

Education Accounts: A Tool for
Managing Educational Finances
Prototype for Discussion

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1. Introduction:

Importance of investment in education has been well recognized both by researchers and policy makers. The benefits accruing from education especially Primary Education in developing countries have been well documented in a number of studies both within India and from outside. India's commitment to the spread of knowledge and freedom of thought among its citizens is reflected in its Constitution. The Directive Principles in the Constitution state **"the state shall endeavor to provide within a period of ten years from the announcement of this Constitution, for free and compulsory education for all children until they complete the age of fourteen years"**. Other provisions of the Constitution with regard to any citizen having a distinct language, script, special care of economic and educational interests of the unprivileged sections, particularly scheduled castes and scheduled tribes is laid down as an obligation. Though education is currently in the concurrent list of the Constitution, the State Governments play a very important role in the development of education especially in the Primary and Secondary Education sectors. Educational Policy and Progress have been reviewed in the light of the goal of National Development and Priorities set from time to time. In its resolution of the National Policy on Education in 1968, an emphasis on quality improvement and a planned, more equitable expansion of educational facilities and the need to focus on the education of girls was stressed. More than fifteen years after this policy the National Policy on Education (NPE) 1986, was formulated which provided for a comprehensive policy framework for the development of education upto the end of the century and a Plan of Action (POA 1992) which spelt out specific responsibilities for organizing, implementing and financing its proposal of NPE. India is committed to the goal of Education for All (EFA), the commitment which received international recognition at the World Conference on EFA held at Jomtien in 1990.

From 1968 onwards, it has been decided to set apart 6% of National Income on education. Para 11.4 of NPE, 1986 states "that the investment on education be gradually increased to reach a level of 6% of the National Income as early as possible. Since the actual level of

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investment has remained far short of that target, it is important that greater determination is shown now to find the funds for the programmes laid down in this policy. While actual requirements will be computed from time to time on the basis of monitoring and review, the outlay on education will be stepped up to ensure that at the time of commencement of the 8th Five year Plan and thereafter, it will uniformly exceed 6% of the national income".

2. Need for Education Accounts:

In this background it would be useful to track the resource flows into the education system of the nation from different sources. Usually the research on educational finances has concentrated on the flow of public funds alone which would give a truncated view of such resource flows. There were some sporadic attempts to ascertain the total spend from the private sources as well including the household expenditure on education. In the recent past the actors in the education system have changed so drastically that there is a need to have a complete flow of resources from both public and private sources.

Taking a clue from the National Income Accounts which stems from the System of National Accounts (SNA) and Health Accounts that borrows the methodology of System of Health Accounts (SHA), one can attempt to sketch the Education Accounts also. The methodology in this regard is yet to appear on the scene and the paper tries to put in place the schema of such methodology for the consideration of the scholars working on educational finances.

The task of Education Accounts would be to answer three questions viz,

Who Pays? – Sources of Funding

How Much? – Quantum of Funding and

For What? – Functions on which such funding would be made

Separating 'who' from 'what' would be the crucial information which would assist the policy making in fine tuning the financing mechanism. In so doing, we would also be figuring out the Actors, Activities and Transactions in the Education system of any given region. Thus, the Education Accounts would give the resources that flow in the education sector from all sources i.e. Public, Private (both for profit and not for profit including household expenditure), Parastatals, Rest of the World (ROW) or the external sources. This would give us the complete resource envelop that can help us to understand the total quantum of resources towards any level of education in any region. The information on such resources would be presented in the form of matrices and that would constitute the Education Accounts.

We are also required to develop standard protocols for identifying different Actors, Activities and other related functions in the education

system. In view of the shortage of time we would not be able to populate the matrices at this juncture. As the focus would be on arriving at the methodology of Education Accounts, the paper would present such methodology. We look forward to the suggestions / comments during the conference so that the same can be used to accommodate the methodology for taking up studies to test it on ground and to develop Education Accounts for India in the days to come.

2.1 Scheme of Education Accounts:

Both national income accounts and national education accounts are similar, in the sense that, what national education accounts describe for the education sector is done by national income accounts for the economy as a whole. Both these estimates agree to the fact that money payments or transfers should not be double counted and a distinction to be maintained between capital and current expenditures.

