUCATIONAL EXPENDITURE BY OBJECTS
(Rs. in 000's)

Objects	1946-47	1950-51	1955-56	1960-61	1965-66
<u>DIRECT EXPENDITURE</u>					
1. Pre-Primary Schools	N.A. -	11,98 (0.1)	24,99 (0.1)	58,73 (0.2)	1,00,00 (0.2)
2. Primary Schools	18,48,67 (32.6)	36,48,43 (31.9)	53,72,72 (28.3)	73,44,61 (21.3)	1,12,00,00 (20.4)
3. Middle Schools	4,80,29 (8.5)	7,69,90 (6.7)	15,40,50 (8.1)	42,92,20 (12.5)	65,50,00 (11.9)
4. High/Higher Secondary Schools	12,22,59 (21.5)	23,04,50 (20.1)	37,61,44 (19.8)	68,91,17 (20.0)	1,08,00,00 (19.6)
5. Schools for Vocational and Technical Edn.	N.A. N.A.	3,69,43 (3.2)	5,45,08 (2.8)	11,40,91 (3.3)	23,00,00 (4.2)
6. Universities Research Insts. and Boards	2,39,50 (4.2)	6,06,47 (5.3)	10,69,49 (5.7)	19,25,08 (5.6)	35,00,00 (6.4)
7. Colleges for Arts and Science	4,39,15 (7.7)	7,17,14 (6.3)	11,64,74 (6.1)	20,91,53 (6.1)	30,00,00 (5.4)
8. Colleges for Professional Edn.	1,86,59* (3.3)	4,21,93 (3.7)	7,00,08 (3.6)	15,80,41 (4.6)	32,00,00 (5.8)
9. Schools and Colleges for Special Edn.	2,55,56@ (4.5)	2,55,59 (2.2)	3,01,64 (1.6)	4,11,22 (1.2)	5,50,00 (1.0)
10. Total Direct Exp.	46,72,35 (82.3)	91,05,39 (79.6)	1,44,80,69 (76.4)	57,35,88 (74.7)	4,12,00,00 (74.9)
<u>INDIRECT EXPENDITURE</u>					
11. Direction and Inspection	1,82,38 (3.2)	2,73,64 (2.4)	4,00,06 (2.1)	7,01,23 (2.0)	10,45,00 (1.9)
12. Buildings	2,84,53 (5.0)	9,92,70 (8.7)	19,63,58 (10.4)	42,81,58 (12.4)	61,05,00 (11.1)
13. Scholarships, stipends and other financial Concessions.	% -	3,44,56 (3.0)	8,21,72 (4.3)	20,02,22 (5.8)	38,50,00 (7.0)
14. Hostel Charges		1,82,64 (1.6)	2,66,10 (1.4)	4,31,49 (1.3)	8,75,00 (1.3)
15. Miscellaneous	5,36,58+ (9.5)	5,39,28 (4.7)	10,33,96 (5.5)	12,85,62 (3.7)	19,25,00 (3.5)
16. Total Indirect Expenditure	10,03,48 (17.7)	23,32,82 (20.4)	44,85,42 (23.6)	87,02,14 (25.3)	1,38,00,00 (25.1)
17. Grand Total	56,75,83 (100.0)	1,14,38,22 (100.0)	1,89,66,10 (100.0)	3,44,38,01 (100.0)	5,50,00,00 (100.0)

* Includes expenditure on Special Colleges also.

@ Excludes expenditure on Special Colleges.

% Included in Miscellaneous.

+ Includes expenditure on Scholarships etc.

(Figures in parenthesis show percentages to total direct)

Source: Ministry of Education, Form 'A'.

76. Even with the limitations specified in paragraph 74 above, the following important questions relating to priorities will have to be faced and answered:-

(1) What is the priority to be accorded to the programme of improving teachers' salaries? Except at the university stage, this problem has not been adequately attended to in the first three Plans, and the primary teachers continue to be the worst paid group.

What should be the broad principles on which the salaries of teachers will have to be reorganised?

What is likely to be the effect of the new theory that the programmes of improving the salaries of teachers should be treated as 'non-plan'?

