

# The Kothari Commission and Financing of Education

*The Education Commission (1964-66) chaired by D S Kothari made a valuable set of recommendations on financing education in India, many of which are still relevant for education planning but have not received much official attention. A review of the premises of the recommendations, the visionary approach adopted by the commission and their current relevance are attempted in this paper and will hopefully be useful for the preparation of the Eleventh Plan.*

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[W]e should strive to allocate the largest proportion of GNP<sup>1</sup> possible to educational development.

– Education Commission (1966, p 889).

The contribution of the Education Commission (1966), popularly known as the Kothari Commission, to the issue of financing of education is very significant. From the monumental work of the commission that is regarded as a “turning point in India’s educational life” [Adiseshiah 1979],<sup>2</sup> one can dig out a mine of relevant recommendations on financing of education in India. There are (a) a few clear recommendations, (b) a set of norms which may also be considered as valuable recommendations, and (c) several general intuitive normative observations which would suggest the need for a change in the approach of the policy-makers and planners. Many of these recommendations and the premises on which they are based may be relevant still even after 40 years. Without claiming to be exhaustive, this short article revisits their premises, implementation and current relevance. It is also focused on issues relating to financing of education, though some aspects that are closely related to financing are also briefly referred to.

Reviewing the report of the commission, J P Naik (1979), who was the member-secretary and who had played an important role in drafting the voluminous report, classified the several recommendations into three categories: (i) recommendations that attracted wide attention, (ii) recommendation that were opposed and rejected, and (iii) “other” recommendations. Other recommendations include (a) those that did not excite any major controversy and were accepted but implemented indifferently;<sup>3</sup> (b) those that were simply ignored; and (c) other recommendations. There is yet another category of recommendations, viz, (iv) recommendations agreed and approved, but not implemented. Some of the major recommendations on financing of education made by the commission belong to this last category; some belong to the first category that received wide attention, but were followed by little action; many to the second category that were opposed and rejected; and a few to the category which were either simply ignored and/or are of no significance.

At the very outset it is important to note that the commission perhaps for the first time in India had emphasised the critical role of education in social and economic development. It was clearly recognised that “[I]n a science-based world, education and research are critical to the entire developmental process of a country, its welfare, progress and security.”<sup>4</sup> It is more emphatically noted that education “determines the level of prosperity, welfare and security of the people” (p 3; emphasis added).

The commission seemed to have been influenced by the “human investment revolution in economic thought” created by Schultz (1961), according to which investment in education leads to human capital formation which in turn contributes to economic growth. The whole approach to educational development in general and financing of education in particular was strongly influenced by its strong conviction on the role of education in development. Not only spatial disparities, the commission also realised the need to ensure equity between several socio-economic classes in India. Accordingly, it argued, “we should accord the highest priority to education and allocate the largest proportion of GNP possible to it” (p 873). It also warned, “In an age of science, there can be no greater risk than a policy of drift and niggardliness in education” (p 892). Second, it was very much concerned with the wide gap between India and the advanced countries, and the need to reduce it in education and through education in development between educationally and economically advanced countries and India on the one hand, and between several states and regions within India.<sup>5</sup> It resolved, “the gap between India and other rich countries needs to be reduced” (p 873). Third, an important aspect is that it was the first commission that was required to and did carefully look into the entire spectrum of education and adopted a comprehensive and holistic approach, rather than looking at education in a segmented and fragmented way at different levels of education.

The whole approach of the commission assumes particular importance, as it worked in the backdrop of a politically fluid situation with the demise of a popular prime minister, a major war with a neighbouring country, agricultural drought and the accompanying severe economic problems including high rates of inflation and unemployment – all in a developing economy. Given this, the commission was both courageous in arguing for large investment in education and at the same time pragmatic in using austere and modest parameters and pleading for economy in use of resources, and to recommend regulating the expansion of higher education. Action on many of the recommendations was to be decided at a time of political and economic uncertainty, characterised by the defeat of the ruling Congress Party in many states, currency devaluation, powerful inflationary trends and the plan holiday.

An important contribution of the commission is a detailed analysis of financing of education in India. The financial analysis attempted in the report, particularly in chapter XIX, was first of its kind in India. In fact, there were very few studies on economics and financing of education even in other countries at this time.<sup>6</sup> It made (a) a detailed expenditure analysis – total,

by levels and objects, (b) a detailed source-wise analysis of funds, (c) unit cost analysis, and (d) a detailed estimate of resources required for education for the next 20 years in constant prices. Both the detailed framework provided and the insightful analysis made were of great significance and use for the researchers in economics and financing of education and for educational planners as well.<sup>7</sup> The commission in fact, noted the absence of studies and the critical need for such studies, and recommended support to universities for research in these areas.<sup>8</sup>

## Allocation to Education: Six Per Cent of GNP

Of all, the most important recommendation made by the commission on financing of education refers to allocation of 6 per cent of national income to education.<sup>9</sup> The commission made a detailed analysis of the past trends in financing education in the post-independence period, estimated the financial requirements of the educational system in India up to 1985-86, and recommended that “if education is to develop adequately, ... the proportion of GNP allocated to education will rise ... to 6.0 per cent in 1985-86” (p 893). Of the several recommendations made by the commission, this 6 per cent of GNP is one that was accepted and resolved by the government of India (1968) in the National Policy on Education (NPE) 1968 “to increase the investment in education so as to reach a level of expenditure of 6 per cent of the national income as early as possible” (p 9). Since the goal could not be reached, the government of India reiterated in 1986 its commitment to reach the target and stated in the NPE 1968: “It will be ensured that from the Eighth Five-Year Plan onwards it (the outlay on education) will uniformly exceed to 6 per cent of the national income” [Government of India 1986: 29]. Given the inadequate performance, the goal was to be reiterated again in the NPE (revised) 1992. The review committee on National Policy on Education [also familiarly known as the Acharya Ramamurti Committee 1990] made it clear that 6 per cent of national income should be devoted to education. The long under-achievement of the goal led the government to repeatedly reiterate the promise in subsequent years in every Five-Year Plan, in every policy statement, economic survey(s), reports of the ministry of education/human resource development, reports of several committees/commissions on education, and even in the Independence Day speeches of the PM from the ramparts of the Red Fort. Almost all political party manifestos and other agendas also endorsed this recommendation. All this shows some kind of a consensus among all in India towards fulfilling the recommendation of the commission.