Better understanding on the information on financing of Education Sector is a sine qua non for most of the developing countries. This is because it acts as a basis for wise policy change in the area of education sector reforms. Any attempt in analyzing education financing should have sound estimates of national education expenditure. In other words, it should take into account total spending, the contributions to such spending from different sources and the claims on spending by different uses or activities.

The need is to develop the System of Education Accounts (SEA) to develop Education Accounts for any given region. This exercise would address main questions as stated below.

- Where does the money come from? (Sources of funding)
- Where does the money go? (Providers of education services and goods)
- What kinds of services are performed and what types of goods / services are purchased?
- In what way the funds are distributed across different levels of education?
- Who benefits from such spending?

2.2 Major Entities of the Education System:

The first step in developing Education Accounts would be to identify the entities which are engaged in the provision of educational services. The following can be considered in this regard.

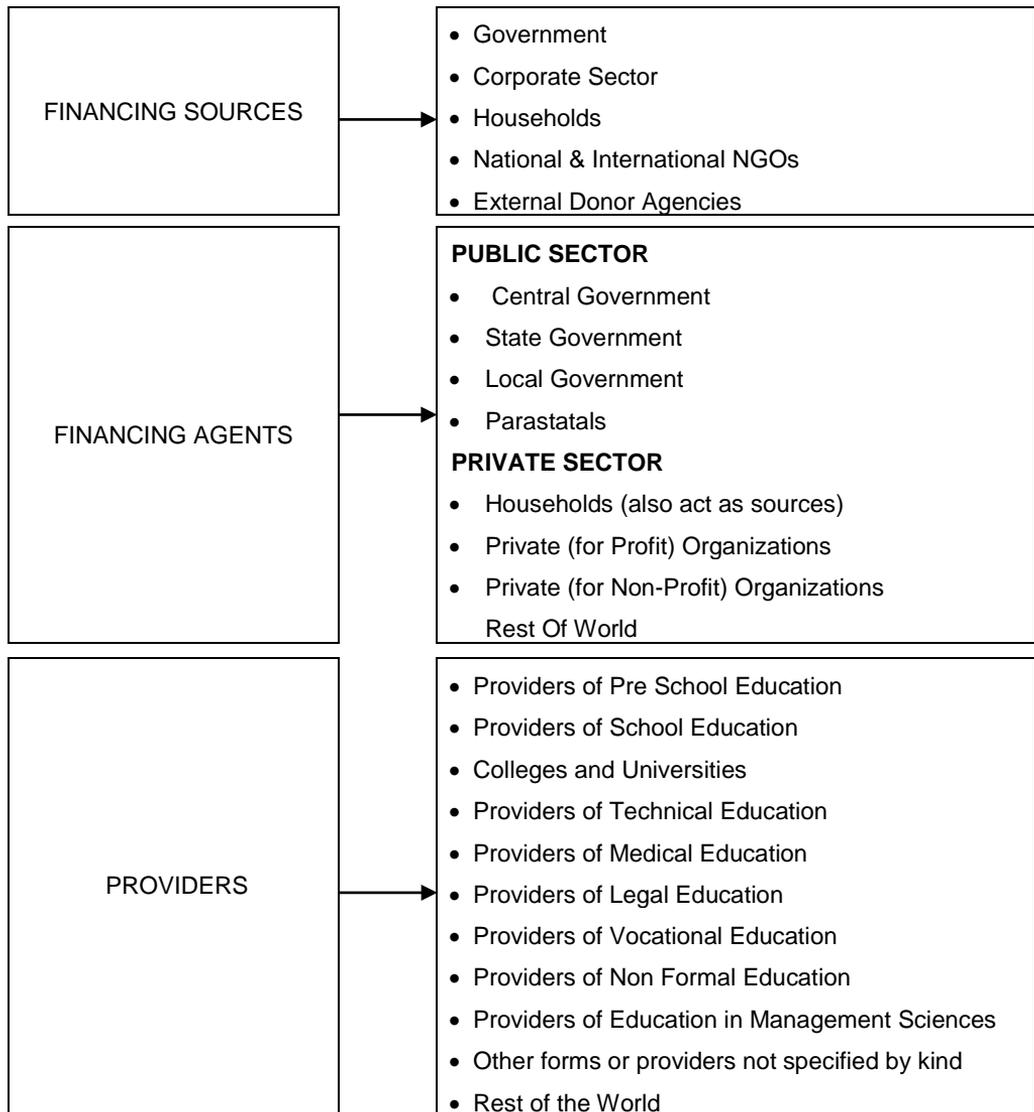
- Entities, which act as ultimate sources of funds.
- Entities, which transfer the resources between the funding entities and the actual providers of Educational services.
- Providers of educational services
- Beneficiaries who receive educational services – need to bifurcate different socio-economic groups

