CESS-RSEPPG Research Brief #3

Expenditure on Higher Education in India

Contributions of Public (Centre and State Governments) and Private (Households)

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Research Cell on Education (RSEPPG) Centre for Economic and Social Studies (ICSSR, Ministry of Education, Government of India)

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Expenditure on Higher Education in India: Contributions of Public (Centre and State Governments) and Private (Households)

Venkatanarayana Motkuri and E. Revathi#

Abstract

The present note examined and analysed the trend in expenditure on higher education in India. It also reflected on the private expenditure on higher education in the country. It is observed that while nearly 4% of GDP is the total public expenditure on education in general, public expenditure on higher education constitutes 1% of GDP. Education in general, accounts for less than 20% of total budget expenditure in India, whereas the higher education forms around 5%. The share of higher education in the total expenditure on education is around 30%. While Centre spends nearly 35% to 40% of its education expenditure on higher education, states spend less than 30%. Share of Centre in total expenditure on higher education increased more than its share in total expenditure on education. Most of the Centre's expenditure on higher education is spent for Central Institutions and as a result very meagre funds are provided towards 'transfers to states'. Increasing privatisation of higher education has implications for growing private expenditure and for further expansion of higher education.

Key Words: Education, Higher Education, India, Expenditure on Higher Education.

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I Context

The base of higher education in India is increasingly expanding from a narrow selective base of elite to more broad-based encompassing all segments of population. In the context of emerging knowledge-based societies and economies across the globe, labour markets and human resources and their capacities needed to be strengthened. In this regard, higher education in India needed to be further expanded without compromising the quality. Public good nature of education in general and merit good nature of higher education in particular desires the public education through state investment. The non-fulfilment of public education system owing to funding crunch and governance, privatisation and growing private expenditure on education have become a cause of concern. The quality of education and employability of graduates is another major challenge to be addressed by higher education in India. The recent National Education Policy (NEP) 2020 although drawn attention on expansion and quality of higher education, has not delineated any mechanism to address commercialisation, and also the challenges of public funding of higher education.

In this backdrop, the present note examines and analyses the trends in expenditure on higher education in India. The analysis covers both the public and private expenditure on higher education. It also assesses the contributions of Centre (Union Govt.) and state government within the public expenditure. The analysis is based on the public expenditure as it is compiled by the Ministry of Education, Government of India. For private expenditure on education it is based on

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the estimates of NSSO in various rounds of surveys that focussed on Social Consumption on Education (NSSO-SCE).

II Public Expenditure on Higher Education

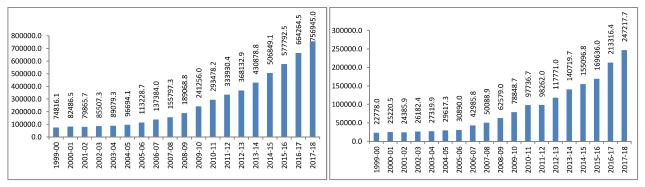
Level of Public Expenditure on Higher Education

A manifold increase during the last two decades can be observed in total public expenditure on education in general and higher education in particular (Figure 1a and 1b). While the total expenditure on education increased manifold from Rs. 74816 crores in 1999-2000 to Rs. 756945 crores in 2017-18, the expenditure on higher education increased from Rs. 22778 crores to Rs. 247217 crores during the same period.

Figure 1: Public Expenditure on Higher Education in India (Rs. Crores)

a) Total Expenditure on Education

b) Expenditure on Higher Education



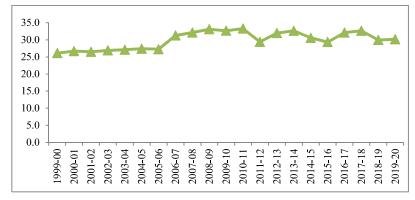
Notes: 1. Values are Rupees in Crores and in Current Prices; 2. Revenue Account of the Budgeted expenditure; 3. In respect of Expenditure on Higher Education for the period between 1999-2000 and 2004-05 the figures are Authors estimates and for the rest, they are actuals; 4. Expenditure on Higher Education consisting that of University and Higher education along with that of Technical education.

