

**Public Spending on School education in Bihar:
The Gaps that Covid-19 Highlights**
(Includes analysis of union budget)
Sukanya Bose and Harshita Sharma¹

Research Report prepared for National Coalition for Education

March 2023

¹ The authors work at National Institute of Public Finance and Policy, New Delhi. Email: sukanya.bose@nipfp.org.in

Executive Summary

“But even when disasters are natural in origin, their impact is shaped as much by human actions before and in the aftermath as they are by their inherent force. Poor and otherwise vulnerable people are almost always disproportionately affected.”

- *The Guardian*

This report critically analyses the gaps in the public financing of school education starting with the Union government, followed by a more detailed analysis of Bihar. While the Covid-19 pandemic is the entry point, it looks at the structural issues of public provisioning of school education, as the pandemic brings into relief these pre-existing gaps. The issues are discussed within specific contexts of the lived reality of the stakeholders, rather than only as quantitative analysis of budgets. In addition to the macro budgetary perspective, the analysis integrates issues that emerged from the field, narrated through the experiences of government school teachers, students and members of civil society. The key questions raised in this study are: What were the pre-existing gaps in school education? What happened to school education expenditure and its components during the pandemic? How well did the State protect the education of the marginalised children? And, most important, what is the way forward? Two kinds of policies/ schemes - generic schemes (tied to the objective of equality of opportunity for all) and those that cater to specific groups to compensate for their disadvantages and discriminations, past and present, constitute the framework of analysis.

Central spending on school education: A background

There has been a strong case for increasing the central spending on school education substantially. Right to Education (RTE) provides every child in the 6-14 age group a Constitutional guarantee to formal schooling which fulfils certain essential norms. To what extent and how adequately the State and its institutions fulfil the obligations, depends crucially, on the budgetary policies on education. A recent study estimated that the additional resource requirement for fulfilling the RTE is above 1.4% of GDP. Actual expenditure is alarmingly low in many states, compared to the normative requirement. This manifests in shortfalls/ gaps, ranging from small to very large, in the facilities required for school education, such as schools at an accessible distance, trained and qualified teachers, administrative machinery, classrooms and other infrastructure. Not only is the gap between the needed spending and the actual spending very large, but the gaps are also located in states that have a very low resource base. An obvious solution to the inadequacy in spending and unequal spending capacities across states is for the centre to step in, to provide additional resources to poorer states, such that there can be adequate expansion and improvements in the public school system across the country. The idea of centrally sponsored schemes, where the GoI shares a substantial part of the burden of expenditure, is to feed into this transformation of the school system in the states through additional resources from the centre.

This desired expansion of central spending, however, did not materialise. Rather the expenditure on centrally sponsored schemes (CSSs), the principal form of specific-purpose transfers to the states, was curtailed in the years leading up to the pandemic. These contractionary trends in central spending meant that the share of central spending in overall spending on school education was falling. In the last several years, the GoI has increasingly passed the expenditure on school education on to the states, rather than financing it concurrently. The reversal of financial concurrency between the centre and the states is one

of the defining characteristics of the recent period. The allocation on Sarva Shiksha Abhiyaan (SSA) – the main programme for implementation of RTE – has suffered from stagnant allocations, occasional declines, or marginal increases at best, in nominal terms. A similar stagnation of expenditure is visible for the mid-day meals (MDM).

Naturally, this expenditure strategy was accompanied by de facto policies such as continuing use of contract and guest teachers in schools, non-filling of teacher vacancies and persistence of infrastructure deficits over the years, etc. Additionally, the policy of school consolidation has resulted in a shrinking of the public education sector at the school level and an expansion of the private education sector. These policies were adopted by the states with the Centre implicitly/ explicitly being a partner to it. Between, 2015-16 and 2021-2, the number of government schools declined by nearly 83,000 in India.

The pandemic

India went through the fourth longest school closure spanning more than 500 days. It has resulted in unprecedented setbacks in children's lives and their educational and overall development. The pandemic's economic impact alone would cause many more children to drop out of school. It has reversed years of hard-earned achievements. A survey of nearly 1,400 school children in underprivileged households brings out the catastrophic consequences of the prolonged school closure in the last year and a half, and the myth of online education. In rural areas, only 8% of the sample children are studying online regularly, and 37% are not studying at all. About half of the surveyed children are unable to read more than a few words, indicating a sharp dip in basic literacy. The figures are much worse for Dalit and Adivasi families than for others. The crisis is widening the pre-existing education disparities by reducing the opportunities for poor and marginalised children.