2.3 Sources of funds can be grouped into the following major categories

1. Public Sector – Government ministries and administrative departments.
2. Public sector – Other government agencies.
3. Private Sector – Firms and private educational providers
4. Private Sector – Non-governmental organizations (NGO) – National & International
5. Households -Out of Pocket Spending (OOPS)
6. Foreign sector – Government and non-government sources

Following chart gives the details of different entities that can be observed in the education system

Chart – 1: Sources of Funds



Note: A detailed list of entities needs to be developed – draft template in appendix

3. Boundaries and Classifications

The next task of building Education Accounts would involve fixing boundaries as discussed below.

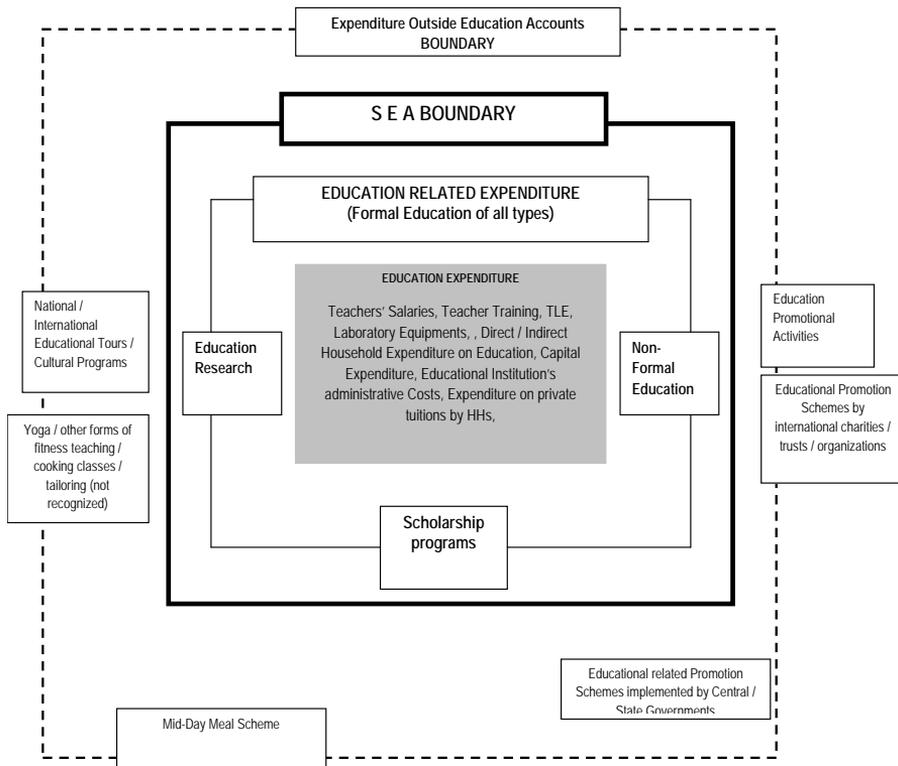
3.1 Time Boundary: Setting the time boundary of Education Accounts requires that a choice be made about the period (fiscal/calendar year) for which the expenditure data would be presented in the accounting matrices and, secondly, the accounting practice (cash/accrual accounting) to be followed. One can consider the financial year in the Indian context as most of the organizations follow the same principle. As far as the second issue is concerned we can follow the accrual basis for considering the fund of flows.