Source: Ministry of Education, Govt. of India.

The GDP and total public (government budget) expenditure (of centre and state governments together) of all sectors has increased 10 times while registering around a 12.5 per cent of annual growth rate (in current prices) during the last two decades. The public expenditure on education in general has increased 11 times while registering around a 14.0 per cent annual growth, whereas the public expenditure on higher education in particular has increased 14 times while registering around a 15.0 per cent annual growth during the period. It is obvious that the public expenditure on higher education in India has grown more than the rate of growth in GDP, total budget expenditure and public expenditure on education in general.

As a result, the share of expenditure on higher education has increased, either as a percentage of GDP, total budget expenditure and/or the total expenditure on education in general (see Figures 2; 3a and 3b). Higher education in India accounted for around one-quarter (26%) of the total public expenditure on education (of Centre and State Governments together) in the country at the turn of 21st century and it increased to 30 per cent by end of the second decade of this century (Figure 2).

Figure 2: Higher Education as percentage of Total Expenditure on Education in India



Notes: 1. Expenditure on Education by both the Centre and State Governments is combined.

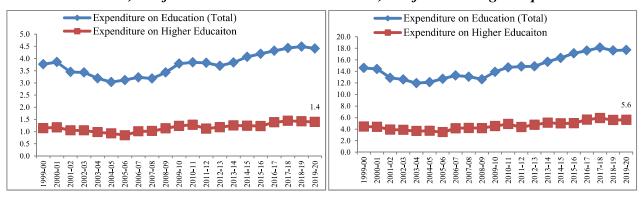
Source: Authors' calculations based on Ministry of Education, Govt. of India.

As a percentage of GDP, the total public expenditure on education in general has increased from 3.8 to 4.2 per cent during the last two decades whereas the public expenditure on higher education increased from 1 to 1.3 per cent during the period (Figure 3a). While the share of education in general in the total public (government budget) expenditure has increased from 14.6 to 16.8 per cent during the period, the share of the higher education in particular has increased from 3.8 to 5.3 per cent in the same period (Figure 3b).

Figure 3: Public Expenditure on Education and Higher Education in India as a percentage of GDP and Total Budget Expenditure



b) % of Total Budget Expenditure



Notes: 1. Figure represent percentage; 2. Revenue Account of the Budgeted expenditure; 3. In respect of Expenditure on Higher Education for the period between 1999-2000 and 2004-05 the figures are Authors estimates and for the rest, they are actuals; 4. Expenditure on Higher Education consisting that of University and Higher education along with that of Technical education.

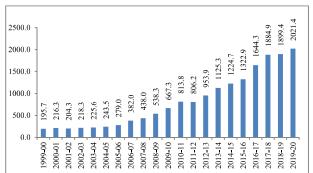
Source: Authors' calculations based on data sourced from Ministry of Education, Govt. of India.

The per capita (per person, but not per student) public expenditure on education in general has increased from Rs. 756/- at the turn of this century (1999-2000) to Rs. 6437/- at the end of second decade of this century whereas the per capita (per person) public expenditure on higher education has increased from Rs. 196/- to Rs. 2021/- during the same period.

Figure 4: Per Capita Public Expenditure on Higher Education in India (Rs.)

a) Per Capita Expenditure on Education
b) Per Capita Expenditure on Higher
Education





Notes: 1. Values are Rupees in Crores and in Current Prices; 2. Revenue Account of the Budgeted expenditure; 3. In respect of Expenditure on Higher Education for the period between 1999-2000 and 2004-05 the figures are Authors estimates and for the rest, they are actuals; 4. Expenditure on Higher Education consisting that of University and Higher education along with that of Technical education.

Source: Authors' calculations based on Ministry of Education, Govt. of India.