However, the most often-cited recommendation is also subject to some controversies. Attempts were made to provide subverted definition and scope to the terms such as national income, educational expenditure, and 6 per cent and to misinterpret the letter and the spirit of the recommendation of the commission, the resolution of NPE 1968 and the NPE 1986, and finally to argue that India already spends about or more than 6 per cent of GNP on education, and we need not worry any more about this target. Significant attempts of this kind include, among others, a paper circulated by the Planning Commission [Kolhatkar 1988],<sup>10</sup> the national agenda of the BJP and alliance partners (1988),<sup>11</sup> the draft Ninth Five-Year Plan of the Planning Commission (1999, p 101) and the *Economic Survey* of the ministry of finance (1999).<sup>12</sup> They tried to argue that the 6 per cent of national income, as recommended by the commission, consisted of not just government expenditure, but also all private expenditure including family expenditure on education and private sector expenditure, and even to show that as the goal is already

over-achieved, it becomes redundant, and that it does not deserve attention any more.

As Tilak (1990, 1999, 2006) has shown, all these were attempts to misinterpret the facts, to quantitatively under-define the goals, to cover our dismal failures and to boast at our (pseudo) achievements. Tilak has further shown that these attempts have deliberately ignored the fact that the commission had referred mainly to public expenditure, and that the UNESCO and other international statistics that the commission used as a yardstick for comparison also refer to government expenditure only, and the recommendations made by the UNESCO, UNDP, the Delors Commission, etc, in subsequent years refer to government expenditure alone. Anand Sarup, former education secretary, who was involved in the preparation of the critical review of education in India, titled ‘Challenge of Education’ [Government of India 1985], and in the formulation of the NPE 1986 made the point clear. In a paper, circulated in a meeting at the Planning Commission, and later published elsewhere, Sarup (1988) stated, “Since it is public policy on education that is the crucial determinant of available educational places and opportunities in our country, *it (6 per cent) is the Centre and State expenditure on education that is used for policy planning and implementation. This includes both plan and non-plan outlays*” (p 253; emphasis added). Thus, it is clear that the attempts to redefine and reinterpret the commission’s recommendation were to divert public attention from the very need to substantially increase the public allocations to education. Finally, the controversy seems to have been buried recently with the common minimum programme of the UPA government (2004) pledging “to raise public spending in education to at least 6 per cent of the GDP”.<sup>13</sup>

The second criticism of this recommendation is that this was not based on any sound basis and hence no sanctity needs to be attached to this recommendation. A careful look at the report shows that such a criticism is not tenable. The commission carefully reviewed in detail the trends in the expenditure on education in the past and based on certain reasonable assumptions regarding economic growth (6 per cent) and population growth (2.1 per cent per annum) during the next 20-year period, it estimated the magnitude of the resources that should be available for educational development in India in the next 20 years. It is a detailed analysis of estimating the requirements of the system. It noted, “the proportion of national income devoted to education in India is small in comparison with that in educationally advanced countries of the world” (p 860). It compared the estimate of requirement with the corresponding figures of some specific countries, available in the UNESCO statistics: “Japan and the USA and the USSR are spending considerably more than 6 per cent of GNP on education” (p 860); and they spent no more than a small fraction of their GNP on education at the beginning of the century. The commission also felt that these countries might be spending about 10 per cent of GNP by 1986, and in fact more than 10 per cent, if comprehensive disarmament takes place. It further noted that “the absolute amount per capita spent by us on education is about one-hundred of that spent by a highly industrialised country like the USA”. Methodological, including conceptual and definitional aspects of educational expenditure and the details of the analysis and the targets of the commission are unambiguously clear. The rationale provided for its recommendation was also sound and it also gave enough time to the government for reaching the goal, providing a 20-year period.

Some also found that the target of the 6 per cent of GNP was an ambitious one. But the commission felt that normally expenditure on education should grow at a rate of growth double to

the rate of economic growth in the early stages of educational development.

However, in a sense, the commission's recommendation does not have much sanctity on its own, as the estimate was made long ago and the requirement of the education system, based on somewhat austere estimates of growth in enrolments, per student expenditure and other parameters. Nevertheless, it assumes importance mainly as the goal has remained unaccomplished so far. The commission observed that taking into consideration changing circumstances, "the estimates will have to be continually revised" (p 892).

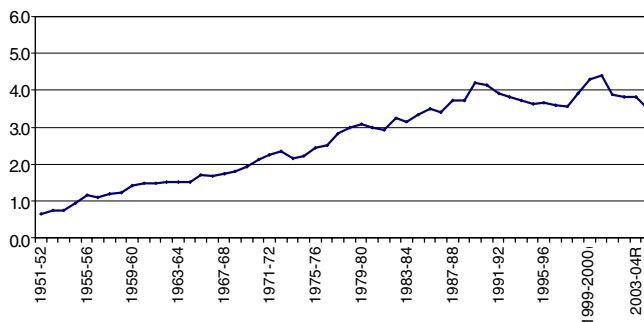
The only valid criticism of the recommendation could be that the estimate was based on somewhat austere parameters, such as high pupil-teacher ratio at primary level, a smaller proportion of total expenditure on school education for construction of buildings and other items of capital expenditure, no provision of free uniforms, free stationery, free school meals, and health services in free and compulsory education, and so on. In case of higher education, the 1965-66 unit costs were used in estimating resource requirements and it recommended less expensive part-time and correspondence courses for about 30 per cent of the students. Essentially due to resource-scarcity, it recommended carefully planned expansion of higher education on the basis of manpower needs, which meant lower rate of expansion of higher education and even reduction in the total enrolment in higher education and cut in the number of places to be provided in full-time education, and to economise the expenditure in terms of physical and financial investments without affecting standards.<sup>14</sup> Therefore, any fresh estimate of the resources requirements may put the figure much above 6 per cent of GNP.<sup>15</sup>