In monograph III, the scale of remuneration to teachers has been assumed on the following principles:

(1) the ratio of the lowest to highest salaries in education (i.e., average salaries of pre-primary or primary teachers as compared to those at the post-graduate stage) should be 1:4; and (2) the lowest starting salary of a primary teacher should be Rs. 120 and that it should rise to Rs. 240 with a selection grade (for 15 per cent) rising still further to Rs. 300. Unless this programme is given a very high priority, the 'feed-back' process (i.e. to feed a certain proportion of our best young persons coming out of the educational system every year back into

the teaching profession) will not operate, the morale of the teachers (which is now at its lowest level) will not be adequately raised and the quality of education (which is so crucial at this juncture) will not rise. Any decision to regard this fundamental programme as 'non-plan' will be tantamount to ignoring it.

(2) What is really the priority to be accorded to 'school buildings'? We now allocate about 12.0 per cent of the total educational expenditure to this object (or about Rupee one per head of population). Most of this expenditure is increased at the third level of education. Is it really worthwhile to give this priority to buildings? Or, can we not cut down building costs radically and spend less on this object?

(3) What is the priority to be given to programmes of adult education, including the liquidation of mass illiteracy? This has been neglected so far with almost disastrous consequences.

(4) What is the priority to be given to primary education (vis-a-vis secondary and higher education) and what proportion of the total educational expenditure should be allocated to it? In other words, when and through what programmes or stages should the directive principle of Article 45 of the Constitution be implemented?

(5) What priority should be accorded to the programmes of post-graduate education and research?

(6) What priority should be accorded to different programmes of qualitative improvement (which have

been neglected so far) vis-a-vis those of quantitative expansion?

(7) What priority should be given to the following programmes:-

- (a) identification and development of talent;
- (b) scholarships;
- (c) free supply of textbooks;
- (d) provision of school meals and health services; and
- (e) free uniforms?

77. Some indications of the possible answers to these questions are given in Monograph III where three alternative assumptions of total educational expenditure to be reached by 1980-81 are discussed and incidentally in some of earlier monographs. What can be emphasized at this point is that these and other similar problems of priority are educational rather than financial so that the decisions on them would have to be made by the Task Forces concerned rather than by the Task Force on Educational Finance. However, relying largely on financial considerations, the following suggestions for priorities can be made:-

(1) The existing system of education is highly wasteful and the topmost priority has to be given to the programmes calculated to reduce this wastage.

(2) The core of all future educational development should be the following:-

- (a) At the first level of education, liquidation

of mass illiteracy and provision of free and universal education of four or five years for all children in the age-group 6-9 (or 6-10);

(b) At the second and third level of education, training of all personnel needed for the proper economic development of the country particularly in the field of agriculture at second level of education.

(c) A well-organised scholarship programme which will build up a ladder 'from the gutter to the university'; this should include, not only a programme of scholarships but also the maintenance of a few quality institutions at all levels.

(3) A concentration of effort on the qualitative improvement and building up the morale and efficiency of teachers.

78. The search for priorities is the basic issue in educational planning which is the science and art of utilizing scarce resources to optimum benefit by examining the alternative ends to which they could be allocated. A concentration on this exercise, in consultation with the other Task Forces, is the main responsibility of the Task Force on Educational Finance during the next three months.

VI - Grant-in-Aid

79. There are five important agencies that participate in the provision of the needed educational facilities and in building up the national system of

education:-

- (a) Central Government;
- (b) State Governments;
- (c) Local Governments;
- (d) Universities; and
- (e) Voluntary organizations.

As it happens, the allocation of functions to each of these agencies is made on one set of principles, i.e., each agency should be assigned those functions which it can perform best. On the other hand, the financial resources are allocated to each agency on quite another set of principles. Consequently, it so happens that, at all levels except that of the Central Government, the financial resources available for each agency are far too inadequate to enable it to discharge its responsibilities satisfactorily. Therefore, the basic objective of a grant-in-aid policy is to pass on funds from the higher to the lower levels in such a way that each agency has adequate resources to discharge its responsibilities. Moreover, the grant-in-aid system should be so organised that the following additional ends would also be secured:-

- (a) Each agency will have the necessary incentives to raise its own resources which would be stimulated to the utmost;
- (b) Adequate devices are introduced to ensure that each agency has every incentive to economise and avoid wasteful expenditure; and

(c) an overall coordinated national policy of educational development is maintained.

80. Central-State Relationships: The first problem to be discussed is that of Central-State relationship in education. Here the existing position is as follows:-

(a) Education is a State responsibility and the bulk of the educational expenditure is incurred by the States. The Centre on the one hand and the local governments, universities and voluntary bodies on the other, raise only a comparatively small part of the resources needed to support education.

(b) Educational expenditure incurred by the States is divided into Plan and Non-Plan. The Non-Plan or committed expenditure is the level of educational expenditure reached at the end of each Plan; and Plan expenditure is the developmental educational expenditure during the subsequent plan period.