The impact extends far beyond learning. Closures of educational institutions hamper the provision of essential services to children and communities, including access to nutritious food, affect the ability of many parents to work and increase the risks of violence against women and girls.

Many more parents find it impossible to afford low-fee private schools (LFPSs). The LFPS was never an equitable solution, and it is not surprising that the pandemic has brought in its wake an increased demand for public schools. Between, 2019-20 (pre-pandemic year) and 2021-2, the enrolment in government schools increased by 7.5% (all-India) or 1.17 crore children took fresh admissions. Some states such as Rajasthan and Haryana saw growth in enrolments between 16-22%. The implication is that the financing requirements have gone up substantially and the financing gap (the gap between what needs to be spent and the actual spending) is bound to widen unless government expenditure is stepped up substantially.

The pandemic and the adverse expenditure shock

Instead, the pandemic saw steep cuts in the centre's expenditure on umbrella Samagra Shiksha Abhiyan (SMSA), which now subsumes most of the CSSs. Coming on the back of a decelerating trend in central spending on school education, there was thus a further shrinkage. Among all the CSSs across sectors, the highest reduction was for SMSA (reduction of Rs 10,794 crore from the budget stage), in 2020-21. In 2021-2 there has been further reinforcement of the declining trend. There was an increase in allocations on MDM during the first year of the pandemic, but only temporarily as in the following year, 2021-2, the budgeted figure is far lower than the previous year's expenditure.

Expenditure on the schemes targeting the inclusion of children from marginalised groups, such as the GoI's allocation of scholarships has perpetually lagged behind the growing demand for scholarships. The allocations on scholarships remained severely fund-limited, and

some scholarship schemes were discontinued in recent years (eg. the National scheme of incentives to girls for school education). Though these schemes did not suffer the same cuts as SMSA, the allocations were inadequate. The mismatch between demand and supply persisted or even increased since the situation warranted a substantial step up in the allocation on scholarship schemes as social safety nets for disadvantaged groups. Money didn't reach the majority of the students raising serious questions on the design and effectiveness of implementation. The National Council for Dalit human rights survey of students from marginalised communities pursuing higher education, across six states, during the Covid-19 pandemic finds that as many as 48% of students had not received the scholarship amount in 2020-1. Among those who received the scholarship money, only 31% had received it on a timely basis. Mere 27% have filed a complaint regarding the delay in the disbursement of their scholarship.

What needs to be done by the union government?

Clearly, the union government needs to rethink its contractionary strategy on school education and instead accord the needed priority to this sector.

- ✓ A roadmap for RTE and its implementation is long overdue. This would need the restoration of financial concurrency and a substantial step up in allocations on CSSs.
- ✓ More central transfers on education need to be channelled to the lagging regions of the country, preferably with minimum conditionalities.
- ✓ There is an immediate need to revisit the policy on school rationalisation. Instead, necessary investments for the expansion of public schooling are suggested. The reverse flow of enrolments into government schools should be consolidated and not dismissed as a pandemic effect.
- ✓ Adequate allocations on scholarships are essential to match the growing demand for education from marginalised sections and to make the recovery from the pandemic less difficult. Implementation issues in fund flows abound and await effective solutions. There is a need to deliver on these Constitutionally guaranteed entitlements.
- ✓ Another gap revealed by the pandemic is the under-development of public digital infrastructure which would need substantial investments, in line with public aims of education, as discussed in this report.

Bihar

Bihar has the lowest Human Development Index rank in India. The state has one of the lowest per capita incomes in the country. A staggering 51% of SCs and 56% of STs lived below the poverty line in the state (2011-12). It has the highest proportion of people at 51.9% of its population, who are multidimensionally poor and eleven Bihar districts have a poverty ratio above 60%.