The main recommendation on allocating 6 per cent of GNP to education has been endorsed later by several other international organisations. The Delors Commission (1996) has clearly argued: "Increasing public spending on education, in place of expenditure under other budget heads, should be regarded as a necessity everywhere, and especially in developing countries, since it is a vital investment for the future. *As a rule of thumb, not less than 6 per cent of GNP should be devoted to education*" (p 165; emphasis added). UNESCO and UNDP also favoured it, as a desirable level for the developing countries.

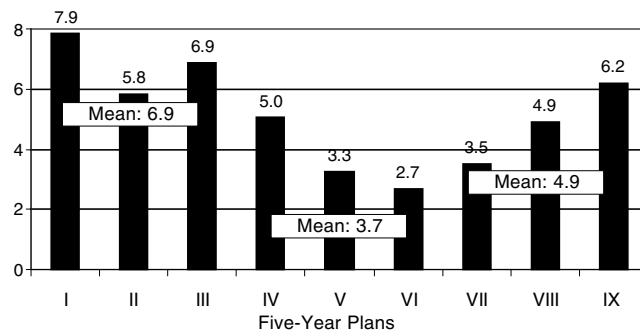
Despite the wide acceptance of the recommendation and despite making it a part of the NPE in 1968 and in 1986, which were approved by Parliament, the implementation has been very tardy, as Figure 1 indicates.<sup>16</sup> The proportion of GNP spent on education was nearly trebled from 0.6 per cent in 1951-52 to 1.7 per cent in 1967-68. The slope of the line of increase was relatively reduced during the post-1968 period: the proportion was nearly doubled from 1.7 per cent in 1968-69 to 3.5 per cent in 1985-86; it was further flattened, as the corresponding proportion increased from 3.4 per cent in 1986-87 to 3.8 per cent in 2004-05. Though one does not expect a steep increase in this ratio for a long period, the fact is, the rate of increase has been reduced during the post-commission period, and was further reduced during the post-1986 period.

As Shah (2006) commented in this regard, "the more unfortunate and disturbing long-term trend in this regard is the slackening of government effort to mobilise required resources during the period of high economic growth (1986-87 to 2001-02) compared to that of low economic growth (1966-67 to 1985-86)".<sup>17</sup> An analysis of such trends in India and in other countries led Tilak (1984, 1986a) to conclude that the percentage of national income a nation allocates to education is not determined by the level of economic development, but by other factors, the most important being political will.

**Figure 1: Share of Public Expenditure on Education in GNP (Per Cent)**

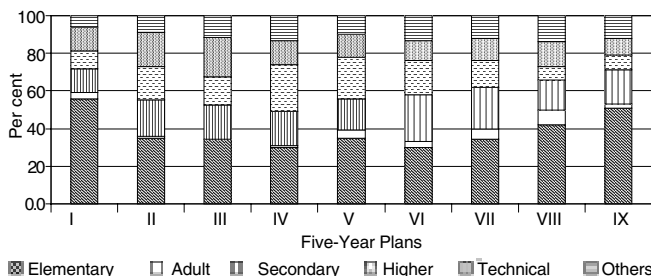


**Figure 2: Expenditure on Education in Five-Year Plans (Per Cent of Total)**



Source: Tilak (2003).

**Figure 3: Intra-Sectoral Allocation of Resources in Education in Five-Year Plans**



The proportion of national income allocated to education in India crossed 4 per cent in the early 1990s, but the level could not be maintained. Thus the major recommendation is one that belongs to the category of "Recommendations approved and received wide attention, but not implemented".<sup>18</sup> After all, no detailed financial plan of reaching the goal was ever thought of. Tilak (2006) has shown that if the past trends continue and no significant efforts are made in this direction, the situation might worsen and the goal remain elusive for a long period to come.

Interestingly, one may also note that the relative importance given to education in the Five-Year Plans has also declined during the post-commission period, as shown in Figure 2.<sup>19</sup> While during the first three Five-Year Plans, on average about 7 per cent of the total Five-Year Plan expenditure was spent on education, the corresponding proportion declined to 5 per cent in the Fourth Five-Year Plan, the very First Plan after the report was submitted and the NPE 1968 was formulated. It further declined to 3.3 per cent in the Fifth Five-Year Plan and again down to 2.7 per cent in the Sixth Five-Year Plan.

While there may be several factors, such as the war, drought and inflation that led to this trend, it is clear that the commission's

strong recommendation that “the efforts to increase allocations to education should be intensified” (p 872) could not be given serious attention. It is only after the NPE 1986 was approved by Parliament, that this trend was reversed. The allocation in the Ninth, and probably in the Tenth Plan is still much below the allocation made in the very First Five-Year Plan!

## Allocation to Different Levels of Education

The commission not only estimated the requirements of resources for the education sector as a whole, it also recommended “the best” pattern of intra-sectoral allocation of resources in education, i.e., allocation of resources between different levels of education. At the outset, it should be noted that the commission has acknowledged the inter-dependence of various levels of education and had adopted a balanced and holistic approach to educational development.