(c) There is no specific aid for non-plan expenditure. At the end of each Plan, the Finance Commission transfers adequate resources to each State under (1) a share in income tax, (2) a share in excises, and (c) lump-sum grant-in-aid which, taken together, would enable it to meet its liabilities.

(d) For all Plan expenditure, a grant-in-aid from the Centre is given on certain principles which vary from plan to plan. At present, the Centre assists the States for educational development in the following three ways:-

(i) Certain educational functions are performed direct by the Centre (e.g. CSIR, NCERT, UGC, Central Universities,

Central Secondary Schools, National Scholarships, etc).

These may be called the Central Sector.

(ii) Certain functions are planned (in consultation with the States) and also wholly financed by the Centre but implemented by the States. These vary from plan to plan. They may be called the Centrally-sponsored sector.

(iii) Most of the educational functions are planned, implemented and largely financed by the States. These may be called the State-sector. It is to this sector that the Centre gives a grant-in-aid at present. The Central grants, whether under the Centrally-sponsored sector or under the State sector, are for a period of five years only. Then they become committed expenditure and are looked after by the next Finance Commission.

81. Proposals for Reform: On what lines should the reform of the Central grant-in-aid to the States for educational purposes be undertaken? There are a number of alternative proposals in this regard which need close attention. By way of illustrating the principles involved, four are given below:-

82. One view is that there should be no grant-in-aid as such between the Centre and the States, but periodical reallocation of revenues for over-all general purposes.

That is to say, the Centre should share some of its revenues with the States on certain agreed principles

*For a detailed study of the existing system of grant-in-aid from the Centre to the States, please see Monograph V of the Task Force on Educational Finance.

which may be broadly determined once in five years, subject to marginal adjustments on the basis of interim annual reviews. Under such a system, the Centre would make block grants to States for overall general purposes and they would not be tied to any specific programmes. Moreover, the Centrally-sponsored sector should be abolished and the Central sector restricted to the minimum possible. The advantages of such a system which is strongly biased in favour of the sovereignty of the States for freedom of planning at the State level are obvious. Its principal disadvantage is that the Centre would be in a very weak position to put across any national programmes of education or to contribute significantly to the evolution of a national system of education.

83. In the second proposal, it is also assumed that there would be no educational grants-in-aid from the Centre to the States. But the result is proposed to be achieved in quite a different way. It is suggested that all the educational functions should be divided into two water-tight groups: Central and State. The Central functions should be wholly planned and financed by the Centre while the State functions would be the sole responsibility* of the States. (This does not rule out the possibility of the Centre financing certain

*A detailed paper on this subject is being prepared by Shri R.A. Gopaldaswami.

programmes on a 100 per cent basis but implementing them through the agency of the States). In short, the proposal is to expand the Central and Centrally-sponsored sectors and to abolish the Central grants to the State sector (which are now given for Plan expenditure only).

84. The third proposal is distinguished from the first two in so far as it accepts the existing system of grant-in-aid as fairly satisfactory and equitable and proposes some modifications thereof in the larger interests of education. This proposal may be outlined as follows:-

(i) The Central expenditure on education should be increased very substantially;

(ii) The Central and the Centrally-sponsored sectors should be largely expanded; and there should be earmarked central grants for certain selected programmes.*

(iii) The central grants-in-aid to the State sector in the development plan for education should be continued and liberalised.

85. The fourth proposal is radical in the sense that it cuts right across the existing system. Under it, the distinction between Plan and Non-Plan educational

*For an exercise to show how this could be spelt out in detail for general education, see Monograph VI of the Task Force on Educational Finance.

expenditure would be abolished and the entire educational expenditure of a State should be treated as one unit. The Centre would have its own programme, i.e., the Central sector would continue to exist and be even expanded; the Centrally-sponsored sector would be abolished; and the Centre would aid the State Sector of education as a whole (Plan and Non-Plan together) on some basis of equalisation or would assist selected programmes (e.g. free and compulsory education for all children up to 14 years) on a similar basis. A number of alternatives are possible here:-

(a) For instance, let us assume that it is decided to assist secondary education which would be in the State sector. The Central aid could then be given in some such ways:-

- (i) The Centre could bear a prescribed percentage of total State expenditure on secondary education (Plan and Non-Plan); or
- (ii) The Centre could bear a prescribed percentage of the total expenditure on selected programmes such as teacher-preparation, vocationalisation; maintenance of quality schools; etc.

