

**CMDR Monograph Series No. - 35**

**SOCIAL SECTOR DEVELOPMENTS AND  
ECONOMIC REFORMS :  
A STUDY WITH A FOCUS ON THE  
EDUCATION SECTOR**

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## **SOCIAL SECTOR DEVELOPMENTS AND ECONOMIC REFORMS : A STUDY WITH A FOCUS ON THE EDUCATION SECTOR**

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That economic reforms, cryptically described by the term LPG, (Liberalization, Privatization and Globalization ), have far reaching effects not only on the economy but also on the society of a country, has now been amply appreciated. A close examination of the nature and the extent of such effects would greatly help the policy maker to suggest suitable steps to be taken in different sectors both to strengthen or at least to sustain the positive effects of the reforms on these sectors and also to control the negative effects of the reforms, if any. It should be emphasized that just as economic reforms might have effects on the components of the social sector, similarly the social sector developments would have implications for the economic reforms. It is desirable to have a clear idea about these direct and reciprocal linkages between the reforms and the components of the social sector for the purpose of meaningful policy interventions.

In the present paper an attempt is made to examine the effects of the reforms on the social sector in general and educational sector in particular, with a view to suggesting measures to tackle the likely adverse effects of the reforms. The paper also touches upon the implications that educational development is likely to have on reforms also.

**Discussion in the paper is divided into the following sections:**

**Section I** presents a framework for analyzing the effects of various economic reforms on various aspects of the educational sector. Here, we present a brief account of economic reforms as introduced in India during the past decade or so.

**Section II** briefly presents the facts and figures relating to some of the effects of economic reforms on the educational sector. It should be mentioned that since

relevant data for all the aspects of these linkages between education and economic reforms are not available in required details the empirical analysis contained in this section is not to be considered as comprehensive and complete.

**Section III** briefly presents an outline of measures for safeguarding the interest of the educational sector during economic reforms.

**Section IV** briefly considers the reciprocal linkages from educational development to the reform formulation indicating the scope of the subsequent generations of reforms.

**Section V** finally summarizes the main policy conclusions of the study.

## **I A Framework for Analyzing the Effects of Economic Reforms on Education:**

During the past decade or so India has introduced a number of economic reforms touching different sectors ranging from international trade to agriculture. In the present inter-sectorally

interdependent framework any type of change introduced in these sectors is bound to have a direct or indirect implication for the educational sector. We outline below major economic reforms introduced in India and then present a framework for analyzing their effects so far as education is concerned. This is presented primarily as an outline of issues for empirical testing.

### **I.1 Economic Reform Measures in India :**

The following paragraphs indicate the scope of the economic reforms introduced during 1991 to 1998-99 relating to the different sectors.

#### **1. Trade Related Reforms**

1. Tariff reductions from 300 % to 40 % (1997-98)  
Reduction in import tariff from 87 % to 20 %
2. Import licensing system abolished.
3. CSS – Crash compensatory Scheme withdrawn for exports.
4. Devaluation of Rupee (twice)
5. Real Exchange rate system abolished,

6. Liberalization of foreign exchange,
7. Licensing regime diluted.
  - Shifting of large number of items from restricted list to open general license.

## **2. Industrial Sector Reforms**

1. Drastic scaling back of industrial licensing system for all but 18 core sectors.
2. Policies promoting capital mobility
3. Relaxation of MRTP Act.
4. Opening up of industries to the private sector – privatization.
5. Liberalization of FDI and foreign portfolio investment
6. Relaxation of FERA
7. Foreign investment up to 51% of equity holdings permitted in 34 industries.

## **3. Financial Sector Reforms**

1. CRR and SLR lowered, implying less access of the government to the resources of commercial banks.
2. Interest rates deregulated.
3. Post of controller of capital issues was abolished but

Security Exchange Board of India (SEBI) was established.

4. Increased level of foreign portfolio investment.

## **4. Fiscal Policy Reforms**

1. Reduce fiscal deficit
  - Non-plan expenditure to be reduced.
2. Tax rate reduction (all taxes)
3. Relative importance of direct taxes vs. indirect taxes raised (1.3 % to 3 %)
4. Widening of tax base.
5. Introduction of presumptive taxation.
6. Bank credit to the government reduced by 44 %
7. General government debt held by RBI reduced from 15 % to 10 %
8. Central government budget deficit financed by RBI reduced by 33 % to less than 25%
9. Net general government debt held by RBI reduced by 15.6 percent of GDP to 9% of GDP.
10. Net external borrowing declined significantly (?) (share declined).

11. Corporation and income tax together increased from 2% to 3% of the GDP.
12. Excise and custom duties share declined 9 % to 7% of GDP.
13. Non-interest expenditure reduced from 16% to 13% of GDP.
14. Reduction of subsidies
  - Food and fertilizer subsidies not significantly reduced.
  - Total subsidy share in GDP declined from 3.5% to 2.3% and recently to 1.3%
  - Debt relief for farmers reduced.

### **5. Agriculture Sector Related Reforms** (No significant reforms):

1. Abolition of GOI restriction on the movement of agriculture commodities between zones.
2. Freeing of prices on some fertilizers.
3. Quantitative restrictions on agricultural trade dismantled.

As can be noticed from the above listing, a large number of reform measures have been introduced covering largely the

economic sectors. There have been of course, some initiatives impinging upon the major components of the social sector like primary education, higher education, water supply, electricity tariffs, etc. However, the main thrust of major reform measures seems to be economic sectors rather than the social sector, as the term economic reform itself connotes.

### **1.2 What are the Main Objectives of these Economic Reform Measures ?**

In the background of slow rate of economic growth witnessed by the country during the four decades of planning after independence there was a felt need to introduce some measures in order to raise the tempo of overall development of the economy. It is not that there were no serious efforts introduced in the country during the long period of four decades. In fact, some observers have commented that India has been a laboratory of a number of experiments in the field of economic and social sectors. However, despite all these initiatives, the potentials of development of the economy were

reportedly not fully exploited. It is in this background that the new measures were visualized and introduced, may be coincidentally at the instance of the IMF and the World Bank. It was also a coincidence that such measures were being tried out in other countries as well. Hence, the main objective of these measures was to improve the tempo of economic development, which is sustainable over a long period of time. Too much of soft state ethos, less scope for the play of competitive forces and too much of protectionism are diagnosed to be the factors for the relatively unsatisfactory performance of the Indian economy during the long plan period. The new philosophy of economic reforms emphasized the role of the competitive forces at the national as well as the international level by the forces of liberalization, privatization and globalization (LPG measures). The reforms listed above aim at introducing and strengthening the forces of liberalization, privatization and globalization.

### **I.3 How Would These Reform Measures Influence the Educational Sector ?**

**The economic reform measures seem to influence educational sector from the following points of view :**

- a. by influencing the availability of resources for the educational sector,
- b. by influencing the decision making process for different sub sectors of the educational sector,
- c. implications for funding composition,
- d. implications for the value formation in the society.

We may try to outline below the likely implications of each of the economic reforms listed for some of the above four aspects relating to education.

### **I.4 Trade Sector Reforms and Educational Sector**

Steep reduction in tariffs particularly import tariff would help the educational sector by lowering down the purchase prices of goods and services which are relevant to educational sector and which enter into the international trade. For example, if the educational sector requires certain equipment used abroad

then they can be imported at relatively lower prices because of the tariff reductions. Computer education and education through computers can be cited as the examples which might be favourably influenced by these measures. In most of the schools particularly in the urban areas of the country, computer education is becoming increasingly popular. The governments of some states have initiated policy of assisting selected schools by providing computers for the purpose of starting computer education programmes in the school. In some educational institutions education is imparted through computers. For example, at the higher educational level, facilitating conferences among more than three participants. At the higher educational level, the opening up of the floodgates of information through internet has provided tremendous opportunities for the learners. Even at the school level, the children are now accessing vast information (good, bad or indifferent) through internet. **It is worth exploring to what extent the educational objectives of curriculum**

**coverage are achieved through the import price reduction in the case of computers.** In the same way, other equipments used in the science laboratories in the schools and higher educational institutions are likely to be available at lower costs on account of tariff reductions. To what extent this has happened is a matter for empirical investigation.