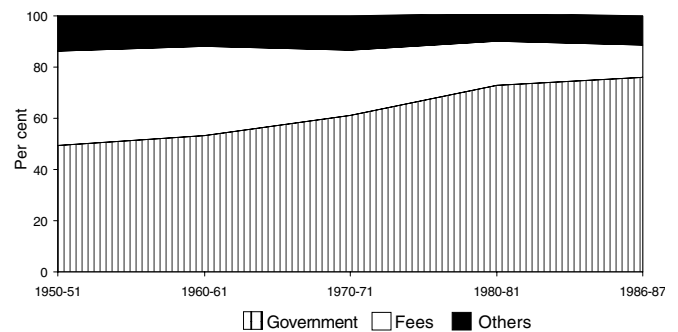
By referring to the Japanese experience (pp 863-65), the commission has indirectly advocated some kind of sequencing in the pattern of allocation of resources between different levels of education – first primary education, then secondary and then higher education. Looking at the historical trends in India as they developed over the years, particularly during the post-independence period and given the then existing levels of development of education at various levels, and the path of development for the next 20 years, the commission felt that from 1965 to 1975, the relative emphasis should be on a larger expenditure at the school stage; during the decade of 1975 to 1985, emphasis will be on universal elementary education, vocationalisation of secondary stage, etc. “After 1985, there will be increased emphasis on the development of higher education and research” (p 893). It further added, “As societies become industrialised, the total expenditure on education begins to grow and an increasingly larger part of it comes to be devoted to higher education and research” (p 861).

But it appears that the pattern of intra-sectoral allocation followed was exactly the opposite: during the immediate post-commission period, the importance given to elementary education in the total Five-Year Plan expenditure on education either remained stable at around 30 per cent, or declined marginally, and the share of higher education increased from 15 per cent in the Third Plan to 25 per cent in the Fourth Plan (and 22 per cent in the Fifth Plan), as shown in Figure 3.<sup>20</sup> When the pressures on secondary and higher education were increasing in terms of increased demand, the allocation to higher education was drastically reduced from the Seventh Five-Year Plan onwards.

Further, while the recommendation seems to be logical and hence appealing, it is nowadays being increasingly realised that the traditional sequencing of first primary education, then secondary education and then higher education may not work any more; higher education cannot wait until primary and secondary education becomes completely universal or well expanded [Tilak 2001]. In a sense, the commission recognised this when it emphasised the importance of universal primary education<sup>21</sup> along with laying special stress on improvement of quality in higher education and research, and recommended allocation of resources for various aspects of higher education and research, as described later. In the long run, it favoured equal distribution of resources, as in 1965-66, approximately one-third to the first level of education, one-third to secondary and the remaining one-third to higher education (p 868).

An important point worth noting is, that the commission recognised the importance of all levels of education, particularly primary education on the one side and the higher education and research on the other end, and did not pose one level of education

Figure 4: Sources of Funds for Higher Education in India



against another in recommending allocation of resources. Clearly it did not favour increase in expenditure on primary education by cutting down expenditure on higher education and vice versa. It stated, “We realise the need for the development of higher education and the allocation of more resources to it. But it would not be proper to cut down for this purpose the expenditure on primary education” (p 876). It repeatedly stressed that “the provision of universal primary education is vital on grounds of social justice and to help the process of transformation of the national economy. Again, development of higher education and research is central to the entire developmental programme; and without an adequate provision for higher education there will be no adequate supply of competent teachers for primary and secondary education. What we want is a *balanced growth of education*” (p 876; emphasis added). This is exactly what Surendranath Banerjee, stated in his presidential address to the Congress in Poona in 1895, “We are not in favour of higher education versus primary education. We are in favour of all education, high and low. They act and react upon each other. They are part and parcel of a common and indissoluble system.”<sup>22</sup>

Again, the government seemed to have ignored this wise dictum altogether and often juxtaposed one level against another in the allocation of resources in the Five-Year Plans, saying that the government can finance either elementary education, or higher education, but not both, and thereby adopted different and even contradictory, approaches to development of different levels of education and their financing. Basically instead of having a holistic and integrated approach, the government has adopted a fragmented approach, looking at the different levels of education as if they compete with each other for resources.

## Inter-Functional Allocation: Items of Priority

The commission recommended a significant raise in teachers’ salaries, and also “non-teacher” items and their costs. The small proportion of “non-teacher” costs was regarded as the main reason “why our primary schools are so dull and drab” (p 878). The commission recommended that these costs should be 20 per cent of the “teacher” costs at primary (lower and upper primary) level; and one-third at the secondary level. It recommended that at least 2.5 per cent of the total expenditure on education should be devoted to buildings and other items of capital nature including major equipment in school education and 20-25 per cent in case of higher education. It also recommended providing at least 4 per cent of the total expenditure on school education for direction and inspection.

It placed great faith in teachers in educational reform and in the transformation of the society through them and emphasised the need to raise the economic status of the teachers. It felt that

salary of the primary schoolteacher should be comparable to that of a public servant; it should be three-four times the per capita GNP. In case of teachers in higher education, it recommended a national salary structure. University teachers should receive the equivalent of what senior (IAS) officers in government service get. The government acted upon this recommendation rather promptly for various reasons. Teacher's salaries have been upgraded, though not to the extent suggested by the commission.

Important items of expenditure in education include teachers' salaries, recurring expenditure on "non-teacher" salary items, and capital expenditure for construction of buildings and purchase of major equipment. In case of school education, the commission considered the need to provide schools within reach of the children and evolved reasonable criteria like maximum distance a child can travel to reach a school. Though the commission recommended that an amount equivalent to 20 per cent of the teachers' salaries should be allocated to non-teacher costs, it did not seem to have paid sufficient attention to the provision of facilities within the schools, though it recognised that children drop out of schools as the schools are not able to attract them enough. In fact, the commission felt poverty of the parents was as a major reason for children dropping out of schools. Therefore, it recommended continuation and setting up of new single-teacher schools, part-time primary education, etc., and did not feel the need to improve the school environment substantially. If at all this was recognised, it was left to district boards and municipalities to provide for infrastructure facilities; or they were simply taken as understood. As a result, many single-teacher schools and schools with poor infrastructure facilities continued to grow even during the post-commission period. Consequently, the deficit in expenditure on these items went on increasing, necessitating the countrywide launch of the massively expensive operation blackboard programme, as recommended in the NPE 1986.