The per capita GDP and per capita total public (government budget) expenditure in general (all sectors) has increased 7.5 times while registering around a 11.0 per cent annual growth rate during the last two decades period, from the turn of the century to end of the second decade. The per capita (per person) public expenditure on education in general has increased 8.5 times while registering a 12.4 per cent annual growth during the period whereas the per capita public expenditure on higher education has increased 10 times while registering a 13.4 per cent annual growth rate during the same period. The trend is obviously similar to that discussed above. The growth in per capita expenditure on higher education is higher than that of GDP, total public expenditure and public expenditure on education in general.

One of the factors that attributed to increase in the total and per capita expenditure on education in general and higher education in particular is the ever-expanding base of the education system towards universalisation. In 1950-51, the number of colleges and universities were around 600 with an enrolment of just 4 lakhs and a few thousand teachers in these higher education institutions (HEIs). They increased manifold during the last seven decades: to around 50 thousand HEIs in the recent past with an enrolment of 370 lakh and more than 14 lakh teachers. The expanding base of the education system in India is evolved over a period into a publicprivate mix. As private sector has grown faster, its share in total HEIs and enrolment has increased. Correspondingly share of the public declined. However, the share of public is although contracting in the country, the size of public in terms of number of government institutions (HEIs) and enrolment covered in these institutions have been increasing over a period. During early fifties, there were less than 30 public universities and institutions of national importance and now there are more than 600. The total number of colleges were less than 600 with an enrolment of less than four lakh, now there are around 9000 colleges with 8.9 million enrolment in the public sector alone. Therefore, as the size of public increased hence the public expenditure on it.

Second, the increase in total and per capita expenditure on higher education is definitely affected by the inflationary tendencies of the economy. Third, it is also due to the increasing base of technical education which costs higher than the general education. Fourth, increasing facilities in the existing institutions as well as in new ones along with making provisions to embed and facilitate the advanced technologies available in these institutions and training required.

III Centre and State Governments' Contributions to Expenditure on Higher Education

As education is in the list of concurrent subjects, according to the Constitution of India, one would be interested in understand the Centre's (Union Govt.) contribution to education development in India in general and higher education in the country in particular. Although with less than one-fourth of the total expenditure on education, the share of Centre (Union Govt.) has in fact increased during the first decade of this century, thereafter its share was either stagnated or declined (Figure 5). Similarly, the increase in share of Centre in total expenditure on higher education as well was observed during the first decade of the century.

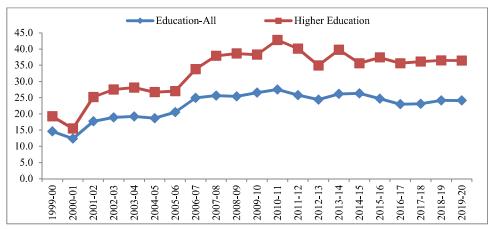


Figure 5: Share (%) of Centre (Union Govt.) in total Expenditure on Education in India

Note: Revenue Account.

Source: Authors' calculations based on Ministry of Education, Govt of India.

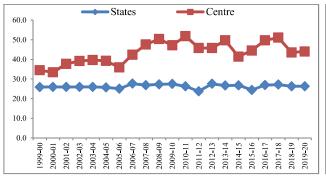
Share of the Centre (Union Govt.) in total expenditure on education in general (combined of Centre and State Governments) has increased from 15 per cent in 1999-2000 to around 27 per cent in 2009-10, and thereafter it has recorded a slightly downward trend (Figure 5). Similarly, share of the Centre in total expenditure on higher education in particular has increased from 19 per cent to 43 per cent during the first decade (1999-00 to 2010-11) this century. Thereafter it has shown a declining trend during the second decade wherein it was 36 per cent at the end of the decade (i.e. in 2019-20).