**Abolition of import license system** has also facilitated the flow of imports. If imports are useful for the educational sector, then the unnecessary irritants for the educational sector in respect of procurement of necessary goods and services from abroad would be removed. How far this actually happened in the case of different levels of education and different states of the country? This needs to be empirically tested.

As against the above measures, **devaluation of the Indian Rupee** might make India's exports cheaper and imports costlier suggesting that the general measures of devaluation may act counter to the specific measures of tariff reduction. However, the likely promotion of

exports through devaluation and dilution of the licensing regime might contribute to education indirectly by improving the capacity to fund education by the exporters and industrial entrepreneurs. **It may be useful to examine how far the exporters and the industrialists have been favourably influenced by these trade related measures and how far they have increased their contribution to different levels of education.**

If the fiscal measures of tax exemptions of donations to the educational institutions are considered together with these measures, then, one should expect better account of donations and charitable contributions to education, induced by the economic reform measures. How many industrialists and exporters have contributed and to what extent to the starting of schools and colleges and to creating the chairs in universities in different parts of the country? In fact, even the aggregative picture about the quantum of donations and the contributions to the educational sector cannot be developed because of non availability of such data for

different regions and the country as a whole. It would be desirable to pursue this question with the help of ad hoc empirical studies in different regions of the country.

### **I.5 Industrial and Financial Sector Reform Measures**

**The industrial policy reforms** have largely aimed at removing the irritants and restrictions in the functioning of existing industries and in the process of starting of new ones. In the previous regime of License Raj, the costs in terms of delays and also in terms of financial outgoes were significantly large. Policies, promoting capital mobility, relaxation of MRTP Act, opening up of industries to the private sector, etc., are expected to reduce such costs. If the prices of the products of these industrial units are a function of the costs, then, there is no reason why prices should continue to rise on account of cost factors. This should help all the sectors including education which use these products

The relaxation in the FERA and permission for foreign investment up to 51 percent of

equity capital should also help the educational sector if the foreign investors are interested in investing in the industries whose products are used by the educational sector. Incidentally, flows of NRI funds and the funds of foreign investors may be channelized even into education. The education types like management education, engineering education and higher education in specialized scientific disciplines may be the areas where foreign capital is likely to flow in. **It is worth examining to what extent this has actually happened in the case of India.**

**Financial sector reforms** are expected to release large amount of funds for private sector initiative. The banks and financial institutions need not have to keep their funds captive for being accessed only by the government. In case the private entrepreneurs find investment in educational enterprise more rewarding, then, the liquidity advantages arising out of the financial sector reforms should promote the educational sector. Which level of education and which type of education would

find itself encouraged by these liquidity advantages is also an important point to be borne in mind while evaluating the implications of these reforms for the educational sector. Interestingly, the reduced interest rate regime, which is part of financial sector reform, is also expected to help the educational –entrepreneur- borrower causing loan financed educational activity less costly for him. **These aspects need to be examined considering the data of end use of credit focusing particularly on the credit for educational purposes, both for supplying educational facilities and for using the educational opportunities.**

Some measures promoting foreign portfolio investment might also help the educational sector. We do not have data about individual investors from abroad investing in school level education. At the school level, particularly, elementary school level, foreign institutional investors and government have been taking interest in promoting certain activities. For example, the investments for District Primary Education (DPEP) have

largely come from external sources to start with. Such foreign initiatives need to be evaluated in the background of the functioning of non-DPEP regions and also the sustainability of such programmes in the DPEP regions after the foreign funding ceases.

In the same way, if the sectors supplying their products to educational sector receive increased portfolio investments from abroad, then, this might indirectly promote the educational sector. One has to see whether and in respect of which goods and services the prices would be higher than what they used to be before the foreign portfolio investment and in respect of which they would be lower during the reform process. The net advantages for the educational sector would depend upon which effect would be stronger.

**Thus, there are likely to be liquidity effects and also the cost effects for the education sector on account of the financial sector reforms. A detailed empirical study according to the type and the**

**level of education, presenting a clear balance sheet of gains and losses would be extremely helpful.**

### **I.6 Fiscal Policy Reforms :**

The fiscal policy reforms are likely to have significantly long range effects on the educational sector. The governmental decision making with regard to education has been swinging in the pendulum of favoured treatment of education and less favoured treatment, mostly the latter. Even during the period of 20 Point Programme, the items of the social sector like education, health, etc used to be quite low in the serial order, suggesting that the actual decision making with regard to these sectors would not have received very significantly serious attention in the crucial meetings. By the time the points relating to education were to be taken up for discussion after the priority items like irrigation, power, industry, etc., the patience of the participants would have exhausted and time of the meeting would have almost expired. It is in this context that ad hoc decisions in terms of not

allocating significant public funds to education or residual treatment for the components of the social sector, used to be taken. Normally, the soft sectors like education and health would receive this indifferent treatment at the hands of the decision makers. It is natural that if a dam remains half built, people raise a hue and cry. But, when a school building remains half completed or the vacancies of teachers are not filled, then, it hardly receives any public attention. It is on account of this reason that **when a decision is to be taken to cut the outlays, then, the first target would be the sectors like education. However, when a decision is taken for allocating additional funds, then such sectors are likely to be lowest in the priority ranking.**

This lukewarm treatment of the educational sector is strengthened by the **policy of reduction of fiscal deficit and also the policy of economy in non-plan expenditures. Generally, when there are large fiscal deficits, there is a chance of the sectors like education getting some share in public funding. But, when**

**deficits are cut, then, these sectors also suffer the resource crunch.** The preliminary calculations show that the rank correlation coefficients between public sector outlay on education and the quantum of fiscal deficit are positive and fairly high. This is observed not only when the fiscal deficits are considered at the Central Government level but also at the level of the State Governments.

The policy of economizing on non-plan expenditures would directly affect the public funding of education, for, nearly 85 to 90 percent of expenditures of the educational institutions is on non-plan account. In case, economies are introduced in non-plan expenditures, then, it is but natural that the maintenance of the educational institutions, which is already deplorable, would further suffer. Since the salaries of the non-plan staff cannot be cut, the major brunt falls on the maintenance and up keep of the buildings of the educational institutions, laboratories, equipments, approach roads, water supply and sanitation, etc,

which are so crucial for proper functioning of the educational institutions. **It would be useful to examine to what extent the reduction in non-plan expenditures at the central government level and also at the level of individual state governments has actually affected the maintenance and upkeep of the basic infrastructure of the educational institutions in different states during the period of 90's. This is essentially a subject matter for micro level empirical investigation.**

One may argue that reduction of the fiscal deficits and control on non-plan expenditures **would improve the funds availability for the private sector initiatives.** This might be true. It is also likely that the bureaucratic hurdles in getting the government grants may become irrelevant in this new regime of better liquidity in the entire economy in which the educational sector may also have a share. One should also note that this share is available strictly at the conditionality of the banks and the financial institutions. To

what extent the educational entrepreneurship can meet these conditions is also a subject matter for empirical investigation. Thus, to what extent all this would favourably influence the educational sector is a matter for a detailed empirical study. A study of how many private sector initiatives have been taken during the period of 90's for the purpose of development of schools, colleges and universities and to what extent this tempo is better than that during the period before 90's may, to some extent help resolve this issue. One should also note that by and large, the conventional investors shy away from the educational sector. But in recent years investment in education by the educational entrepreneurs is found to be much more rewarding than investment in non-educational or non-social-sector activities. **The rates of return from education for the suppliers of education** at all levels are found to be high, even higher than for other activities. Also, the returns are surer and are likely to be realized within a period of few years of the course of education itself. From the point of view of the economy as a whole

also, the rates of return from different levels and types of education are likely to be quite attractive. If these considerations work in the minds of the entrepreneurs, then, they might take interest in funding education from the borrowed funds. Even the private beneficiaries from education like students and parents might think of funding education through borrowed funds in view of the high private rates of return, which are normally higher than those for other investments. As stated earlier, the effects of fiscal reforms in terms of improving liquidity and reducing the cost of borrowings have to be studied with detailed micro level data from the point of view of the suppliers of and individual beneficiaries from education. In case the contents of education are useful for the employers, then, they may also take the initiative of recruiting the educated individuals and meeting their costs with the help of low cost borrowed funds, which are available on account of the positive liquidity effects of reduction of fiscal deficits and cuts on non-plan expenditures of the government.