Among the several items, the commission focused on two major items, one is scholarships for students and the other, improvement of quality in higher education and research.

### *Scholarships*

One of the important items of expenditure that the commission paid serious attention to was scholarships for students – as a mechanism of searching and nurturing talent, and as a mechanism of equalisation of educational opportunities. The commission favoured expansion of scholarship programme – specifically expansion of the programme of national scholarships and expansion of the programmes of scholarships for the backward classes (pp 206-21 and pp 918-19). It has recommended clear quantitative norms on the percentage of students to receive scholarships and the amounts as well. It felt that 2.5 per cent of the students at primary level should get scholarships (at the rate of Rs 60 per annum). Scholarships should be provided to at least 5 per cent of the students at secondary level (at the rate of Rs 150 per annum), and 30 per cent of the students enrolled in vocational education (at the rate of Rs 300-400 per annum). In higher education, the commission recommended that 25 per cent of the students in undergraduate courses in arts and commerce (at the rate of Rs 75 per month), 50 per cent of the students in undergraduate courses in science and professional courses (at the rate of Rs 125 per month), and 50 per cent of the students enrolled in postgraduate courses (at the rate of Rs 300 per month) should be provided with scholarships. In addition, the commission recommended increase in the number of national (merit) scholarships to about ten per cent of the students, and a wider coverage of university scholarships.

Though the amounts may have to vary, given the change in the value of money, the proportion of students to receive scholarships, suggested by the commission seem to be still relevant. Presently only an insignificantly small fraction of students receive scholarships. The purpose of the scholarship programme, as envisaged by the commission was to search and nurture talent and also to promote equity in the system. On both counts there is need to expand the present scholarship programme.<sup>23</sup>

In higher education, though the commission did not find any advantage of loan scholarships over that of outright scholarships, it recommended a liberal programme of loan scholarships to supplement the national and university scholarships (p 218). But it is important to note that "since an exclusive programme of loan scholarships is non-egalitarian", it recommended loan scholarship programme to supplement a massively expanded programme of outright scholarships. A national loan scholarship scheme was launched in the subsequent years on the lines suggested. The commission was aware of the innumerable problems loan scholarships might create in recoveries and also the hardships they cause students. The problem of recovery was later found to be so severe that the programme was to be abandoned in the late 1980s and was to be replaced by a normal student loan programme in the early 1990s, operated by the commercial banks.<sup>24</sup>

### *Higher Education and Research*

The commission has laid special emphasis on higher education and research, as it strongly believed that it is higher education and research that will contribute to economic development, and to bridge the gap between the rich countries and India. Specifically, it suggested larger allocations to the UGC for a few special programmes that will promote quality and excellence in higher education and research. For example, it recommended (p 905) creation of new centres/schools in universities, and extra financial support to some specific activities. The important ones that received its attention include (a) creation of centres of advanced study and major universities, (b) creation of schools of education in a few selected universities, (c) promotion of postgraduate education and research, (d) provision of maintenance grant to state universities, (e) establishment of central testing organisation, (f) development of literature in modern Indian languages, (g) development of agricultural, engineering and medical education, and (h) promotion of educational research on all sectors of education. The commission also recommended that UGC and state governments share the responsibility of providing development grants to universities (p 634).

Some of these recommendations were followed up, though there might yet be a lot to do. The commission's recommendations that UGC provide maintenance grants to state universities, and that both UGC and state governments provide development grants to state universities did not receive any attention. UGC continues to provide only development grants to state universities and state governments tend to limit their grants to maintenance purposes.

### **Role of the State and Other Sources of Funds**

The commission was emphatic that most of the responsibility for the support of education should be on government funds (p 870) and not on the private sector. It rightly predicted and favoured, a big fall in the total revenue from fees. This was because it rightly stressed the need to provide free and compulsory education – free education up to grade X and provision of free-studentships in higher secondary and higher education, and expansion of scholarships at all levels of education. It also

predicted that income from other sources (donations, etc), would not rise much and that local bodies would not be able to provide more than a very small percentage of the total expenditure, even after they have made the best effort to raise their contribution. As a result, “the funds of the central and state governments would have to bear about 90 per cent (or even more) of the total educational expenditure” (p 870).

Over the years we do notice that these predictions came true as far as the decline in the relative share of fees and other sources is concerned. The relative shares of fees, local bodies and “other” sources declined and the relative share of the government has increased in total expenditure on education. However, the latter has not reached the level of 90 per cent as recommended by the commission. Though in case of school education the share of the government seems to be around or above 90 per cent, this is not the case in higher education, as the trends shown in Figure 4 indicate.<sup>25</sup> In recent years, it appears, the trends are getting further disturbed, with the decline in the relative share of the government and a steep increase in the share of student fees, particularly in higher education [Tilak and Rani 2003].

The commission went further and pleaded for a larger role for the union government in financing education. While the centre and states should meet 90 per cent of the total expenditure on education, the central government should assume primary responsibility and the states were to have the “residual responsibility to finance education” (p 904). Though elementary education was in the state list, the commission favoured larger role of the central government in funding elementary education. As Naik (1975, p 92) reiterated, drawing from the report, “it will not be possible for any state government to raise all the resources required for a programme of universal elementary education. It is, therefore, necessary to introduce a central grant earmarked for elementary education on the basis of equalisation.”