3.2 Space Boundary: At the outset, it would be better to know the broad activities which are covered under the System of Education Accounts (SEA). One can consider the following activities which may be considered as understood and not exhaustive in nature.

- Teachers' Salaries
- Teacher Training
- TLE, Laboratory Equipments
- Direct / Indirect Household Expenditure on Education
- Capital Expenditure
- Educational Institution's administrative Costs
- Expenditure on private tuitions by HHs

The following chart would give a broad picture of the space boundary of Education Accounts.

Chart – 2: Boundaries of Proposed Education Accounts



3.3 Functional Boundaries: Following the framework of the space boundary, the functional boundaries in the education system can be considered as indicated below

1. Teaching
 - At the primary level
 - At the secondary level
 - At the higher secondary level
 - At the graduation
 - At the post graduation level
 - At different kinds of education (medical, legal, technical and the like)
2. Teacher training at different levels and kinds of education as stated above
3. Curriculum development
4. Research
5. Consultancy
6. Non Curricular activities

7. Examination related activities
8. Any other (not specified by kind)

After the data is collected for any given region and for a given year, one can attempt to develop Education Accounts Matrices.

4. Utility of Education Accounts:

The national income accounts would give the broad economic indicators as well as economic transactions within the economy. This kind of information would not be straight away useful to the managers of the education sector. The fund flow analysis and the kind of transactions within the education sector would be more relevant for the effective governance of the education sector. Thus Education Accounts would give us user friendly information for understanding educational finances in a better way. Such information would give us the details of major sources of funds who are shouldering the responsibility as far as provisions of educational services are concerned. Such information at different levels of education could probably throw light on the issue of policy correctives in financing education. The Education Accounts would tell us on what kind of activities the resources are spent. If one wants to change the pattern of spending at a given level of education and among different levels of education, the Education Accounts would be helpful.

Appendix

Chart – 3: Triaxial Format of Higher Education Accounts

Triaxial Format of Higher Education Accounts

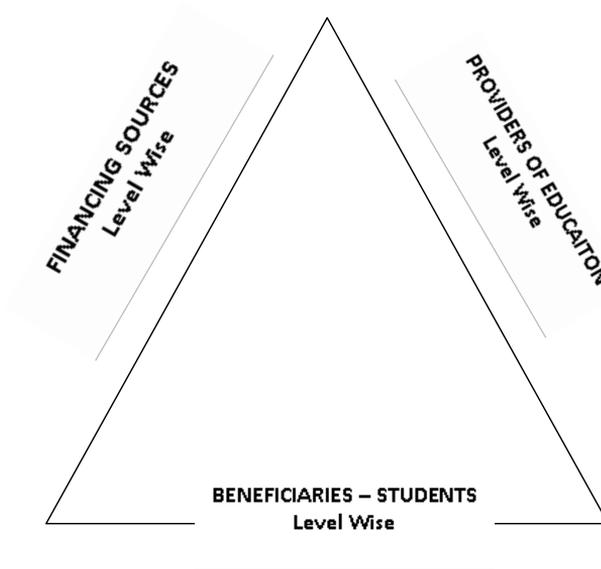


Chart – 4: Classification Scheme for FINANCING SOURCES of Higher Education

Draft Template

Code	Descriptor	
HEFS.1	PUBLIC	
HEFS.1 .1	Central government	
HEFS.1 .2	Regional government	
	HEFS.1.2.1	State government
	EF S.1.2.2	Local government
	EF S.1.2.3	Parastatals (Public Undertakings)
HEFS.2	PRIVATE	
	HEFS.2.1	Households
	HEFS.2.2	Contributions from Communities, □NGOs, Managements etc. (In Cash)
		HEFS.2.2.1 Community contributions
		HEFS.2.2.2 Management contributions
		HEFS.2.2.3 Corporate Sectors' contribution
		HEFS.2.2.4 NGOs contribution
		HEFS.2.2.5 Parents-Teachers Association contributions
		Contributions from Communities, □NGOs, Managements etc. (in Kind)
		HEFS.2.2.6 Community contributions
		HEFS.2.2.7 Management contributions
		HEFS.2.2.8 Corporate Sectors' contribution
		HEFS.2.2.9 NGOs contribution
		HEFS.2.2.10 Parents-Teachers Association contributions
	HEFS.2.3	Other private funds
		HEFS.2.3.1 Interest from Endowments
		HEFS.2.3.1 Interest from Endowments
HEFS.3	REST OF THE WORLD (ROW)	
	HEFS.3.1	Public external funds
		HEFS.3.1.1 Bilateral & Multilateral donors
		HEFS.3.1.2 Development Banks
	HEFS.3.2	Private external funds
HEFS 9	NOT SPECIFIED BY KIND (NSK)	