In terms of basic schooling facilities, the state has massive vacancies in teacher positions (at every level) and faculty positions at teacher education/ training institutes. There are 2.27 lakh vacant posts of teachers/head teachers in government elementary schools (2020-1). The number of schools with adverse pupil-teacher ratio (PTR) is high, at 61.7 % and 70.5% at the primary and upper primary levels, respectively. Only 8% of upper primary schools are having teachers for 3 core subjects as required by RTE norms. The infrastructure position in schools in Bihar remains grim, despite some progress over the years. As per the latest data (2021-2), the classroom deficit (as a proportion of existing classrooms) is 59.2%, and the teacher deficit (as a proportion of teachers working) is only a bit lower at 52%. The proportion of out-of-

school children in the 6-18 age group was 14% (2017-18). Dropout rates increase in higher classes, but among the marginalised groups, the phenomenon starts in the elementary cycle. The pandemic has intensified the challenge of retaining children in schools.

The above gaps are reflected in the public finance data on school education in Bihar.

Public financing of school education in Bihar

Overall low levels of per-child spending, massive financing gaps, and a declining priority on education in recent years characterise the landscape of school education financing in Bihar.

- (1) While the per-child spending has increased over the years, Bihar continues to stagnate at the bottom, a long way below the average spending level of the major Indian States. In 2018-19, per child expenditure on school education in Bihar was less than Rs 5000, whereas it was close to Rs 24,000 in Kerala. The distance vis-à-vis states such as Kerala and Tamil Nadu at the top has only grown over the years, raising inequalities in public spending across regions.
- (2) The gap in financing appears equally stark when we measure the distance between the present level of spending and what norm-based expenditure on education would necessitate. As per our estimates, the actual expenditure in Bihar is only a fourth of the total resources required for elementary education, if one were to follow the RTE-compliant norms at the school level and provide the requisite systemic resources that would ensure that the system delivers. The additional requirement for elementary education alone for Bihar was a whopping 10.1% of GSDP and 40% of revenue-receipts (pre-pandemic years). Bihar, therefore, needs a big push to raise the existing level of expenditure on school education. Much of the additional funding must come as special central assistance for the state, a recommendation also made by the state-appointed Committee on Common School System in Bihar.
- (3) The recent period (2015-20) has been a downward slide in priority to education in overall spending in Bihar. At present Bihar devotes around 20% to educational spending, whereas it was at a higher level a decade back. Similarly, expenditure on education as a percentage of GSDP fell from an average of 5.9% for 2005-2010 to an average of 5% for the 2015-2020 period. In 2019-20 and 2020-1, education expenditure/GSDP fell below 5%. It may be mentioned that the declining priority, in recent years, is part of an all-India trend. Along with state-level factors, these are a result of macroeconomic policies - changes in fiscal policy and intergovernmental transfer mechanisms.
- (4) The pandemic heightened the contractionary tendencies that were already underway. A squeeze in expenditure on school education had taken place, even before the pandemic struck. In 2019-20, the expenditure growth (over the previous year) on school education was negative 9.4%, in nominal terms, in the state. Thus, even though there was a small positive change (2.4%) in expenditure in 2020-1, the first year of the pandemic, the overall expenditure on school education stood below its 2018-19 level. The contraction was absorbed by the plan schemes.

It is expected that the enormous pre-existing financing gaps in Bihar have increased substantially with the pandemic and the subsequent closure of schools, a warning sounded by UNESCO (2020) at the beginning of the pandemic. The international agency had foreseen that financing education could face major challenges, exacerbating massive pre-COVID-19 education funding gaps in low-income countries. The experience of public financing of school education bears out the above observation.

Unpacking some major schemes for education

Bihar has a greater dependence on CSSs than other states for financing education. Central transfers to the state for education through various programmes comprised 27% of the overall education expenditure in Bihar (2014-15). It implies that the trends in central transfers would affect the financing of education much more in Bihar than in other states. In other words, the limited financing of CSS on school education by the centre would affect plan expenditures in Bihar.