(b) If it is decided to assist primary education only, the Central aid could be based upon the principle of equalisation and be related to the total expenditure (Plan and Non-Plan) of the States for primary education.*

*For details, see Monograph VII of the Task Force on Educational Finance.

(c) On the other hand, if it is decided to adopt both primary and secondary education, we may adopt the Japanese model as follows:-

(i) The Centre gives an aid to States, on a basis of a national scale of pay and an agreed pupil-teacher ratio, fifty per cent of the total expenditure incurred on salaries of teachers.

(ii) All non-teacher costs are met by local governments who are assisted by the State Governments on a fifty-fifty basis.

In other words, if teacher costs are 70 per cent of the total, the Centre bears 35 per cent of the expenditure on school education, the State bears 50 per cent and the local bodies bear 15 per cent.

(The idea of fifty per cent is to be taken as the overall figure. Subject to it, the actual aid could be made to vary from State to State on the basis of equalisation).

86. The essential differences between the Central aid to States under this formula and proposal (c) above or the existing position are two:-

(i) The aid under this formula is for all expenditure - Plan and Non-Plan - and not only for Plan as at present; and

(ii) This aid is for all time and not for five years only as at present.

87. The Task Force should examine all such different alternatives and decide upon a course which would be in the best interests of education.

88. Grants to Universities: Another important problem relates to grants-in-aid to universities. At present, these grants are given from two sources: (1) the UGC and (2) the State Governments.

89. In so far as the Central Universities are concerned, they get all their grants from the UGC which gives its awards annually on the basis of proposals submitted and the availability of resources. The system is working quite satisfactorily and no change is needed.

90. In so far as State Universities are concerned, a number of difficulties are met with at present. For instance, the following problems arise in respect of UGC grants :-

(a) The UGC grants to the State Universities can only be 'developmental'. They are in practice limited to a period of five years and thereafter the expenditure becomes committed and the State is expected to take it over.

(b) The State has to provide a certain matching share to almost all the grants of UGC. This creates a number of problems. The negotiations with the States take a long time; very often, the State share is not forthcoming, either because of local politics or because the State is unwilling to take over the committed expenditure involved.

(c) In theory, it is assumed that the committed expenditure of the universities will be automatically, taken over by the States who, in their turn, would get reimbursement from the Centre under the awards of the

successive Finance Commissions. But this does not always happen.

(d) Because the grants are for a period of five years only, there is a tendency to receive grants for non-recurring purposes like buildings rather than for recurring purposes like teachers' salaries.

91. In so far as State grants to Universities* are concerned, a number of problems are involved. For instance :-

(a) Reference has already been made to the difficulty of getting matching share for UGC grants;

(b) The quantum of grants is meagre and does not increase rapidly enough; and

(c) some States insist on approving university budgets annually which creates a number of administrative and other problems.

92. To overcome these difficulties, the following are some of the proposals put forward :-

(a) The most radical proposal is to amend the UGC Act to empower it to give maintenance grants to all the State universities also and to place all universities in the same relationship to UGC as the Central universities are at present. This will also imply that :-

(i) If the States set up new universities without the approval of the Centre, they will not get a grant from the UGC and that

*A separate paper is being prepared on the subject.

(ii) all expenditure on university education would be the exclusive responsibility of the Centre.

(b) An alternative and less radical proposal is that the UGC Act should be amended to enable the UGC to make maintenance grants to State universities or their Departments on a selective basis. In other words, while the existing system of UGC grants to State universities will continue, it should be possible to give maintenance grants to selected programmes of universities for longer periods, say, 10 to 20 years, or even on a permanent basis. Similarly, it would be possible to develop the concept of a Central University in each State.

Obviously, (b) is a better alternative.

93. With regard to State grants to universities, the following proposals are put forward :-

(a) The UGC grants to State universities during the Plan periods should be on a 100 p.c. basis so that the difficulties experienced in obtaining the State share are surmounted. (This is opposed by the States on the ground that they will be called upon to take over a committed expenditure which was incurred without consulting them. This objection can, however, be overcome by devising a quick machinery for consultation).

(b) The States should not be required to take the committed expenditure all at once. Such transfer of liability should be spread over a period of five years

and properly phased (e.g. 1st year - 30%; 2nd year - 40%; 3rd year - 60%; 4th year - 80% and 5th year - 100%);

(c) The State grants to universities should not be annual, but should be based upon the following principles :-

(i) The State should give a block grant to the universities for all their committed expenditure. This block grant should be fixed every five years on the basis of committed expenditure actually reached at the time of fixation, after making due allowance for the likely increase in such expenditure over the next five years. It would be very convenient to fix these block grants at the time of the Finance Commission awards.