Though the commission argued for a larger responsibility of the central government in financing education, it was not in favour of changing the constitutional provisions regarding the role of centre and states in education. It clearly favoured continuation of education in the state list in the Constitution and felt that “there is plenty of scope, within the present constitutional arrangement, to evolve a workable centre-state partnership in education and this has not been exploited to the full” (p 830). As has been mentioned earlier, the commission took a holistic view on every aspect of education, rather than looking at different levels of education in different compartments. It stated this clearly in the context of centre-state relations in education, “We are not in favour of fragmenting education and putting one part in the concurrent and the other in the state list; education should, under any circumstances, be treated as a whole” (p 829).

Contrary to what the commission suggested, education was made a concurrent subject with the 42nd amendment to the Constitution of India in 1976, though one fails to note any significant increase in the role of the centre in financing education in the following years [Tilak 1989]. It was only since 1986 after the formulation of the NPE, the centre began assuming increasing role in financing of elementary education and contrary to the constitutional provisions there has been a diminution in the relative role of the centre in higher education in the areas of policy formulation, planning and financing! [Tilak 2004].

### *Centrally Sponsored Sector*

The larger responsibility of the central government should take, according to the commission, the form of expansion of the central and centrally sponsored sectors (pp 894-95). The commission

advocated that for any programme to be included in the central and in the centrally sponsored sectors (pp 908-09), it should be of crucial importance and national in character. Programmes which need the adoption of a common policy in all parts of the country should preferably be included in the centrally sponsored sector. The commission also advocated dividing the total funds available in the centrally sponsored sector into two parts: about half of them being allocated to national programmes, and the other half should be made available to the states on some principle of equality. The states should be free to use the later kind of funds, with the approval of the union government, for any scheme which is significant and urgent in their local situations. It made yet another important recommendation: central assistance for centrally sponsored schemes should be non-relapsable and should be available to the states on a five-year basis rather than on the basis of a plan period and for some important schemes in the centrally sponsored sector, the assistance may even be continued for a longer period, say 10 years.

### *Grants-in-aid to Local Bodies*

In a supplementary note, the commission has suggested a detailed mechanism of grants-in-aid to local bodies – district level bodies and municipalities (pp 902-09), in such a way that grants-in-aid to local authorities would stimulate local contributions to education. It recommended that “the assistance of the local communities should be fully harnessed for improving the physical facilities in schools” (p 872). The state government should provide for 100 per cent teacher grants, block grants per child to meet non-teacher costs, and separate grants for non-recurring expenditure. The commission nevertheless realised that the local bodies may not be able to generate more than a very small amount on their own, despite their best efforts. The objective of the grants to the local bodies should be to ensure equality in expenditure per student and thereby to equalise educational opportunities. It also suggested that every school should continue to receive the maintenance grant (with a provision for cut if the institution fails to perform), on some egalitarian basis, so that all schools come up to a minimum level of performance, and those schools that do good work should receive additionally a special “jam” grant [Naik 1979:143].

Experience shows that the state grants to local bodies have not been able to stimulate generation of resources by the local bodies. The commission was right in predicting that local bodies would not be able to mobilise any significant amount of resources on their own, given the limited resource base, and competing needs of various sectors. Thirdly, there are wide disparities in educational development in general and educational expenditure per capita or per student between several districts and blocks.<sup>26</sup>

## **Fees and Cost Recovery**

The commission had a clear and progressive understanding of the role of fees in education and its implications. It stated, “It is undesirable to regard [fees] as a source of revenue. They are the most regressive form of taxation, fall more heavily on the poorer classes of society and act as an anti-egalitarian force” (p 202). It also dismissed a “progressive” or a discriminatory fee system based on economic levels of the students/their families as it “would not be administratively feasible and, ... their yield would be almost negligible” (p 202).

Recognising the constitutional provisions, the commission reaffirmed the importance of providing free and compulsory education of a common school system. There was no case of levy

of any fees at primary stage, though the commission was confronted with arguments in favour of levying fees. After all, it was a constitutional commitment. The commission was not content simply to note that free education meant only tuition fee-free education and provision of free textbooks, but felt constrained to recommend (a) abolition of all kinds of fees in primary schools and (b) provision of incentives such as free stationery, uniforms, school meals, etc. The then prevailing economic conditions seemed to have prevented the commission from making any such recommendation. These compulsions are clear. It however, recommended free education up to grade X and provision of free studentships in higher secondary and higher education. It also recommended all vocational education to be provided free. With respect to other levels of education also, the commission did not actually favour levy of fees; but it could not recommend against fee. In case of secondary education, though it agreed to the suggestion to levy of fees at higher secondary level as a pragmatic solution to the problem of resource scarcity, it did note very clearly that “the levy of fees in secondary schools prevents several children from the poorer classes of society, and particularly girls, from receiving education” (p 203). So it argued that in higher secondary and higher education, every attempt should be made to extend free education to cover all needy and deserving students.

With respect to higher education, the commission found that the then existing levels of fee contributions (as a proportion of total revenues) were much higher in India than in the educationally advanced and richer counter such as US and UK. The commission’s forward-looking progressive policies with respect to fees in higher education are worth noting, “We do not advocate the immediate general abolition of fees in higher education, although *this should be the ultimate goal of educational policy*. ...for the next 10 years, the main effort with regard to fees in higher secondary and university education should be to expand the provision of tuition-free education to cover all the needy and deserving students. To begin with, the proportion of free-studentships should be increased to at least 30 per cent of the total enrolment. We also commend, for general acceptance, policies which have been adopted in some areas to provide tuition-free higher education to underprivileged groups” (p 204; emphasis added).