Chart – 5: Classification Scheme for FINANCING AGENTS of Higher Education

Draft Template

Code	Descriptor			
HEFA.1	PUBLIC SECTOR			
	HEFA.1.1	Central Government		
		HEFA.1.1.1	Ministry of Human Resource Development	
			HEFA 1.1.1.1	All India Council of Technical Education (AICTE)
			HEFA 1.1.1.2	Council of Architecture (COA)
			HEFA 1.1.1.3	Indian Council of Historical Research (ICHR)
			HEFA 1.1.1.4	Indian Council of Philosophical Research (ICPR)
			HEFA 1.1.1.5	Indian Council of Social Science Research (ICSSR)
			HEFA 1.1.1.6	University Grants Commission (UGC)
		HEFA.1.1.2	Other Ministries/Departments	
	HEFA.1.2	State Government		
		HEFA.1.2.1	Department of Higher Education	
			HEFA. 1 .2.1.1	Department of Higher Education
			HEFA. 1 .2.1.2	Department of Social Welfare
		HEFA.1.2.2	Other Departments like Ministry of Labour etc.	
	HEFA.1.3	Local Government		
HEFA.2	PRIVATE SECTOR			
	HEFA 2.1	Households' Out of pocket payments		
	HEFA 2.2	Communities, Foundations, NGOs etc		
HEFA.3	REST OF THE WORLD (RoW)			
	HEFA.3.1	Multi-lateral & Bilateral Organizations and agencies		
	HEFA.3.2	Development banks		
	HEFA.3.3	International Non-Governmental Organizations		
HEFA.9	NOT SPECIFIED BY KIND (NSK)			

Chart – 6: Classification Scheme for Providers of Higher Education
Draft Template

Code	Providers	
HEP.1	PUBLIC PROVIDERS	
	HEP1.1	Central Universities
	HEP1.2	IIMs
	HEP1.3	IISc. Bangalore & IISERs
	HEP1.4	IITs
	HEP1.5	IIITs
	HEP1.6	Institutions related to Hindi and other Indian Languages
	HEP1.7	Languages
	HEP1.8	NITs
	HEP1.9	NITTTRs
	HEP1.10	National University of Educational Planning and Administration (NUEPA)
	HEP1.11	Educational Consultants of India Limited (EdCIL) - PSU
	HEP1.12	Sanskrit & Vedic Institutions
	HEP1.13	Institutes Supported by Rest of the World
	HEP1.14	Other institutes of higher learning (distance education)
	HEP1.15	Providers of Medical Education
	HEP1.16	Providers of Para Medical Education
HEP.2	HEP.2.1	State Universities
	HEP.2.2	Colleges owned and managed by State Universities
	HEP.2.3	Government Colleges in different disciplines (General Education, Medical Education and Technical Education)
HEP.3	PRIVATE PROVIDERS (FOR PROFIT)	
	HEP.3.1	Providers of General Education
	HEP.3.2	Providers of Medical Education
	HEP.3.3	Providers of Para Medical Education
	HEP.3.4	Providers of Technical Education
	HEP.3.5	Providers of Management Education
	HEP.3.6	Providers of Any other Specialised Education
HEP.4	PRIVATE PROVIDERS (NOT FOR PROFIT)	
	HEP.4.1	Providers of General Education
	HEP.4.2	Providers of Medical Education
	HEP.4.3	Providers of Para Medical Education
	HEP.4.4	Providers of Technical Education
	HEP.4.5	Providers of Management Education
	HEP.4.6	Providers of Any other Specialised Education
HEP.9	NOT SPECIFIED BY KIND (NSK)	