(ii) All developmental expenditure during the quinquennium should be aided by the UGC on a 100% basis.

It appears that (c) would be a good solution.

94. There is also a suggestion that there should be State University Grants Commissions (at the State level) and that all UGC grants should be channelled through it. The problem has positive and negative aspects. Probably, the negative aspects are stronger.

95. Grants-in-Aid to Local Governments and to Voluntary Organizations : Both these important problems are now under the consideration of the Task Force on Educational Administration at present. At a later stage, they will be discussed with the Task Force on Educational Finance.

VII. FINANCIAL ADMINISTRATION

96. The problems of financial administration are important and, by and large, have not received adequate attention so far. Some of the more important of these have been noted below :-

(a) Annual Reviews on Central Grants to States:

There is no machinery at present to watch over the utilisation of Central grants to States for educational purposes, except a purely financial control exercised by the AGCR. What is needed is a regular annual review of the utilisation of Central grants for education which should be both educational and financial in scope. The educational part of it should be done by high level officers who should study the operation of the scheme on the spot and submit a report thereon. Such reviews would be of great help in raising efficiency.

(b) Other Grants: Similar reviews are needed for UCC grants to universities and State grants to local bodies and voluntary organisations. These functions are being performed fairly adequately at present. There is, however, scope for an overall review of existing practices and introducing some changes.

(c) Relationship between the Education and Finance Departments: Another source of friction and delay is the very minute control exercised by the State Finance Departments over the day-to-day work of the Education Department. (This is of course true of all other

Departments as well). Suggestions have been made to the effect that there should be a wider delegation of powers to the Education Departments and that the Finance Departments should exercise only a 'bulk control' where major policy questions are involved. This is an area where fresh thinking is very badly needed.

VIII. FULL UTILIZATION OF THE INVESTMENT IN EDUCATION

97. This brings us to the last, and probably the most important, point. What matters for educational progress is not so much the quantum of total educational expenditure, but the extent of its utilisation. Hardly any illustration is needed to prove this point, but the following facts may be mentioned :-

(i) There are several institutions at every stage of education where standards are good but the cost per student is not higher (or may even be lower) than in several other institutions of the same type where the standards are admittedly poorer.

(ii) A State like Kerala spend less on education per head of population than another State, say, Maharashtra, but, by and large, education in Kerala is better than in Maharashtra.

(iii) If two countries where the total educational expenditure is nearly equal are compared, it is often noticed that there is a wide range of variability in the quality and quantity of education provided. Moreover, it is

not always true that a State which spends more on education is necessarily better educated.

98. It, therefore, follows that while costs generally go up in an effort to develop education, it is not true that an increase in educational expenditure will automatically lead to an improvement of quality or to proportionate expansion or to better utilisation. In fact, it might even lead to a greater wastage. Similarly, while it is true that an improvement in educational programmes generally needs a larger financial investment, far better results are secured by the intangible factors which do not depend upon money such as presence of dedicated teachers, better student motivation, or better community cooperation at an equal or even lower level of costs. An emphasis on mere financial aspects of educational development is, therefore, unwise even in an affluent economy; and it is not at all advisable to do so in a developing country where the financial resources should not be proportional to the needs. In a situation like that of India, one would be well advised to emphasise the 'human' rather than merely the 'financial' factors and the concept of utilisation or efficiency rather than that of mere increased inputs in educational development. It must be noted that the only chance which the developing countries have to even up with the advanced ones is through better utilisation or higher level of efficiency so that every rupee of the input brings in the highest return to the society.

99. What are the factors which would lead to a better utilisation of the investment in education? The following may be mentioned in this context :-

(a) Creating a climate of hard work and proper motivation among teachers and students**;

(b) linking the schools closely with the life of the community; **

(c) concentrating on the establishment of institutions of optimum size at all levels and in all sectors and eliminating small and uneconomic institutions;

(d) adopting the necessary measures to reduce wastage at all stages and in all sectors;

(e) concentrating on the preparation of competent & dedicated teachers ;

(f) providing for proper attention to the needs and £ growth of the students ;

(g) adopting techniques and methods which would lead to a more intensive utilisation of the resources available ; and

(h) providing better organisational structure, improved supervision, and adequate machinery for evaluation.

* This has been discussed separately in Discussion Paper No. III.