The other important fiscal reform measures introduced in recent years relate to **taxation**. Reduction of the rates of all taxes might lead to favourable income effects and substitution effects, other things remaining the same. It is also argued on the basis of **Laffer Hypothesis** that reduced tax rates might improve revenue collections for the government. In that case, capacity of the government to fund its activities including education might increase. Whether this has actually happened or not may require a statistical testing with empirical data. Similarly, with reduced tax rates the overall economic activity is likely to be favourably affected, according to the Laffer Hypothesis and perceptions of the supply-siders. Once again, **whether this favourable effect for the economy as a whole would actually filter down to the educational sector or not is also an empirical question worth probing.**

One of the tax reform measures consists of **reduced share of indirect taxes** as compared to the direct taxes. The conventional public finance

theory suggests that the fiscal illusion operates more strongly in the case of indirect taxes than in the case of direct taxes indicating that the revenue effects and the 'spite effects' from relatively larger direct tax burden are not likely to be favourable. From this point of view, **one has to quantify the net effects of rate reduction, larger direct tax share and also greater rigour in tax administration (which also is a component of the fiscal reform measures) and weigh their relative importance, as some of them might work favouring the educational sector and some not so favouring.**

Widening of the tax base particularly with regard to direct taxes (with the introduction of presumptive taxation, rigorous tax administration, etc) might also have similar positive and negative effects so far as the educational sector is concerned. Those who would have remained outside the tax net before these measures might find their ability to pay for education (which, incidentally, is likely to be costlier in the new situation) reduced. Thus, from the demand side the effect of this measure

may be unfavourable for the educational sector.

The economic reforms have emphasized the **policy of total withdrawals of subsidies or reduction of subsidies.** Since education is one of the sectors where payments by the beneficiaries are at much lower levels than the costs of their provision, implying high subsidy levels, the ethos of subsidy reduction has certainly affected the educational sector. There is also a move to **raise the fees** in the educational sector, particularly at higher educational levels, which has significant implications for the aspirants of education. Since the government grants are now shying away from education particularly at the higher levels, the educational entrepreneurs particularly from the private sector are required to mobilize their own resources from the individual beneficiaries and also the employers. There is a limit on capacity to pay for education so far as the individual beneficiaries from education are concerned. Since there are also limits of

the educational institutions to mobilize funds from the institutional beneficiaries in view of their niggardliness and absence of any statutory binding on them for such cost sharing of education, the educational sector is likely to be adversely affected on the whole on account of such a policy.

### **I.7 Agriculture related Reforms:**

**Reduction of debt relief for farmers**, which is also an integral part of the new economic reforms, might force the farmers to set a new tradition of 'paying off their debts'. For a number of years, the ethos of debt relief for farmers had created high expectations about the government's role as a welfare agent. This sudden shift in the ethos has shaken the farmers' very approach towards their economic activity. In fact, a number of suicide deaths of the farmers reported in different states might be attributed to this sudden shift. Obviously, the ability to pay of the farmers for education of their wards has been very greatly affected during the period of the reform. **It is a matter of empirical**

**investigation to test to what extent the measure of debt relief withdrawal has affected the educational expenditures of the farmers.** Such developments in different states may have different types of effects on the period of reaching the target of UEE by the states. This question also deserves a special attention by the researchers.

**The removal of quantitative restrictions on agricultural trade, freeing of prices of fertilizers and abolitions of restrictions on the movement of agricultural commodities between the zones, etc., may have mixed effects on the educational sector.** Free mobility might reduce the scarcity advantages for the farmers in some regions of the country. Also, mobility might lead to lower prices and larger availability of agricultural commodities. This might favourably influence the economic condition of the people in different parts of the country leading to higher ability to pay for education. Availability of food grains in different parts of the country might also improve the nutritional status of children

encouraging them to attend schools without interruptions on account of nutritional deficiency related illness episodes. These are all the conjectures about the likely effects. Obviously, these need to be empirically verified in different parts of the country.

**Economic reforms, would thus, have mixed effects on the liquidity position relevant for the educational sector and positive substitution effects relating to educational sector, though their precise quantitative magnitudes are a subject matter for empirical study.**

The other aspects, which should receive attention of the policy makers are the **distributional effects of reforms on the educational sector**. To what extent the first generation learners would be brought under the fold of education, to what extent the children of SC, ST and OBC would enter schools, colleges and universities, to what extent the other deprived groups like girls would be encouraged to receive adequate levels of education like their male counterparts, to what extent the

less developed regions would get educational facilities, etc., are equally if not more important, considerations for an educational policy maker. It would be a highly useful study if the changes with regard to these aspects during the period of economic reforms, are brought out clearly. The first impressions suggest that the economic reforms would have adverse distributional effects, in general and with regard to education, in particular. Studies have shown that relative poverty has become more pronounced during the period of reforms. Since the relative income elasticity of household expenditures on education is likely to be fairly high, increases in the relative poverty measures in different states might adversely affect the efforts for promotion of education, particularly UEE. This also needs to be verified with facts and figures during the reform period.

### **I.8 Societal Value related Effects of Economic Reforms :**

**The more disturbing development worth serious attention of the educational policy makers during the reform**

**period is the erosion of values and the shaking of country's cultural identity.** Globalization and information revolution through Internet access has in a sense led to the emergence of a global village wherein the individual countries' identities are lost. Further, the cheap values that are being floated through the internet or TV (such as advertisements of a number of luxury items of consumption inducing consumerism, different lifestyles unknown to the Indian cultural ethos, such as observing a Valentine Day amounting, etc ) have totally debased the life style and thought process of children and the youth and hence of future generation as a whole. The closer observers of the developments in the society have been feeling terribly concerned about such cultural imperialism from the developed world having different cultural ethos than that of India. In this background, educational sector, which is supposed to be the agent for inter-generational transfer of culture and heritage, has a

tremendous role to play in protecting, reviving and to some extent strengthening the cultural base of the country. It is a subject matter for a multi-disciplinary investigation to study such developments in different community groups and regions in the country during the reform period.

The above general outline shows that the analysis of economic reforms on the educational sector would obviously require a strong analytical framework and a dependable database. In order to facilitate future quantitative research in this area we present below a chart indicating the likely issues of importance in this field and the needed database for examining various analytical issues involved. This Chart is essentially illustrative and may not be considered to have covered all the relevant issues in this connection. The Chart essentially aims at summarizing the main points of discussion in the above paragraphs.