Nowadays fees are regarded as one of the most common measures of mobilising finances for education. In fact, student fees are being seen as a major potential source of funds. But confronted with the need to ensure that weaker sections of the society do not get neglected, often a programme consisting of levy of fees along with concessions and exemptions to needy students is proposed. This has been quite common. But the commission did not find merit in such arguments. The commission observed, “such a system does not have much to commend itself and involves several administrative difficulties” (p 203).

The commission also felt no need for any cost recovery mechanisms. In fact, in the long run education would become self-financing, not of course as being contemplated nowadays. The commission observed, “in the long run education to some extent is self-financing because the increased incomes generated by a relatively better educated labour force would provide resources for greater allocation to education...additional resource are generated through the process of economic growth” (p 889). This is what Mishan (1969) also observed in a similar context, “higher education is an investment and will pay for itself; and will increase the earnings of the beneficiary students and the government will recover its costs through consequent higher tax receipts.” The commission has clearly recognised the significant economic contribution of education, when it observed, “the fact that education tends to augment the flow of national product, though with

some time-lag, [and this] is of crucial importance” (p 889).

Having noted that parents were required to incur “very heavy expenditure” on education, it suggested quite a few mechanisms of mitigating household costs on education, such as strengthening of the provision of free textbooks at primary stage, launching of a programme of book-banks at secondary stage and provision of book-grants in higher education.

The evidence on the practice of fees in education in the later period is in quite contrast to what the commission recommended. Fee, including tuition fee, besides many other types of fees, were continued to be charged in government, local body, government-aided schools at primary level [Tilak 1996a]; fee levels in secondary education have been on the rise; and fees in higher education are going up [Tilak and Rani 2003].

The commission also argued against over dependence on private sector in education development [Naik 1979: 30]. The commission felt that private sector has a limited and minor role in the national education system. It pleaded for control of private enterprise in education. Again, this suggestion is also not cared for very much by the government and in fact, this was opposed strongly. An unbridled growth of private education at all levels of education has been allowed, with all its ramifications.

## Other Norms and Recommendations

A few other norms that were adopted by the commission, which have serious financial implications may be noted as follows:

First the pupil-teacher ratios. Though for pragmatic reasons, the commission had adopted higher pupil-teacher ratios in estimating the resource requirements, it desired that to ensure reasonably good quality of education, the pupil-teacher ratio in primary education be 30 and 35 in higher primary schools. In lower secondary education it should be 25 students per every teacher and 20 in higher secondary education. In case of secondary/vocational education the desirable ratio suggested was one teacher per every 11 students. The commission suggested such norms for higher education as well – one teacher for every 15 students on average in undergraduate courses and eight students in postgraduate courses. Many of these norms are still relevant in contemporary educational planning. The present norms and the current actual pupil-teacher ratios are much higher than the norms suggested by the commission.

Secondly, the commission realised the importance of vocational education and also to reduce pressures on higher education. It recommended a high degree of vocationalisation of education: 20 per cent of the total enrolments at secondary level, 50 per cent at higher secondary level and 30 per cent at higher education need to be in vocational streams. Further, it argued that 60 per cent of the students in higher education should be enrolled in professional and sciences courses.

Though the government often expressed in subsequent years its desire to vocationalise secondary education, the progress is not satisfactory. The reason is, fundamentally vocational education has been looked down upon and planned as second rate, cheap education for the poor. As a result, it suffered from both demand and supply side constraints. Vocational courses were introduced in colleges in the recent years. In all, the targets set by the commission still seem to be elusive to reach even in the near future after 40 years, as no serious attempts were made in this direction.

Thirdly, the commission favoured promotion of excellence at all levels of education. Ten per cent of the schools at every level were to be provided with additional resources so that they function at optimal level of quality to become “pace-setting” institutions!

This was recommended by the commission as “the highest priority programme” (p 463). Similarly, the commission favoured development of five or six “major” universities where “first class post-graduates work and research [becomes] possible” (pp 506-07). This seemingly elitist idea was not favoured in case of university education, though the recommendation relating to school education was followed-up in the following decades. The scheme of Navodaya vidyalayas recommended in and set up after the NPE 1986, can be regarded as close to the proposal of the commission. The proposal on universities was not received favourably by many, as it was felt that “better results would be obtained if minimum standards can be maintained in all institutions and special additional assistance, on the basis of proper criteria, given to institutions which show a high level of performance and promise” than from concentrating the efforts and resources on 10 per cent of the institutions.<sup>27</sup> While the proposal of the commission per se was not accepted, some universities did receive support for their excellence in education and research, and centres of excellence and inter-university centres were created and supported with extra funds that offer first class postgraduate education and research, meeting to some extent the very objective that the commission had in mind.

In addition to the above, there are several prescriptive observations made in the report which are of great significance in the present context. To cite a few, three such observations on financing of education may be noted:

The commission rightly noted that “in the early stages of educational development the rate of growth of educational expenditure ought to be approximately twice the rate of growth of national income” (p 873). It is important to note that this is a desirable practice. For example, Schultz (1986, p 5) stated, “during the process of economic modernisation the rate of increase in human capital is higher than that of reproducible physical capital”. If we follow the dictum and the educational expenditure increases at twice the rate of growth of the economy, reaching the goal of allocating 6 per cent of GDP to education will not be difficult at all; it can be reached very soon, as a committee of the government of India (2005) has shown.

The commission also recommended analysis of education expenditure by converting the figures into the constant prices. Though official documents of the government still do not present expenditure on education in constant prices, researchers have begun attempting analysis of education expenditures in real prices, using national income deflators or price indices.

The commission stressed the need for efficient utilisation of resources. It repeatedly made the plea to eliminate underutilisation and wastage of resources in education and to introduce measures of economisation.