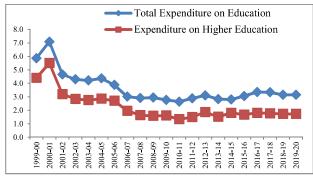
It indicates that share of Centre in total expenditure on higher education is higher than that of its share in total expenditure on education in general (Figure 5). It means that Government of India has prioritised high education more than that of state governments in their education budgets. In fact, the share of higher education within the Centre's total expenditure on education is much higher when compared to the share of higher education within the state governments' total expenditure on education (Figure 6a). The other metric is also showing similar pattern for Centre's changing financial responsibility in education. The ratio of state governments' total expenditure on education to that of the Centre (Union Govt.) has declined drastically during the

first decade of the century (Figure 6b). Thereafter it has shown a slightly increasing trend during the second decade of this century. Such a trend is explicit for both the expenditure on education in general and expenditure on higher education in particular.

Figure 6: Centre and State Governments Contributions in Public Expenditure on Higher Education in India

a) Share (%) of Higher Education in total Expenditure of Centre and State Governments on Education b) Ratio of State to Centre in terms of Expenditure on Higher Education





Notes: 1. Values represent percentage; 2. Revenue Account of the Budgeted expenditure; 3. In respect of Expenditure on Higher Education for the period between 1999-2000 and 2004-05 the figures are Authors estimates and for the rest, they are actuals; 4. Expenditure on Higher Education consisting that of University and Higher education along with that of Technical education.

Source: Authors' calculations based on Ministry of Education, Govt. of India.

The above trends indicate that although higher education has received a better and increased prioritisation in Centre's expenditure on education in the first decade of the century, it could not sustain the same in the following decade. The contribution of Centre to the total expenditure on higher education is better than its contribution to education in general as the share of higher education varied from 40% to 50% of Centre's total expenditure on education. However, the absolute amount of Centre's expenditure on higher education is less than 60% what the states are spending. The pattern of Centre's expenditure on higher education as shown below indicates that it is largely on Central Institutions.

Ministry of Education (Union Govt.): Prioritising on Central Institutions

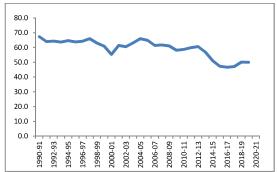
Education Department is not the only source of resources allocated and spent on education related programmes and activities. In addition to Education Department there are many other Departments that incur expenditure on education. However, as one could observe, the Ministry of Education at Centre (Union Govt.) and Departments of Education in states are the major stakeholders in the total expenditure on education in general and higher education in particular. Since mid-1970s the share of all Education Departments in the total expenditure on education (Centre and state combined) began declining (Figure 7a). By end of the second decade of this century, the share of all Education Departments in the total expenditure on education in India declined to 70 per cent. It declined even faster in the Union Government's total expenditure on education. The share of Ministry of Education within the total of Union Govt.'s total expenditure on education was around 70 per cent during the early 1990s and now by the end of the second decade of this century it declined to less than 50 per cent (Figure 7b).

Figure 7: Education Departments' Share (%) in total Expenditure on Education in India

a) Share of all Education Departments in Total Expenditure on Education (Centre and State Govts.) in India

b) Share of Education Department (MoE) in Centre's (Union Govt.) Total Expenditure on Education



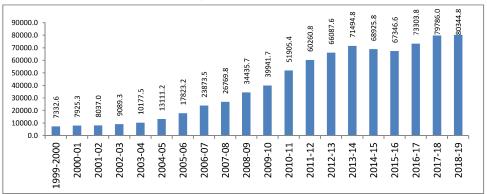


Notes: MoE – Ministry of Education, Govt of India.

Source: Authors' calculations based on Ministry of Education, Govt of India.

The trend in absolute amount of expenditure on education by the Education Departments of the Centre (i.e. Ministry of Education) indicate that it has increased from Rs. 7332.6 crores at the turn of the century to Rs. 80345.8 crores by the end of second decade of this century (Figure 8). However, most part of such increase had taken place during first decade of the century. In the second decade the Centre's expenditure on education through its Education Departments had a very slow growth and it is almost stagnated in the recent past despite the fact that number of its institutions and their enrolment have increased. For instance, the number of Central Universities have increased from 16 in 1999-2000 to 41 in 2010-11 and further to 47 in 2018-19. Similarly the Institutions of National Importance have increased from 9 to 59 and to 127 during the period. Therefore, such stagnation may have implications for quality dilution across levels of education.