**A CHART OF ISSUES TO BE TESTED FOR ANALYZING  
THE NEXUS BETWEEN ECONOMIC REFORMS AND THE  
EDUCATIONAL SECTOR.**

<b>Reform Item</b>	<b>Issues for Empirical Testing and development of database</b>
<p><b>I Trade Sector</b></p> <ol style="list-style-type: none"> <li>1. Import Tariff</li> <li>2. Export Tariff</li> <li>3. Withdrawal of CCS</li> <li>4. Dilution of Licensing system</li> <li>5. Devaluation</li> <li>6. Dual Exchange Rates</li> </ol>	<ol style="list-style-type: none"> <li>i. Has reduction in tariffs reduced the costs of goods and services for providers of educational opportunities and to students and parents ?</li> <li>ii. What are the indirect effects of these cost reductions on the parent's decision making to finance education and supply of educational care services ?</li> <li>iii. What is the import content of different types and levels of education ?</li> <li>iv. Have different doses of devaluation and abolition of dual exchange rate regime led to positive income effects for the exporters of goods and services of the educational sector (like books, laboratory material, computer software, etc produced through the educational sector ?</li> <li>v. What is the extent of import content of educational sector related export activities?</li> <li>vi. Has devaluation and abolition of the dual exchange rate regime caused a rise in the import bill of the exporters of education sector- related goods and services?</li> </ol>

Reform Item	Issues for Empirical Testing and development of database
<p><b>II Industrial Sector.</b></p> <p>1. Drastic scaling back of industrial licensing system (except 18 core sectors)</p> <p>2. Policies promoting capital mobility</p> <p>3. Relaxation of MRTP Act.</p> <p>4. Opening up of industries to the private sector-privatization.</p> <p>5. Liberalization of FDI and foreign portfolio investment</p> <p>6. Relaxation of FERA</p> <p>7. Foreign investment up to 1% of equity holdings permitted in 34 industries.</p>	<p>i. What are the direct and indirect effects of the reforms relating to the industrial sector on the industry producing goods and services used in the educational sector?</p> <p>ii. Have the promotional policies relating to the industrial sector resulted in larger investment in the education sector related industrial activity?</p> <p>iii. Have these policies led to cost advantages and positive income effects for the entrepreneurs in the education sector related activities? Have these measures finally led to larger resource availability for the educational sector?</p> <p>iv. Have the measures to relax FERA and permission for foreign investment up to 51% of equity capital led to larger investment flow from abroad into the educational care sector?</p>

Reform Item	Issues for Empirical Testing and development of database
	<ul style="list-style-type: none"> <li>vi. How many foreign collaborative initiatives have been signed in the activities that of relevance to the educational sector during the period after the introduction of these industrial sector reforms? What are their effects on supplies of education sector related services?</li> <li>vii. Have the income effects arising out of the industrial sector reforms affected the availability of educational opportunities in rural areas in particular?</li> </ul>
<p><b>III Financial Sector Reforms:</b></p> <ul style="list-style-type: none"> <li>1. CPR and SLR lowered, implying less governmental access to the resource of commercial banks.</li> <li>2. Interest rates deregulated and brought down.</li> <li>3. Post of Controller of Capital Issues was abolished but Security Exchange Board of India (SEBI) was established.</li> <li>4. Increased level of foreign portfolios investments.</li> </ul>	<ul style="list-style-type: none"> <li>i. Have measures of financial sector reforms led to larger availability of funds for the private initiative in educational sector?</li> <li>ii. Have the liquidity advantages for the education sector related activities of the private sector caused a corresponding disadvantage for the public sector initiated educational activities?</li> <li>iii. What is the effect of this on the supply of educational opportunities for the less privileged sections of population and also for the people in the rural areas who normally depend upon the public sector supply of educational opportunities?</li> <li>iv. Have the budgets of the Depts. of Education got compressed during the reform period?</li> </ul>

<b>Reform Item</b>	<b>Issues for Empirical Testing and development of database</b>
	<ul style="list-style-type: none"> <li data-bbox="719 439 1339 712">v. What is the incidence of this budgetary compression at the micro level ? In other wards, which components of the education budget are affected as a result of the liquidity disadvantages for the public sector initiatives?</li> <li data-bbox="719 725 1339 824">vi. How far are the expenditures / investments in educational sector interest elastic?</li> <li data-bbox="719 837 1339 1012">vii. Have the reductions in interest rates favourably affected the investments by the private sector borrowers for starting of new education related ventures?</li> <li data-bbox="719 1025 1339 1102">viii. Have these ventures been initiated in rural areas as well?</li> <li data-bbox="719 1115 1339 1290">ix. Have the private educational entrepreneurs found the interest rate reduction advantageous to start the educational activities with borrowed funds?</li> <li data-bbox="719 1303 1339 1442">x. How many such new initiatives are taken by the private entrepreneurs, with the borrowed funds during the reforms?</li> <li data-bbox="719 1456 1339 1720">xi. Have public sector initiatives (for starting educational institutions etc.,) also started depending upon borrowing from the banking system in the open financial markets for the purpose of meeting their budgetary needs in education?</li> </ul>

<b>Reform Item</b>	<b>Issues for Empirical Testing and development of database</b>
<p><b>IV Fiscal Policy Reforms:</b></p> <ol style="list-style-type: none"> <li>1. Reduction of fiscal deficit</li> <li>2. Economy in non-plan expenditures.</li> <li>3. Tax rate reduction (all taxes)</li> <li>4. Relative importance of direct taxes vs. indirect taxes raised (from 1:3 to 2:3)</li> <li>5. Widening of tax base</li> <li>6. Introduction of presumptive taxation.</li> <li>7. Bank credit to the government reduced by 44 percent.</li> <li>8. Central government debt held by RBI reduced from 15 percent to 10 percent.</li> <li>9. Central government budget deficit financed by RBI reduced by 33 percent to less than 25 percent.</li> <li>10. Net Central government debt held by RBI reduced by 15.6 percent of GDP to 9 percent of GDP.</li> <li>11. Net external borrowing declined significantly (share declined).</li> <li>12. Corporation and income tax together increased from 2 percent to 3 percent of the GDP.</li> </ol>	<ol style="list-style-type: none"> <li>i. Are fiscal deficits and outlay on education sector related? A study of this behaviour at the union government and the state government levels?</li> <li>ii. How have the measures of economy in non-plan expenditures affected education expenditures of the government? What effects are seen from these measures on maintenance and up keep of different components of the activities of the education sector? How have these measures affected the quality of educational services? Has there been a differential effect on the educational services supplied in the urban areas and the rural areas, as a result of the measures of economy in non-plan expenditures?</li> <li>iii. What are the liquidity advantages for the private sector initiatives relating to the social sector in general and education in particular, due to reduction in fiscal deficit and economy in non-plan expenditures at the union government and the state government levels?</li> <li>iv. Have the measures for reduction in rates of income tax caused positive income and substitution effects for the supply of educational facilities at different levels ?</li> </ol>

<b>Reform Item</b>	<b>Issues for Empirical Testing and development of database</b>
13. Excise and customs duties' share reduced from 9 percent to 7 percent of GDP.	v. How have the reduction in indirect taxes, excise duties and sales taxes (and other types of indirect taxes) affected the costs of supplies of educational services?
14. Non-interest expenditure reduced from 16 percent to 13 percent of GDP.	vi. Have these cost advantages due to tax rate reduction been transferred to the users of such facilities, such as students or parents?
15. Reduction of subsidies	vii. What effects have been felt on account of the dilution of fiscal illusion due to dominant direct tax share in the overall tax burden in the economy?
	viii. Has widening of the tax base, bringing the hitherto non-taxed persons under the tax net (say, through presumptive taxes) affected the disposable income of such new tax payers and thereby affected their expenditure on education of themselves or of their wards ? In other words, a close study of the changes in household expenditures on education and education related activities during the reform period and analysis of the factors responsible for these changes.
	ix. What are the effects of reduction in subsidies relating to the goods and services that are relevant to education sector on the composition and size of the educational budgets of households? Similarly, what are the effects of subsidy reduction on the producers and suppliers of educational facilities, at the state and the sub-regional level ?



Reform Item	Issues for Empirical Testing and development of database
	<p>iii. What are the effects of considering price as a major instrument of exclusion, on distribution and utilization of educational services? Have the socio-economically less privileged sections of population been feeling greater degree of deprivation in the course of economic reforms?</p> <p>iv. Have multi-nationals taken any initiative in improving the access to and utilization of educational opportunities in rural areas?</p> <p>v. Has there been a differential treatment of the rural areas of the developed and less developed states? Analysis of this issue with a mapping of educational facilities in the states.</p> <p>vi. Classification of educational opportunity indicators which are likely to be affected by the economic reforms in the short run, medium run and long run.</p> <p>vii. The effects of economic reforms on the educational opportunities of different population groups, male and female child population, SC,ST population, religious groups, educational aspirants from HHs of workers in the organized sector, workers in the un-organized sectors etc.</p> <p>viii. Analysis of the effects of reforms on these</p>

It is hoped that studies would be initiated in future with the above perspectives and these would generate a comprehensive database useful for policy making. The countervailing measures can be taken firmly on the basis of such an analysis and the data.