** A separate paper is being prepared on this subject.

& This problem is being considered by the Task Force on Teachers.

£ This has been discussed briefly a little earlier in Section . The subject is under the consideration of the Task Force on Student Welfare.

@ The problem is being considered by the Task Force on Methods and Techniques.

100. One or two illustrations may be given to clarify this concept of emphasising the human factor or 'effort' in preference to 'investment' or a mere increase in the financial input. The first is the idea of organising a nation-wide school improvement programme with the help of the inspecting officers, teachers, and the local communities. Each school should be required to prepare a developmental programme for itself and implement it with the cooperation of teachers, students and parents and with the help of such resources as could be mobilised locally (inclusive of such assistance from the State as can be normally obtained).

101. The basic assumptions of this movement (which are relevant to the point under discussion) may be briefly stated as follows :

(1) The main spring of the qualitative improvement of education lies in the will and effort of the people concerned with the programme of instruction; parents or the school community, teachers, administrative and supervisory personnel, and students. An intelligently planned and concerted action on the part of these human agencies, continuously maintained over a sufficiently long period, will secure greater improvement in quality than any financial investment, however large, can ever hope to do. The basis of this movement should, therefore, be to motivate these human agencies to put in their best efforts, in a coordinated manner, for the improvement of education and to maintain the tempo of action so

generated over a fairly long period, say, the next three plans.

(2) Every educational institution, even within its existing resources, limited as they may be, can do a great deal to improve the quality of education it provides, through better planning and harder work. This does not mean that no attempt is to be made to improve the physical resources available to the institution. In fact, one of the primary objectives of the movement would be to try to provide better physical and financial resources to educational institutions through the combined efforts of the State and the community. But what is emphasised is the possibility of improving the educational programmes through better planning and harder work, in spite of the deficiencies in physical and financial resources.

(3) To obtain the best results in the improvement programme, it is essential to regard each institution as a unit, complete in itself, and to prepare a fairly long-range programme for its development, through the concerted thinking of the parents, teachers and the Department with the specific objective of providing the best possible programme of education to each child enrolled.

(4) The secret of the success of the improvement programme lies in two things: (a) intelligent planning and (b) continuity of effort which should animate all activities, day after day, and year after year.

(5) In a situation of the type which we now have in India, where human resources are far more plentiful than the financial ones, only those programmes can hope to succeed which emphasise the use of physical resources and stress the achievements of the human factors through harder, well-planned and continuous effort. So far, the basic approach in programme of qualitative improvement has stressed the provision of physical facilities rather than the operation of the human factors. The improvement programme aims to reverse this process, and to stress the role which the sum total of the combined efforts of teachers, supervisors, parents and students themselves can make to qualitative improvement of education.

102. Another interesting illustration would be to divide the educational programmes into two categories: (1) those that need talent, good organisation and hard-work rather than money and (2) those that mainly require money. Examples of 'money' programmes are (1) construction of buildings; (2) providing a general increase in the salaries of all existing teachers, (3) appointment of additional staff, (4) providing better equipment and Laboratory and Library facilities, etc. On the other hand, programmes which can have a great impact on quality and which need talent, organisation and hard work will include (1) research, (2) preparation of textbooks, (3) production of literature in the modern Indian

languages, (4) in-service training programmes, (5) supply of textbooks to students, etc. Of these two types of programmes, those which need talent, organisation and hard-work have a greater impact on quality and are more important than those which cost money. But we generally emphasise, not the first, but the second because, as Dr. Kothari observed, it is much easier to spend money than thought, especially if it is someone else's money. Consequently, the standards of education have remained comparatively poor in spite of large investments in financial terms. This mistake of the past will now have to be rectified.

103. The point need not be laboured further. It is obvious that the best policy for India to follow is to put in her best 'effort' for the development of two types: (1) to invest more funds, and (2) to stimulate the human factors more intensively. While both these factors have to be pursued simultaneously, far greater emphasis will have to be placed on the second than on the first.

APPENDIX I

CENTRAL SCHOOLS OF CEYLON

The Government of Ceylon has recently undertaken a scheme of Central Schools. The main idea underlying this programme is to establish, in each electoral district, a good secondary school with residential facilities. Admissions to these schools are made strictly on the basis of merit and the best students in the area served by the school are selected. They are thus given a chance to receive good secondary education irrespective of the economic capacity of their parents.

The number in each school is about 100 - 50 boys and 50 girls.

The standards maintained in these institutions are much better than those in the ordinary secondary schools though they are far below those in the Public Schools.