Figure 8: Trend in Total Expenditure of Education Department (in Rs. Crores) – MoE, Govt. of India



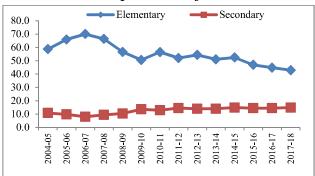
Notes: 1. MoE - Ministry of Education; 2. Values are in Rs. Crores and in current prices

Source: Ministry of Education, Govt of India.

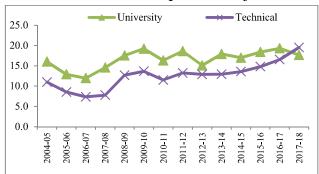
Of the total expenditure of the Ministry of Education (Union Govt.), elementary education used to have larger share (more than 60%) but it has declined to less than 40 per cent in the recent past (Figure 9a). Secondary education which had around 10% stake in the early 2000s has increased its share to 15 per cent in the recent past (Figure 9a). Both the university and technical education have increased their share continuously since mid-2000s (Figure 9b).

Figure 9: Percentage Distribution of Budgeted Expenditure of Ministry of Education Government of India

a) Share (%) of Elementary and Secondary in total Expenditure of MoE



b) Share (%) of University and Technical Education in total Expenditure of MoE



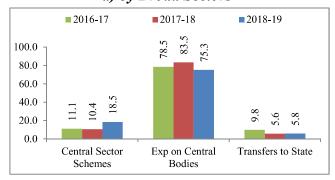
Notes: MoE – Ministry of Education, Govt of India.

Source: Authors' calculations based on Ministry of Education, Govt of India.

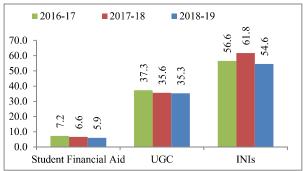
Of the total expenditure of School Education Department of Ministry of Education (Govt. of India) that spent on elementary education, two-third of it is being incurred on implementing Centrally Sponsored Scheme (CSS) of Sarva Shiksha Abhiyan (SSA) and another one-third of it is being spent on the other flagship CSS: mid-day meal (MDM) scheme. They are largely transferred to States as states are the main stakeholders implementing both the schemes. In case of the expenditure on secondary education by MoE, most part (three-quarters) of it is spent on Central Institutions such as Kendriya Vidyalayas (KVs) and Jawahar Navodaya Vidyalayas (JNVs).

Figure 10: Share (%) of Broad Sector and Functional Allocation of Budgeted Expenditure of Department of Higher Education, Min of Education Government of India

a) by Broad Sectors



b) By Broad Functional Allocation



Notes: MoE – Ministry of Education, Govt of India; 2. UGC- University Grants Commission; INI – Institutions of National Importance.

Source: Authors' calculations based on Ministry of Education, Govt of India.

Of the total expenditure of Higher Education Department of Ministry of Education, three-quarters is being spent on Central bodies including UGC, AICTE, Central Universities and all other Institutes of National Importance (which in turn includes IITs, IIMs). Transfers to states (including that of Rashtriya Uchchatar Shiksha Abhiyan - RUSA) is less than 10 per cent of the total expenditure incurred by Higher Education Department of the Ministry of Education, Govt. of India (Figure 10a).

57.2 58.8 ■2017-18 70.0 2018-19 60.0 50.0 40.0 18.5 18.0 30.0 20.0 9.6 4.0 10.0 0.0 0.0 0.1 0.0 Institutions deemed to be University Anti Ragging Measures nstitute of Universities Colleges of Universities State Universities Colleges of State Inter university Regional offices Scholarships/Fello Administrative Miscelleneous Depository Eminence National Universities Charges Centres

Figure 11: Distribution (%) of Expenditure Disbursed by the UGC

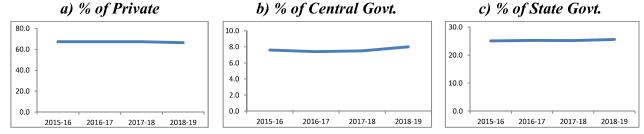
Notes: Figures are in percentages; UGC – University Grants Commission.