## **II. Comparative Facts in the Indian Context:**

A comparative analysis of inter-temporal data relating to education and other relevant variables might help firming up some of the conclusions about the effect of economic reforms on education in the Indian context. It is true that not all changes in education can be attributed to economic reforms. Also, as stated earlier, for all the relevant aspects of educational change that are likely to be affected by the reforms, systematic and comprehensive data are not available. It is with these limitations that the following statistical analysis should be viewed.

### **What changes have taken place in the governmental initiatives towards social**

### **sector in general and education in particular, during the reform period ?**

Researchers have advanced a hypothesis of **compression of public sector outlay on education and health** during the reform period. Government expenditures on social services and education have registered an increase in absolute terms over the period of time, illustrating, as it were, Wagner's Law of increasing state activity. Thus, during the six years period before the intensive reform process of 1991, the state government expenditures on social services aggregated to Rs.10491 crores, which increased to Rs.13438 crores during the six year period after 1991-92. Similarly, expenditures on education, Medical & Public Health, Housing, Urban Development, etc also registered significant increases during the same period. This can be seen from the *Appendix Table 1*.

But, what is worth noting is the **decline in the share of expenditures of some of the crucial components of social sector during the reform period**. Thus, before the reform period social services constituted about 39.4 percent of total government

expenditures. This percentage declined to 36 during the period 1991-92 to 1996-97. Similar trends are seen in the case of education, sports, art and culture, medical and public health, water supply and sanitation, housing, labour and labour welfare, social security and welfare, relief on account natural calamities, etc. The following table presents the percentage share of some of these crucial components of the social sector.

Thus, **in most of the components of the social sector, the percentage share of state government expenditures has declined during the reform period.** This is worth noting. The share of plan expenditures has also declined in the case of a number of components of social sector. From this point of view, it appears that the reforms are not associated with fresh initiatives (i.e. plan programmes) of the government with regard to social sector.

**Expenditure of All States on Social Sector (% to Total Government Expenditure)**

Components of Social Sector	Pre Reform Period (1985-86 to 1990-91)			During Reform Period (1991-92 to 1998-99)		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total
Social Services	9.18	30.20	39.39	8.32	27.68	36.00
Education, Sports, Arts and Culture	2.11	18.89	21.00	2.28	17.58	19.86
Medical & Public Health	2.18	4.60	6.78	1.77	4.06	5.83
Water Supply and Sanitation	1.71	0.84	2.55	1.22	0.89	2.11
Housing	0.17	0.38	0.55	0.19	0.28	0.47
Urban Development	0.35	0.45	0.80	0.45	0.41	0.86
Welfare of SC,ST and OBC	1.29	1.25	2.53	1.18	4.85	6.03
Labour and Labour Welfare	0.18	0.53	0.71	0.14	0.42	0.56
Social Security and Welfare	0.67	1.36	2.04	0.60	1.16	1.76
Nutrition	0.46	0.29	0.75	0.34	0.57	0.91
Relief on Account of Natural Calamities	0.01	1.35	1.37	0.10	0.92	1.01
Others	0.05	0.27	0.32	0.06	0.22	0.28

**Source :** RBI Bulletins, 1985-1999

When the data for state government expenditures on social sector on revenue account were considered according to major states, the picture became more revealing. The data were classified according to whether the states are poor states, medium developed states and developed states. The classification was done according to the per capita income for the year 1991. The following tables bring out this revealing picture.

**Pre & During Reform Period, State wise Expenditure on Major components of Social Sector (Revenue Account) (% to Total Expenditure)**

Sl no	States	Period	Social Services			Education Sports Art & C			Medical & Public Health			Water Supply & sanitation		
			Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
<b>Poor States</b>														
1	Assam	Pre-Reform	12.22	28.26	40.48	4.65	33.50	23.51	2.30	22.80	5.74	2.74	21.28	3.91
		Reform Period	15.08	25.93	41.01	8.37	18.75	27.11	2.47	3.10	5.57	1.97	0.62	2.59
2	Bihar	Pre-Reform	6.37	32.89	39.26	2.04	21.54	23.57	2.43	3.83	6.26	0.10	1.30	1.40
		Reform Period	6.42	31.38	37.80	1.27	22.41	23.68	2.54	3.85	6.38	0.09	1.18	1.27
3	J&K	Pre-Reform	7.20	26.44	33.63	3.17	12.62	15.78	1.94	5.46	7.40	0.75	2.33	3.08
		Reform Period	6.78	27.30	34.08	3.09	13.36	16.45	1.68	5.21	6.89	0.84	2.65	3.48
4	Karnataka	Pre-Reform	10.40	31.81	42.21	1.52	19.53	21.05	2.40	4.72	7.13	1.85	0.29	2.14
		Reform Period	13.31	24.48	37.78	3.66	16.08	19.74	2.26	3.82	6.08	2.12	0.14	2.26
5	Kerala	Pre-Reform	6.01	41.18	47.19	1.54	26.72	28.26	2.05	5.83	7.87	0.85	0.93	1.79
		Reform Period	6.53	33.35	39.88	1.13	23.19	24.32	1.46	5.07	6.53	1.16	0.61	1.77
6	M.P	Pre-Reform	12.48	27.00	39.48	2.86	15.56	18.42	2.82	3.47	6.29	2.84	1.40	4.23
		Reform Period	10.76	24.76	35.52	2.63	13.76	16.39	2.14	3.08	5.22	1.53	1.46	2.99
7	Manipur	Pre-Reform	9.16	29.73	38.89	3.93	20.09	24.02	1.99	3.89	5.87	0.00	1.70	1.70
		Reform Period	10.46	27.71	38.17	4.43	20.96	25.39	1.64	3.87	5.52	0.53	0.42	0.95
8	Meghalaya	Pre-Reform	9.92	24.79	34.71	4.43	13.46	17.89	2.02	5.45	7.47	0.59	2.53	3.12
		Reform Period	13.35	24.34	37.69	7.37	13.12	20.49	2.19	4.48	6.67	0.42	3.5	3.91
9	Mizoram	Pre-Reform	10.69	23.43	34.13	3.56	11.46	15.02	1.57	3.27	4.84	1.83	2.5	4.33
		Reform Period	11.85	22.68	34.53	3.18	13.24	16.41	2.44	2.96	5.4	1.52	1.75	3.27
10	Orissa	Pre-Reform	14.76	26.67	41.42	4.27	16.63	20.9	3.26	3.75	7.01	1.88	0.8	2.68
		Reform Period	14.21	23.73	37.94	5.12	14.66	19.78	2.11	3.24	5.35	1.63	0.65	2.28
11	Rajasthan	Pre-Reform	7.6	31.67	39.27	3.01	18.72	21.73	2.4	4.78	7.17	0.38	3.94	4.32
		Reform Period	7.86	31.53	39.4	3.71	19.1	22.81	2.14	4.54	6.68	0.07	4.12	4.19
12	Tripura	Pre-Reform	17.24	25.47	42.71	5.14	16.15	21.29	2.09	3.59	5.68	0.81	0.55	1.36
		Reform Period	15.23	23.71	38.95	5.14	15.56	20.7	2.19	2.77	4.96	0.52	0.43	0.94
13	U.P	Pre-Reform	8.59	27.24	35.82	1.83	19.75	21.58	2.65	4.32	6.97	1.96	0.3	2.26
		Reform Period	7.5	24.29	31.79	1.88	17.02	18.9	1.53	4.1	5.63	1.5	0.28	1.78
14	West Beng	Pre-Reform	7.64	35.83	43.48	1.78	23.4	25.18	1.66	6.29	7.94	0.87	0.56	1.42
		Reform Period	7.01	32.94	39.95	1.21	22.11	23.32	1.47	5.43	6.89	1.19	0.57	1.76

Note: 1. Pre Reform Period 1985 to 1990

Reform Period 1991 to 1999

2. The Percentage share of average expenditure in total revenue expenditure for the above two periods have been presented here.