## Concluding Observations

The report was considered a landmark in the history of Indian education. The commission made several important suggestions, which even after 40 years, are still relevant for development of education. They are relevant not just because their implementation is over due; they are relevant today for their intrinsic value, essentially because the commission had looked into the distant future, adopted a visionary approach, built its recommendations on strong empirical evidence and knowledge – national and international, with a strong conviction on the role of education in national development, and above all with a strong commitment to national development.

Despite realising the need to be austere due to several reasons, as it worked under the overall atmosphere of austerity, the

commission did not compromise on a few vital issues. For instance, it strongly advocated a national system of education; and it pleaded for universal full-time education to all children of common school type, though development of alternative channels of education was also suggested, as full-time universal education was not immediately possible. It has argued for a free common school system of public education up to the end of grade X and the adoption of neighbourhood school concept at the elementary stage (p 458). It also suggested that all private schools must be brought into the common school system.<sup>28</sup> Third, it has recommended a large expansion of scholarship programme. It has also recommended a significant expansion of the centrally sponsored sector in education. Above all, it strongly recommended increase in the allocation of resources to education to the level of 6 per cent of GNP.

Unfortunately, while the commission recommended a package of reforms, the government looked at the recommendations as piecemeal suggestions. As Naik (1979) observed, “It is thus a tragedy that the recommendations of the one commission which was directed to look *comprehensively* at education were considered mostly in a *piecemeal* fashion” (p 38; emphasis original). While there can be several factors for the inaction of the government, the lack of strong political will seems to be the most important one. As a result, the Indian education system is still characterised with conspicuous failures – in eradicating illiteracy, in universalising elementary education, in vocationalisation of secondary education, in ensuring excellence and high standards in higher education, in allocating adequate resources for education, in improving the financial efficiency of the system, all these failures, along with of course some spectacular achievements in terms of student numbers, in building one of the largest reservoirs of scientific and technical manpower in the world, in “exporting” manpower, etc. The reason for widespread discontentment with the education sector is obvious. The commission itself warned, “A report which is shelved or does not lead to action is worse than no report because it leads to frustration by arousing hopes that remain unfulfilled” (p 897). [77]

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## Notes

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- 1 Gross national product.
- 2 Malcolm Adiseshiah: ‘Foreword’ to Naik (1979).
- 3 In the case of such recommendations, there is a wide difference between the commission’s recommendations and their actual implementation. See Adiseshiah (1994).
- 4 Letter of Submission of the report by D S Kothari, addressed to MC Chagla, minister for education (*Report*, p v).
- 5 The members of the commission included 11 Indians, and one each from France, Japan, UK, US and the USSR. This enabled it to review Indian situation in a comparative manner.
- 6 Economics of education was formally born only in 1960, with the presidential address of Theodore W Schultz (1961) to the American Economic Association. Many studies were conducted only later.
- 7 The manpower planning exercise presented in the report, as a Minute of Supplementation (pp 937-92) was also first of its kind in India and was found to be of great significance. It was separately published Burgess et al (1968). Chapter XIX and the Minute of Supplementation form two very important contributions of the Commission to Economics and Financing of Education in India.
- 8 Following this recommendation, a series of studies on costs and financing of universities were later sponsored/conducted by the University Grants Commission, the Indian Council of Social Science Research, the National



- Council of Educational Research and Training, etc.
- 9 A similar recommendation was made by the Kher Committee (1951) as early as 1950 that the government of India should spend about 10 per cent of its total revenue on education.
  - 10 This was also circulated as a paper from the Planning Commission.
  - 11 The National Agenda for Governance (BJP and Alliance Partners, 1998, p 5) has promised to “formulate and implement plans to gradually increase the governmental and non-governmental spending on education upto 6 per cent of the GDP” (emphasis added).
  - 12 The *Economic Survey* (1998-99) stated: “Financing of education – increase in government and non-government spending on education, and bringing this up to 6 per cent GDP level” (p 150).
  - 13 For the first time, the terms “national income” and “GNP” were replaced by gross domestic product (GDP) in the statement. This was also mentioned in the *Economic Survey 2004-05*.
  - 14 Interestingly, the recommendation to regulate the growth of higher education was opposed by many, but this figured as an important objective of educational planning in the Fourth and Fifth Five-Year Plans, given the rising rates of graduate unemployment, which was also noted by the commission. The concern of the commission on unemployment led to a full-fledged study on the problem [e.g., Blaug et al 1969].
  - 15 For example, Tilak (1994) estimated that it would be above 8 per cent.
  - 16 Author’s calculations based on *Education in India* and *Analysis of Budget Expenditure on Education* (various years) of the ministry of education/human resource development, government of India.
  - 17 That the proportion declined during the economic reform period is noted by many. For example, see Tilak (1996b) and Sadgopal (2004).
  - 18 Naik (1979) however lists it among the recommendations that attracted limited attention (pp 59-60).
  - 19 Based on *Five-Year Plan(s)*, and *Analysis of Annual Plan(s)* of the education division, Planning Commission, government of India.
  - 20 Based on *Five-Year Plan(s)* and *Analysis of Annual Plan(s)* of the education division, Planning Commission, government of India.
  - 21 Primary education, according to the commission, includes lower primary and higher primary education, i.e., up to Grade VII/VIII, which is nowadays being referred to as elementary education.
  - 22 Quoted in Desai (1953, p 57).
  - 23 It is only in the most recent months that the UGC has launched a special research fellowship programme for weaker sections.
  - 24 For a review of the national loan scholarship scheme, see Tilak (1992).
  - 25 Based on *Education in India* (various years), ministry of education/human resource development, New Delhi.
  - 26 See several papers in Tilak (1986b).
  - 27 Committee of members of Parliament [quoted in J P Naik, 1979, p 140].
  - 28 Unfortunately many of these recommendations, including the strong recommendation of the commission for the adoption of the common school system have been conveniently relegated to the dustbin. See Kamat (1985, p 133).

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