Source: Authors' calculations based on University Grants Commission (UGC) Annual Reports.

The expenditure incurred by University Grants Commission (UGC) is largely concentrated in Central Universities and Colleges under these universities (Figure 11). More than three-quarters of the total expenditure on UGC is spent on these universities and colleges. The state universities and colleges affiliated to these universities get around a meagre five per cent of the total expenditure on the UGC.

In all, the Centre's (Union Govt.) contribution to total expenditure on education in India increased during the first decade of the century but still increased by less than one-quarter of the total expenditure on education in general. Its share in total expenditure on higher education appears to be better but less than 40%. Recent stagnation is however a cause of concern. Most part of expenditure by Min. of Education, Govt. of India is being spent on Central Institutions.

Figure 12: Share (%) of Private, Central and State Government Institutions in total Enrolment at Higher Education Institutions in India



Note: 1. Share (%) of private, central and government institutions in respect of enrolment in higher education; 2. State Govt.'s share in residual after the share of Private and Central Govt institutions in total enrolment.

Source: Authors' Calculations based on AISHE.

But the Central institutions covered only around 8% of the total enrolment of HEIs in India, whereas the public institutions of state governments covered around one-quarter of it (Figure 12b and 12c). State government institutions are having three times the number of students in central institutions but their financial resources for higher education are 1.7 times that of Centre. One can visualise huge difference between public institutions of state and centre in per capita expenditure per students and its implications for quality in state institutions for higher education.

IV Private Expenditure on Higher Education

Along with public expenditure, private expenditure is another major source of expenditure on higher education. While 4 per cent of GDP is spent as total public expenditure on education, another 2.5 per cent of GDP is spent (as PFCE estimates of NAS) as total private expenditure on education (Motkuri and Revathi, 2020). Again, the public expenditure on education forms around 17 per cent of total public budget expenditure (of Centre and state Governments), while the private expenditure on education consists 4 per cent of total private expenditure (Motkuri and Revathi, 2020). The per capita public expenditure on education (per person, not per student) is Rs. 6338/- and that of private is Rs. 3841/- in 2019-20. The growth in public expenditure on education outpaced the private during first four decades after independence, therefore the growth of private expenditure on education in general outpaced the public during the last three decades (Motkuri and Revathi, 2020).

It reflects the trend of fast growing private sector in Indian education system in general. Private sector and private (household) expenditure is emerging as formidable prime mover in the Indian higher education system. As All India Survey on Higher Education (AISHE) annual reports have shown 75 per cent of higher education institutions (HEIs) in India and 65 of enrolment in those institutions are under private management. Even the public institutions have begun offering self-finance courses, for their sustenance owing to inadequate public funding. Therefore, the private expenditure on higher education in India is growing faster especially during the last three decades.

64379 80000 70000 60000 26540 50000 18110 40000 14823 14264 12045 30000 9013 8997 9989 20000 10000 Primary Diploma/certificate Upper primary/middle Higher Secondary Diploma/Certificate graduate and above Graduate Post Graduate and above Pre-primary Secondary Below graduate (excluding diploma/ below graduate level) above level) Postgraduate and above Diploma/ certificate below graduate Diploma/ certificate certificate (graduate & Technical

Figure 13: Average Household (Private) Expenditure (Rs.) per Student by type of Course and Level of Education in India, 2017-18

Notes: 1. Values are in Rs. and in current prices; 2. Rural and Urban Combined.

Source: NSSO-SCE Report No. 585.