3. States have been classified as Poor, Medium and Rich taking into account the Per Capita Income for the year 1990-91.

**Pre & During Reform period, State wise Expenditure on some of components of Social Sectors (Revenue Account)  
(% to Total Expenditure)**

Sl no	States	Period	Social Services			Education Sports			Medical & Public			Water Supply &		
			Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
<b>Medium Developed States</b>														
15	Andra Pradesh	Pre-Reform	11.33	29.42	40.75	1.8	17.6	19.4	2	4.11	6.11	2.3	0.3	2.59
	(Medium)	Reform Period	8.75	29.13	37.87	1.47	14.85	16.32	1.8	3.86	5.66	1.59	0.41	2
16	Arunachal Pradesh	Pre-Reform	9.15	19.54	28.69	4.59	9.92	14.51	1.37	4.53	5.9	2.35	1.01	3.35
	(Medium)	Reform Period	15.17	14.98	31.15	7.37	7.69	15.13	1.77	4.08	5.85	4.17	0.49	4.66
17	Gujarat	Pre-Reform	6.15	33.5	39.66	0.96	20.18	21.15	0.64	5.54	6.17	1.29	0.6	1.89
	(Medium)	Reform Period	5.89	29.73	35.62	0.92	17.75	18.67	0.85	4.72	5.58	0.48	0.72	1.2
18	H.P	Pre-Reform	9.37	29.94	39.31	3.31	17.32	20.63	2.36	5.05	7.41	1.84	2.21	4.05
	(Medium)	Reform Period	12.56	22.66	35.23	5.41	13.08	18.49	2.84	4.14	6.98	1.57	2.13	3.7
19	Nagaland	Pre-Reform	5.65	24.79	30.44	1.97	10.2	12.17	1.27	5.42	6.69	0.07	3.17	3.24
	(Medium)	Reform Period	5.21	21.79	27	2	11.1	13.1	1.37	3.65	5.02	0.07	3.33	3.4
20	Sikkim	Pre-Reform	14.51	19.28	33.78	7.59	10.49	18.08	1.93	3.47	5.4	2.1	0.9	3
	(Medium)	Reform Period	6.11	7.87	13.98	2.36	4.43	6.79	1.04	1.41	2.45	0.44	0.35	0.8
21	Tamil Nadu	Pre-Reform	12.46	31.52	43.97	1.96	19.87	21.82	2.25	4.97	7.22	2.58	0.18	2.76
	(Medium)	Reform Period	8.33	31.03	39.37	1.2	18.95	20.16	1.64	4.45	6.09	1.82	0.38	2.21
<b>Rich States</b>														
22	Goa	Pre-Reform	8.8	32.01	40.81	5.32	18.79	24.11	1.14	7.34	8.49	0.59	3.01	3.6
	(Rich)	Reform Period	6.1	21.72	27.71	2.29	13.2	15.39	1.09	4.44	5.43	1.75	2.55	4.19
23	Haryana	Pre-Reform	11.62	22.54	34.16	2.13	14.94	17.06	1.94	2.98	4.92	2.44	0.6	3.03
	(Rich)	Reform Period	6.94	18.49	25.43	2.02	10.88	12.9	1.01	2.27	3.28	0.22	2.17	2.39
24	Maharashtra	Pre-Reform	7.18	28.18	35.36	1.2	17.99	19.2	1.91	4.42	6.33	2.33	0.17	2.49
	(Rich)	Reform Period	8.21	26.95	35.16	1.66	18.13	19.8	1.46	3.36	4.82	1.96	0.26	2.21
25	Punjab	Pre-Reform	5.65	33.38	39.04	1.56	20	21.56	1.71	5.44	7.15	1.11	1.05	2.16
	(Rich)	Reform Period	4.98	21.21	26.18	2.11	13.18	15.29	1.39	3.52	4.91	0.87	0.94	1.81

Note: 1. Pre Reform Period 1985 to 1990

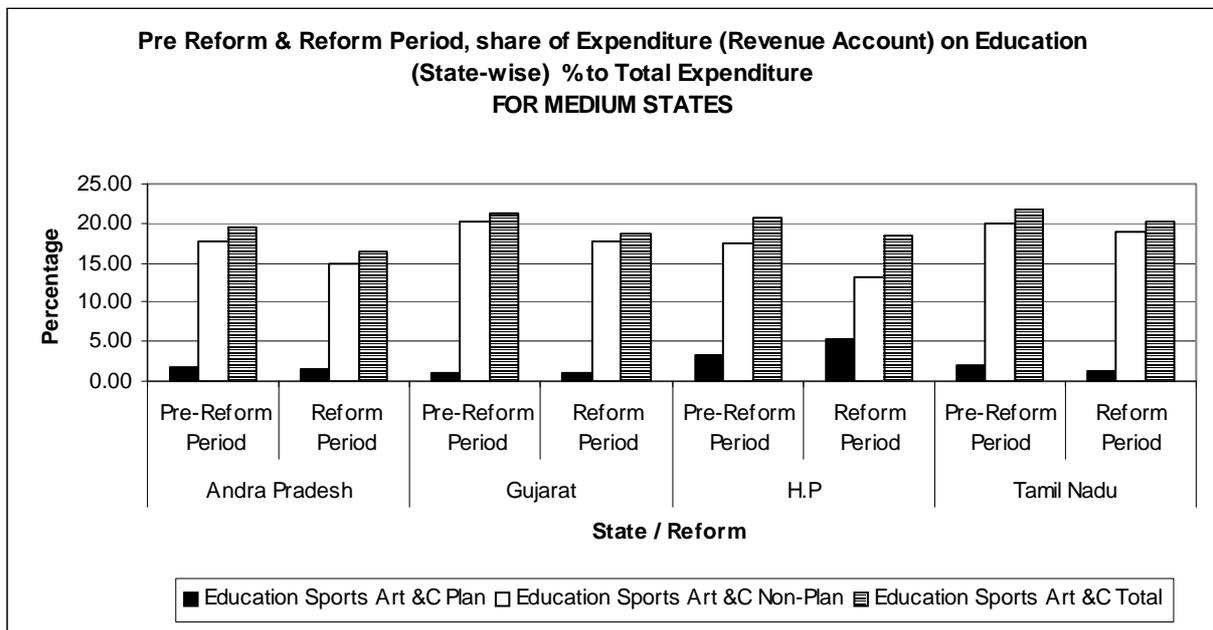
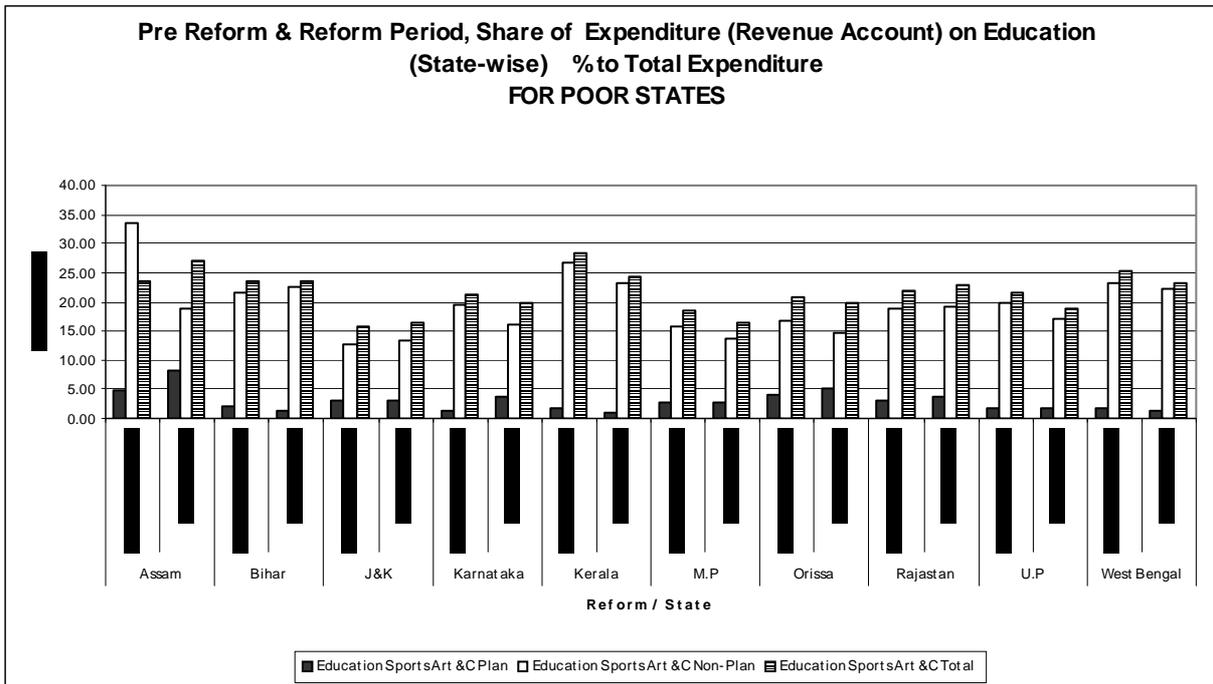
Reform Period 1991 to 1999