The expenditure on SSA in Bihar has stagnated over the better part of the last decade. If we consider the recent years, after an increase in expenditure between 2017-18 and 2018-19, the expenditure declined in absolute terms in 2019-20 with sharper cuts in 2020-1. This supply-constrained nature of education financing expresses itself in a variety of ways. There is a large difference between the state proposal and the approved budget for Bihar on SSA and now SMSA, for all the years. The latter is only 45% of the proposed budget in 2020-1, for instance. The state government asked the GoI for higher unit costs for teachers' salaries than the existing SSA levels and sanction of teachers' salaries for around 95,000 teachers in the state, but these demands were not met. Teachers' salaries are the major component of the costs of schooling, and Bihar has one of the largest gaps in teaching positions. For a resource-constrained state, without central assistance, the gap in financing, especially for recruitment of new teachers may remain unmet/ met very gradually, impacting scores of children. As per the state budget documents, Bihar contributed more than its mandated share of 40% of allocation for implementing SMSA in the state in recent years, highlighting the tightness of central spending relative to the requirements. Clearly, the centre is expecting the states to fund more and more of the expenditure on school education. Requests for financing from the state are turned down. It impacts the resource-poor states such as Bihar, disproportionately.

The other main CSS, MDM, has witnessed a similar stagnation in allocation and expenditure, over the years in Bihar. Controlled for inflation, the allocation of MDM fell continuously from 2014-15. Thus, even before the pandemic, the contractionary tendencies in expenditure on MDM were clear. However, during 2020-1, expenditure on MDM increased by 28% on 2019-20 levels. Again, as per the budget documents, Bihar has contributed more than its mandated share of 40% of allocation for implementing the MDM scheme in the state in recent years. The central support through SSA/SMSA and MDM remains far lower than the demand for additional funding. This is also seen in the limited coverage of MDM in Bihar. Food Security Allowance was provided to about 1.18 crore (an average of 69%) students, a gap that is a source of conflict and tension on the ground, as teachers described. This supply-constrained condition, in terms of the gap between approved budgets versus proposed budgets or demand versus supply of funds, impacts other schemes such as Rashtriya Madhyamik Shiksha Abhiyan and Kasturba Gandhi Balika Vidyalaya, as well. The latter is an important compensatory scheme, now being extended to higher classes and more schools in Bihar, and targets disadvantages at the intersection of caste, gender, geography, and educational deprivations.

The overall fund-constrained nature of financing emerges starkly across CSSs. It manifests in unrealistically low unit costs, incomplete coverage, not meeting additional demands on the desired heads, and allocations lagging behind expenditure, in certain cases, etc. It presents a different picture than the usually held perception of an unlimited supply of central finances, whereas the states are unable to spend this money. This is not to say that the latter is not a problem and utilisation of funds by the state cannot be improved. The utilisation ratio for

SSA for Bihar (defined as expenditure to funds available) was around 83 percent (average of six years: 2012-13 to 2017-18 period). Decentralised mechanisms that provide sovereignty and flexibility to the states in the various CSSs (with suitable checks and balances) will raise the utilisation of funds and ensure that the funds meet the critical gaps.

Among schemes specially designed for marginalised groups, scholarships are an important component of school education expenditure in Bihar. The state has several state schemes; besides there are CSS - pre-matric and post-matric scholarships, etc. Allocations for centrally sponsored scholarship schemes appear to be low, erratic, and uneven. While the schemes are supposed to be centrally sponsored with the major expenditures incurred by the centre, it may not be the case de facto. This might be because of the conditionality attached to the central assistance or other reasons.

One scheme analysed is the post-matric scholarship for SC students (PMS-SC) in Bihar where between 2017-18 to 2019-20 central expenditure was nil and state expenditure was stagnant at Rs 58 crores. Several factors explain what has happened to PMS-SCs in Bihar, and it is a quintessential representation of the kind of problems that have plagued scholarship schemes in recent years. There is the problem of dwindling beneficiary numbers and a large part of it is because of the cap introduced in the scholarship scheme by the state government. It managed to preclude many students who no longer were eligible. Second, Bihar did not meet the committed state expenditure on PMS-SC, which was a necessary condition to avail central assistance. The state did not meet the minimum expenditure required on this scheme but continued to spend on other state schemes. Third, the Centre did not, therefore, release the central assistance for the scheme between 2017-18 to 2019-20, citing the conditionalities. The most marginalised in one of the poorest states of India were thus denied their rights (more prosperous States received Central assistance). Another set of issues relates to the National Scholarship Portal (NSP). NSP is part of GoI's e-governance initiative and has been uniformly launched across the country. Because of technical snags in the NSP portal in Bihar, it is alleged that the state government has not received applications for the PMS for some years. Again, this is something that should have been corrected quickly or a way found around it but the problem has reportedly dragged on for three years. While the state needs to be more pro-active, it also raises the question of whether a new technology such as the NSP should be applied to fragile settings. The percentage of students who apply for scholarships and those verified are both extremely low. It questions the effectiveness of the new system of scholarship delivery. The upshot is that over the past several years, a section of the youth in Bihar who are entitled to scholarships have not received the PMS creating enormous hardships for the student community.