It can be observed that expenditure per student increases by level of education and type of course (Figure 12). It is implicit for the public and private expenditure on education by level of education. The private expenditure on education per student is higher at higher level of education (graduation and post-graduation) for general courses and further high for technical education.

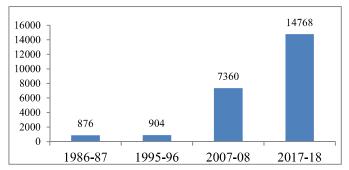
The trend in private expenditure on higher education in India indicates there is remarkable growth in such expenditure during the last two decades period (Figure 13a and 13b). In case of

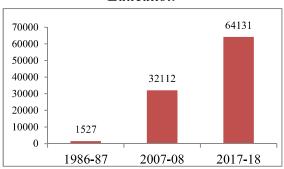
general courses, it increased nearly 17 times while registering a 14.5 per cent annual growth rate from Rs. 876/- (per student of higher education) in 1986-87 to Rs. 14768/- in 2017-18. The average private expenditure on higher education per student is higher in technical courses and the increase during the period is even more in these courses. It increased more than 42 times while registering 19.5 per cent annual growth rate from Rs. 1527/- to Rs. 64131/- during the same period.

Figure 14: Trend in Average Private (Household) Expenditure (per Student) on Higher Education in India

a) All General Courses of Higher Education

b) All Technical Courses of Higher Education



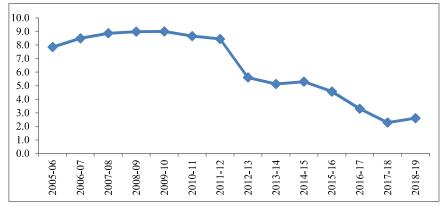


Notes: 1. Values are in Rs. and in current prices; 2. Rural and Urban Combined; 3. For the year 1995-96, the figures for technical education are not available because a large part of technical education is combined with general education.

Source: Authors' calculations based on NSSO-SCE Survey Reports

However, the growing private expenditure on education appears to have an adverse impact on the pace of expansion in higher education in the country. In fact, it is implicit as the growth in enrolment and that of (i.e. rate of growth in) the GER is decelerating during the last one decade (Figure 14). One of the reasons for decelerating growth in enrolment in higher education could be increasing privatisation and private expenditure on such education. In this context, it is a cause of concern achieving the recent National Education Policy (NEP) 2020 target 50% GER by 2035 from that of 26% in 2018-19.

Figure 15: Decelerating Growth in Enrolment at Higher Education in India



Notes: 1. Growth in Enrolment – percentage change (%); 2. Three-Year Moving Average.

Source: Authors' calculation based on UGC and AISHE data.

The phenomenal growth of private sector in higher education during the 1990s and first decade of this century has already exhaustively tapped the affordable sections of society/economy, especially middle classes and above economic stratums. Now it may have to penetrate through the lower middle classes for which affordability is an issue. But the ever-increasing cost of education in private sector might become unaffordable to such classes. Expansion of public education system can only serve the poor and middles classes than private sector.

In all, the private expenditure on higher education is considerably high and increasing over a period. Such a high and increasing private expenditure on higher education has far reaching implication for further expansion of higher education in India. The recent National Education Policy (NEP) 2020 has not been so concerned with such a trend of increasing private costs of higher education.

V Concluding Remarks

The present note examined and analysed the trend in expenditure on higher education in India. It also reflected on the private expenditure on higher education in the country. It is observed that while nearly 4% of GDP is the total public expenditure on education in general, public expenditure on higher education constitutes 1% of GDP. Education in general accounts for less than 20% of total budget expenditure in India, while the higher education forms around 5%. The share of higher education in the total expenditure on education is around 30%. While Centre spends nearly 35% to 40% of its education expenditure on higher education, states spend less than 30%. Share of Centre in total expenditure on higher education increased more than its share in total expenditure on education. Most of the Centre's expenditure on higher education is spent for Central Institutions and as a result very meagre funds are left as transfers to states. Increasing privatisation of higher education has implications for growing private expenditure and for further expansion of higher education.

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