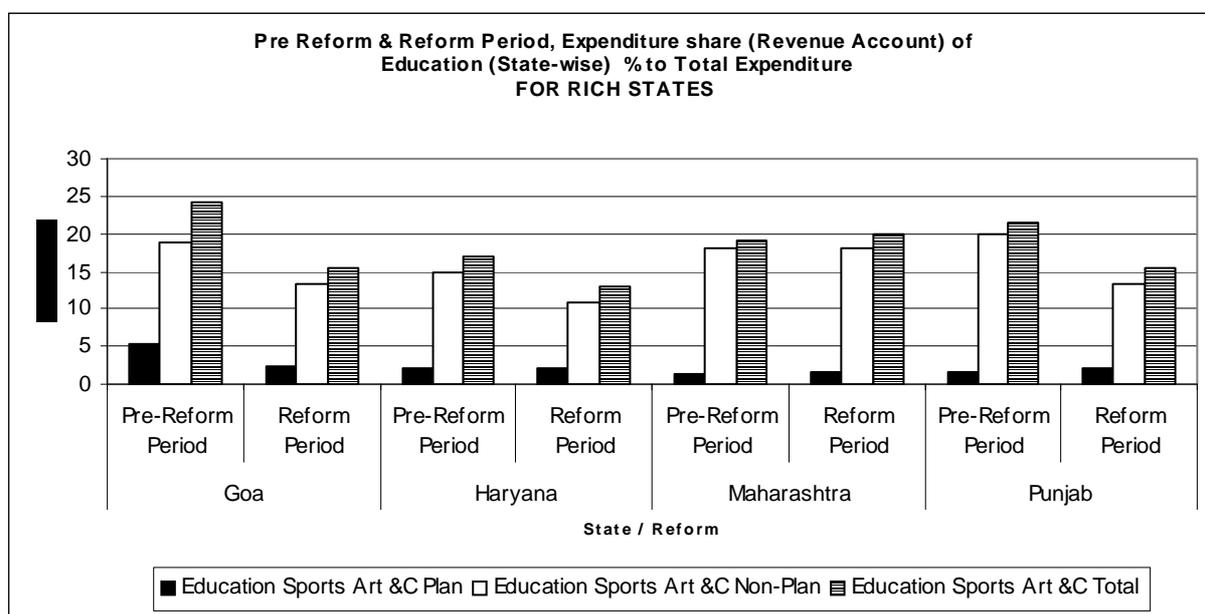
2. The Percentage share of average expenditure in total revenue expenditure for the above two periods have been presented here.

3. States have been classified as Poor, Medium and Rich taking into account the Per Capita Income for the year 1990-91.

That the shares of major components of the social sector in the total revenue expenditures of the states have fallen is brought out more clearly from

the charts. **The following charts present this picture about expenditures on education.**





It can be seen that even in many of the poor states, the expenditure **share of education in revenue expenditure has fallen during the reform period.** This decline in the relative expenditures on the social sector is quite expected in the course of the reforms, which aim at the goal of efficiency in the allocation of resources. A cautious and responsive policy maker has to immediately attend to these challenges and introduce the necessary correctives.

Plan expenditure on different sectors of education during the period

prior to reform and reform also brings out certain interesting aspects. For example, as the following table shows, the share of elementary education in plan outlay on education has been showing significant declines. While increase in the share of elementary education is desirable the decline in the case of higher education is a cause for concern because of their long-term effects on the equal access to educational opportunities and technical competency of the entire economy. The following table brings out these trends.

<b>Plan Expenditure on Different Sectors of Education</b>													
	Sector	Ist Plan 51-56	IInd Plan 56-61	IIInd Plan 61-66	Annual 66-69	IV Plan 69-74	Vth Plan 74-79	Vth Plan 80-85	VIIth Plan 85-90	Annual 90-92	VIIth Plan 92-97		
1	Elementary Education	850 (56)	950 (35)	2010 (34)	750 (24)	2390 (30)	8360 (31)	8360 (31)	28490 (33)	17290 (32)	92010 (42.5)		
2	Secondary Education	200 (13)	510 (19)	1030 (18)	530 (16)	1400 (18)	5300 (20)	5300 (20)	18320 (21.5)	10530 (19)	34980 (16)		
3	Adult Education	-	-	-	-	-	-	2240 (8)	4700 (5.5)	4160 (8)	18480 (8.5)		
4	Higher Education	140(9)	870 (15)	870 (15)	770 (24)	1950 (25)	2050 (23)	5590 (21)	12010 (14)	5880 (11)	15160 (7)		
5	Others	140(9)	730 (12)	730 (12)	370 (11)	1060 (14)	1070 (12)	2730 (10)	10830 (13)	8230 (15)	27860 (13)		
6	Technical Education	200 (13)	1250 (21)	1250(21)	810 (25)	1060(13)	1070 (12)	2730 (10)	10830 (13)	8230 (15)	27860 (13)		
7	Total	1530 (100)	5890 (100)	5890 (100)	3230 (100)	7860 (100)	8920 (100)	26950 (100)	85180 (100)	543320 (100)	216350 (100)		

Source : Dr.R.V.Vaidyanatha Ayyar : Educational Planning & Administration in India  
Retrospect & Prospect, Journal of Educational Planning & Administration , Vo. VII No.2, NIEPA, New Delhi

Note : Figures in the brackets denote percentage to total expenditure

Budgetary expenditure on education as percentage of total budget has shown significant declines in the case of some of the states where education needs to receive much encouragement. For example, in the case of less developed states of Madhya Pradesh, Bihar, Orissa, Uttar Pradesh, etc. the share of budgetary expenditure on education in the total budget has been actually showing a declining trend from 1990-91 to 1996-97. For all the states and UTs also, this share has declined from 28.25 percent in 1990-91 to 19.6 percent in 1996-97. Budgetary expenditure on education as percentage of SDP has also shown a decline during the reform period, particularly for the less developed states. The following table brings out these trends.

States and UTs finance their expenditures through own sources and also through assistance from the Union Government. A close scrutiny of the assistance from the Union Government to the states for education reveals that in recent years during the reform period, the share of central loans to the states for education is showing signs of increasing trend as compared to the share of central grant. This also shows that the poor states in particular are likely to be under the burden of central loans for financing educational sector during the reform period.