Thus, besides the supply-constrained nature of financing, problematic design, arbitrary changes in eligibility requirements, changes in governance mechanisms and administrative apathy have the potential to undermine such significant programs. Top-down administrative changes without proper evaluation and feedback indicate that systems of money flows are becoming increasingly centralised and complex for many stakeholders, as evident from the field.

Findings from the Field: Bihar

Some qualitative and quantitative evidence is presented on the impact of the pandemic and the supply-side response/ the lack of it, based on primary data. The fieldwork was conducted during October November 2020-21 in Bihar. It involved (1) teacher surveys comprising 16 government school teachers selected from across the state; (2) Focus group discussions with students from marginalised communities; (3) In-depth interviews with select teachers, school Principals and members of civil society organisations working at the grassroots level. The

idea is not to paint an accurate picture through a rigorous survey which is beyond the scope of this study, but rather to highlight the actual contexts of the budgetary policies through the voices of the stakeholders. The observations relate to five areas: dropouts among children in vulnerable communities; school infrastructure and teachers; mid-day meals; entitlements and scholarships during the pandemic; and, the changing systems of financial flows.

- “*The relationship with studies is lost,*” *the girls said.* Bihar has high levels of out-of-school children (OSC). The percentage of OSC is far higher among the SC/ST community, and among the Dalits, the Maha-Dalits are the worst off. The impact of the pandemic is severe on the most marginalized communities, and the girls among them are the worst affected, battling various intersecting deprivations and challenges. School closure has pushed many girls to drop out while many more children are on the verge of dropping out. Many are yet to return to school, even after schools have reopened. School closure, lack of socialisation opportunities, early marriages, rising economic distress, unemployment, a higher load of household chores, lack of digital access, etc. are some in the long list of challenges that such students face. The opportunity cost of education has climbed up and the small means to support it is lost. The public system largely failed to provide the needed succour to these badly affected communities, except for the state support in the form of ration for essential food security, the respondents remarked.
- Some of the gaps in the system unravelled and were brought into relief more sharply. The lack of scholarships for students from marginalised communities amidst the pandemic is one such egregious example. During our discussion, students confirmed that they have not received the PMS over the last few years. It has deprived students of essential support that could help finance their education during this crucial emergency. Non-payment of PMS as a problem has its origin (and therefore solution) in various system-level hurdles, as discussed above. Students, however, blame their college – the frontline administration - for not receiving the scholarships. They find the application process for PMS difficult and therefore, must buy external assistance, while the role of the school/college has become minimal. The non-payment of PMS and other scholarships increases the chances of discontinuation of education for children from marginalised and vulnerable groups.
- MDM programme was the main connection between the school and the parents during the pandemic. Children received MDM through the pandemic, though not without hiccups. The stagnation of the MDM budget finds expression on the ground in terms of limited coverage of students and the distribution of only rice instead of a more diverse food grain basket.
- Teachers underlined the difficult conditions of work and the inadequate resources in schools. Many teachers emphasized the problem of insufficient classrooms. Qualitative issues related to WASH facilities, where such facilities exist, were flagged by the teachers. Two out of 15 schools reported having functional computers for students. The pupil-teacher ratio is higher than RTE norms in almost all schools in this survey. Schools especially higher secondary schools are left without subject teachers for most subjects. The state seems to be somehow managing by appointing guest teachers, at low salaries. There is a sense of disappointment in the past recruitment processes and the impact on teacher professional standards.

- The challenges of direct benefit transfer and the problems with the arms' length method of money flow, implemented over the last 5 to 6 years, were visible. As a school Principal described it, the present system, which bypasses the school, has brought in greater centralisation. "We are unaware of who is getting what, whether the money is coming to all children's accounts. We keep hearing from children that money has not come. But what can we do? There is no one at the district level, including the district education officer, whom we can approach for this." The lack of effective grievance redressal mechanisms for various entitlements and scholarships are crucial gaps in the system.

Key Recommendations

The following recommendations provide direction for greater *adequacy, effectiveness and equity of spending* on school education.

Adequacy

- ❖ Bihar needs a big push to raise the existing level of expenditure on school education. The state must prioritize education, and school education, in its spending programmes. However, given the low revenue base of Bihar, the state on its own can raise expenditure only to a limited extent. A special package of well-designed central assistance for Bihar, tied to the idea of equalisation, should be worked out for the state.
- ❖ This would ease the supply-constrained situation observed across all schemes and dimensions of school education. For instance, filling various gaps in minimum facilities that RTE lays down is crucial. Budgetary announcement (2021-2) on recruitment of teachers and principals should become the *policy in practice*, and to enable that additional resources are necessary. Filling teacher gaps is the most crucial aspect and must be done with professionalism to help rebuild the trust deficit among teachers. Not only will hiring teachers, other staff, and faculties and expanding capital projects benefit school education, but they will also create additional jobs, which will have a multiplier effect on the local economy as it recovers.
- ❖ Similarly, the announcement in Bihar's budget (2021-2) on information and communication technology (ICT) expansion in schools is not backed by adequate allocations. ICT investments are conspicuously absent from the Bihar budget on school education. Schools need ICT labs. Also, the gendered patterns of ownership of devices have emerged as an issue, which needs to be addressed through investments in public digital infrastructure, among other things.

Effectiveness of spending

- ✓ Decentralised mechanisms that provide sovereignty and flexibility to the state in the various centrally sponsored schemes (with suitable checks and balances) will raise utilisation of funds and ensure that the funds meet the critical gaps.
- ✓ Schools need to be empowered through decentralised mechanisms and proper resourcing. Rather than creating remote, centralised, and complicated systems, more resources and power should flow to schools in terms of untied grants and proper staff strength so that teacher teams may function effectively. Our conversation with teachers and bureaucrats makes it clear that schools cannot be bypassed in the money flows since these are the nearest point of contact for the users.

- ✓ On scholarships, there needs to be a proper information system, help desks for assistance to students in filing applications, simple and accessible helplines, and grievance redressal mechanisms. For greater predictability of flows a time-bound calendar must be implemented. The pending money due to the students should be released at the earliest.
- ✓ There is a need to return to the former system of distribution of textbooks and uniforms. DBT for school uniforms should not be tied to attendance criteria.
- ✓ Implementation and evaluation must go hand in hand. Systems of social audits, internal audits, and administrative redressal mechanisms are necessary steps in this direction.

Equity

- Rights-based scholarships for marginalised social groups must take precedence when it comes to allocation of budget. These schemes, by definition, ought to be demand based. There is a need for transparent and timebound mechanisms, which are accountable to the stakeholders, and, preferably, a legal framework to protect the interests of the marginalised students.
- KGBVs, an important scheme for inclusion of girls from marginalised communities, needs a range of interventions and therefore proper budgetary support. The state has reportedly found it difficult to operate secondary classes in KGBV. The State is also demanding from the union government construction costs as per the latest schedule of rates on the pending civil works for KGBVs, whereas the GoI expects Bihar to finance the additional cost from the state's resources.
- There is a need for a multi-pronged approach to address the issue of OSC, including those at risk of dropout. This could include measures such as additional financial assistance to children from the most vulnerable groups that could be tied to minimum attendance. It can be of an order that covers the direct costs/opportunity costs of schooling and entails a regular flow of money. Plus, the existing incentive and entitlement programmes must be implemented. The unit cost of special training for OSC under the SMSA needs to be raised to a more adequate level to ensure that the training is substantive and meaningful. Going forward, building back stronger needs to be the mission so that educational inequality in the country does not widen further.