Thus, the developments during the reform period bring out the following main issues for consideration of the policy makers –

**Budgetary Expenditure on Education as percentage of SDP**

States	1985-86	1992-93	1994-95
Andhra Pradesh	5.12	4.47	4.60
Bihar	4.48	5.53	4.75
Karnataka	4.66	3.99	4.09
Madhya Pradesh	3.99	4.91 (1991-92)	4.68
Tamil Nadu	5.11(1991)	4.75	4.35
Uttar Pradesh	4.73(1991)	4.55	4.18
West Bengal	4.73(1991)	3.58	3.74

- i. The share of plan expenditure is declining,
- ii. The share of non plan expenditure which is so crucial in the case of education is also showing a decline, indicating heavy pressures on the educational sector for the purpose of maintenance of existing facilities and infrastructure,
- iii. The developments in the case of poor states are particularly intriguing during the reform period since the share of plan and non plan expenditures in total revenue expenditures of this group of states are not showing a rising trend,
- iv. Intra-sectoral shares of expenditures among different levels of education also do not seem to be in the interest of long term development of the economy since relative allocations to higher education are showing a declining trend,
- v. Central assistance to the states for development of education appears to be more in the form of loans rather than grants indicating increasing loan burden on the states for the purpose of educational development,
- vi. Increasing interest of the

Union Government in the states, responsibility towards education suggests induced abridgement of states' initiative for educational development. Some of the recent initiatives in education with the central support and funding from external sources (such as DPEP), also suggest the dependence of the educational sector of the states on the remoter sources of funding, implying not only dependency but also uncertainty in the pace of development of educational sector.

### III. Corrective Measures for Safeguarding the Interest of the Educational Sector during the Reform Period

**In order to safeguard the interests of the educational sector timely correctives are needed. Some of the correctives may be suggested as follows :**

- a. Protecting the allocations to the educational sector as a whole,
- b. Non-abridgement of the role of the government in education during the reform period,

suggesting that the government cannot absolve itself from the responsibility towards provision of educational facilities *at all levels* of education including secondary and higher education in the interest of equality and equity,

- c. Trying out less expensive methodology of education particularly at school level. The methodology of educational guarantee scheme tried out in some states may be effectively implemented in all other states, for which the goal distance from UEE is still long,
- d. Discriminatory pricing of education at all levels,
- e. Mobilization of resources from community for the purpose of meeting increasing costs of education.

Recent initiatives to declare education as a fundamental right in the Indian Constitution and also to introduce Sarva Shikha Abhiyan may be interpreted as the responses to the likely unfavourable effects from the reform processes. This safety net approach needs to be extended further to secondary and higher educational levels

also for the reasons explained above.

#### **IV Reciprocal Linkages**

Just as reforms have implications for educational sector, the developments in the case of educational sector also have implications for the reform process. Such reciprocal linkages need to be clearly recognized in order to increase the effectiveness of reforms for the educational sector itself. Following reciprocal linkages may be considered.

1. If in the course of economic reforms, subsidies are increasingly withdrawn particularly from upper stages of education, then, the contribution of education to the economy and society in the long run is likely to be affected. India, which, at one time, used to boast of being a top ranker as scientific and technical manpower reservoir, can no longer have this distinction in the future, if its higher education in particular is left to fend for itself. At any point of time, weakening of the higher educational sector, would weaken the forces of competitiveness and efficiency

in functioning of different sectors of the economy. This development would also increase the dependency of the developing countries like India, on technologically better-developed countries of the world. In fact, the strategy of human resource development as advanced by Harbison and Myers during the mid 60's for countries in different stages of development has proved to be counter productive particularly for the developing and less developed countries.

2. External funding of and special attention to some of the activities in the educational sector seem to have changed the work ethos within some of the wings of the department of education and introduced the elitist trends therein. Such developments might have implications for value formation in the economy. Educational sector is considered to be an effective agent for value formation and inter generational value transmission. The elitist over tones in the educational sector might have implications for this role of the sector.
3. Globalization within educational sector might make

the educational outputs more outward oriented rather than oriented towards national development itself. While India's education sector is considered to be a major supplier of scientific and technical manpower to developed countries, in the long run, the national economy is likely to be starved of such competent personnel, weakening the competitive strength of the economy in international competition. Thus, the reform process aiming at efficiency may itself get weakened on account of such changes within the educational sector realized through the reform process itself.

4. In order that the effect of economic reforms on the educational sector is favourable it is necessary to introduce reforms within the education sector itself. Measures for improving internal and external efficiency of the sector need to be introduced in such a way that the equity effects of such efficiency-oriented reforms are not unfavourable.

**IV Concluding observations:**

In this paper an attempt is made to present a framework for analyzing the effects of economic reforms for the educational sector. This framework also presents the data compilation plan for analyzing the effects of reforms.

The data available for analyzing the effects of economic reforms on educational sector suggest the need for urgent corrective measures to safeguard the outlays of the educational sector and arrest the process of abridgement of the governmental initiative and responsibility towards all levels of education including upper stages of education. The pattern of funding of education during reform period

calls for an urgent attention about the equity effects of this emerging pattern, effects on the federal working in the field of education and the dangers of elitists developments. The paper also urges to take note of the likely adverse effects of reforms on the values of the Indian society and economy and suggest immediate attention of the policy makers and opinion makers of the society to take suitable measures to strengthen the role of education as an agent for value formation and value transmission. On the whole, while the reforms have some positive implications for education, the overall balance sheet does not seem to be very favourable for social sector in general and education in particular.

## APPENDIX - 1

<b>Pre &amp; During Reform, State wise Total Expenditure on Selected Items of Social Sector (Revenue Account) (Rs.in Crores)</b>						
<b>Sl.No</b>	<b>States</b>	<b>Period</b>	<b>Social Services</b>	<b>Education Sports Art &amp; Culuture</b>	<b>Medical &amp; Public Health</b>	<b>Water Supply &amp; sanitation</b>
1	Assam	Pre-Reform	567.66	329.65	80.44	54.85
		<i>During Reform</i>	1402.16	927.03	190.44	88.59
2	Bihar	Pre-Reform	1229.59	738.31	195.99	43.83
		<i>During Reform</i>	3187.47	1996.62	538.05	106.99
3	J&K	Pre-Reform	293.94	137.96	64.69	26.88
		<i>During Reform</i>	862.39	416.28	174.44	88.15
4	Karnataka	Pre-Reform	1166.43	581.55	196.98	59.15
		<i>During Reform</i>	312.45	1684.82	518.91	192.51
5	Kerala	Pre-Reform	30.68	563.57	157.02	35.63
		<i>During Reform</i>	67.29	1453.69	390.39	105.71
6	M.P	Pre-Reform	91.14	600.07	205.01	137.93
		<i>During Reform</i>	3380.2	1559.8	496.79	284.32
7	Orissa	Pre-Reform	647.15	326.52	29.31	41.84
		<i>During Reform</i>	1754.74	914.96	75.24	105.48
8	Rajasthan	Pre-Reform	943.02	521.82	9.17	103.69
		<i>During Reform</i>	2916.42	1688.85	5.1	309.9
9	U.P	Pre-Reform	1663.22	1001.91	91	104.82
		<i>During Reform</i>	5563.05	3307.26	262.26	310.87
10	West Bengal	Pre-Reform	1303.37	754.7	25.99	42.7
		<i>During Reform</i>	3335.32	1947.03	99.36	146.95
11	Andra Pradesh	Pre-Reform	1638.39	780.07	245.75	104.29
		<i>During Reform</i>	4098.08	1765.63	612.4	216.95
12	Gujarat	Pre-Reform	1220.77	650.95	190.05	58.3
		<i>During Reform</i>	2911.77	1526.04	456.02	97.55
13	H.P	Pre-Reform	65.73	33.25	13.51	7.68
		<i>During Reform</i>	149.47	75.01	29.01	23.1
14	Tamil Nadu	Pre-Reform	1630.86	809.41	267.65	102.37
		<i>During Reform</i>	4362.05	2233.71	674.61	244.44
15	Goa	Pre-Reform	85.44	50.48	17.77	7.53
		<i>During Reform</i>	160.78	89.27	31.48	24.33
16	Haryana	Pre-Reform	462.38	230.94	66.58	41.06
		<i>During Reform</i>	1324.78	671.91	171.02	124.54
17	Maharashtra	Pre-Reform	2229.06	1210.08	398.99	157.17
		<i>During Reform</i>	6057.53	3410.9	829.71	381.54
18	Punjab	Pre-Reform	677.98	374.44	124.24	37.56
		<i>During Reform</i>	1584.11	925.28	297.26	109.68

**Note :** Pre-Reform period - 1985 to 1990  
During Reform Period - 1991 to 1999



