

# EDUCATIONAL FINANCE



By Dr. MANISHA RANI  
Assistant professor  
Mahatma Gandhi central university  
Motihari ,Bihar

# INTRODUCTION



- Educational finance refers to governmental and organizational processes by which revenues are generated (through taxation, tuition, fees, and philanthropy), distributed, and expended for the operational and capital support of formal schooling.

# PRINCIPLES OF EDUCATIONAL FINANCE



EFFICIENCY

EQUITY

FLEXIBILITY

NATIONAL  
UNITY

ETHICS

# Sources of Educational Finance



- External Sources- Aid, Loan, Others.
- Internal Sources-(i) Private sources - fees , maintenance, others.
  - (ii) Public sources-are of two types-
    - (iia) Governmental sources- Central, State, UGC, NCERT and Financial Aid
    - (iib) Quasi Governmental sources- Districts, Municipalities, Panchayat.

# FINANCING OF EDUCATION



## 1] AGENCIES FINANCING EDUCATION

It may be noted that the governments at all the three levels, (the central, the state, and local level), contribute to financing of education. With the passage of time, a complex inter-governmental system of taxation and revenue for the financing of education has evolved. No doubt, the system and its complexities vary from country to country. Broadly speaking, the rationale for financing of education by the governments may be grouped into four categories: a) manpower development, and b) promotion of social equity, c) promotion of productivity and economic growth, nation building, d) improving quality and efficiency of educational system.

# FINANCING OF EDUCATION



## 2] FINANCING OF EDUCATION BY THE PARENTS

We know that it is the parents who have always been the major investors in the education of their children. Given the new trend of reduction of public funding and privatization of education, particularly the higher education, the parents' share in financing of their children's education has increased and is bound to further increase substantially. The financing of children's education by the parents depends on:

- (a) financial resources of the parents,
- (b) willingness of the parents to make sacrifice for the future of their children,
- (c) educational background of the parents, and
- (d) parent's ability to distinctly 'foresee' the future.

# FINANCING OF EDUCATION

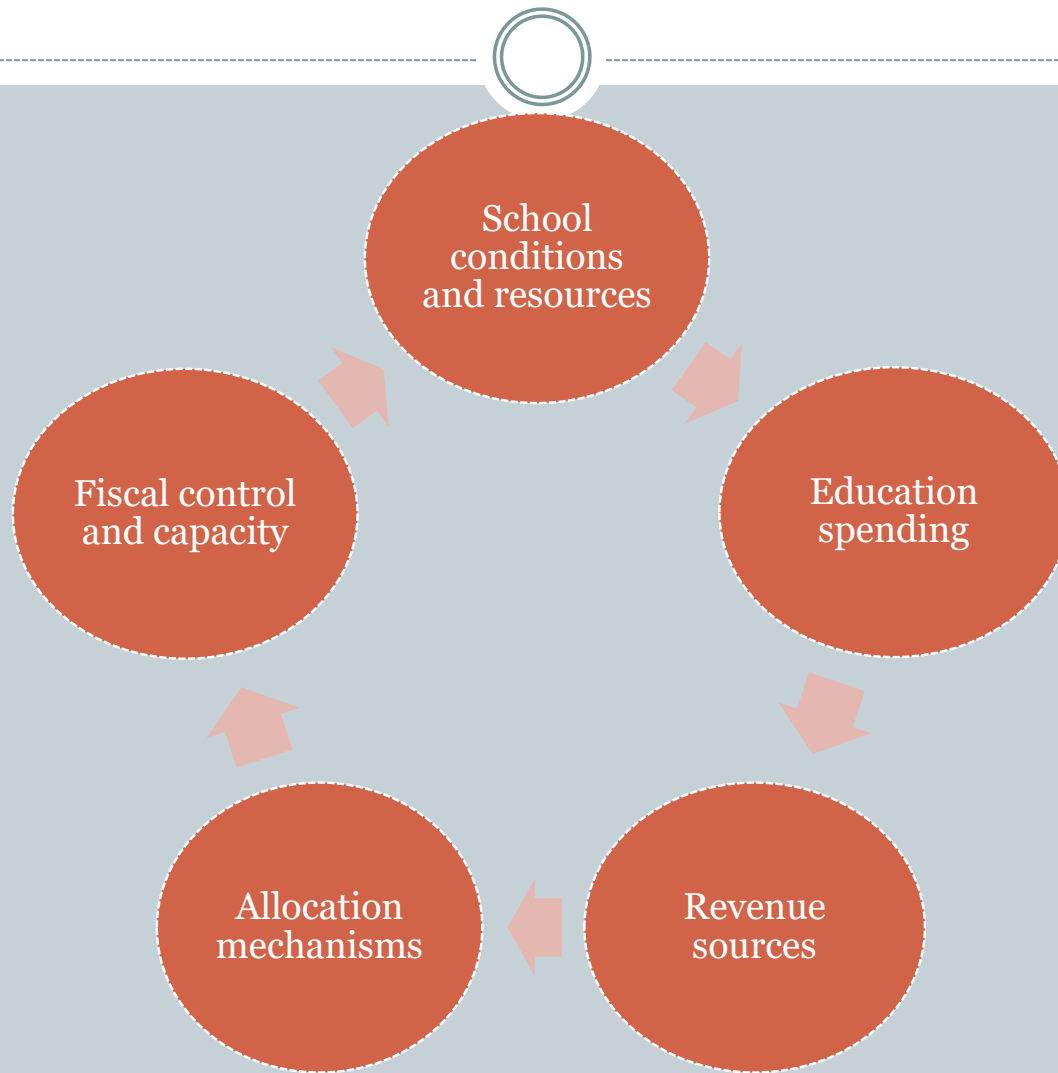


## 3] FINANCING OF EDUCATION BY EMPLOYERS

The employers may finance the (i) research and development (R & D), and (ii) the education/training of their employees. This they may do for the reasons such as

- (a) the expected benefits, i.e., if in their own opinion they think that it will pay them to do so,
- (b) their ambitious character that may make them aiming at leading the race, pioneering the new art production and management, and
- (c) their philanthropic nature and benevolence which may make them to take a generous interest in the education and the well-being of their employees.

# Core Areas of Educational Finance





# Policy Goals of Educational Finance



Ensuring Adequacy

Performing Efficiently

Promoting Equity

# Continued....



## **Adequacy**

- Basic educational inputs
- Adequate current spending levels
- Responsive long term spending levels

# Continued.....



## **Efficiency**

- Accountability in funding use
- Public sector capacity for education finance policy-making

## **Equity**

- Progressive variation in spending per student
- Manageable household payments for schooling

# POLICIES OF EDUCATIONAL FINANCING IN OTHER COUNTRIES



- The policies of educational financing in India can be contrasted with the approaches of other countries in two major respects:
  - (i) The public education sector spending as a proportion of GNP; and
  - (ii) Earmarking of funds for education.

# EFFECT – MICRO



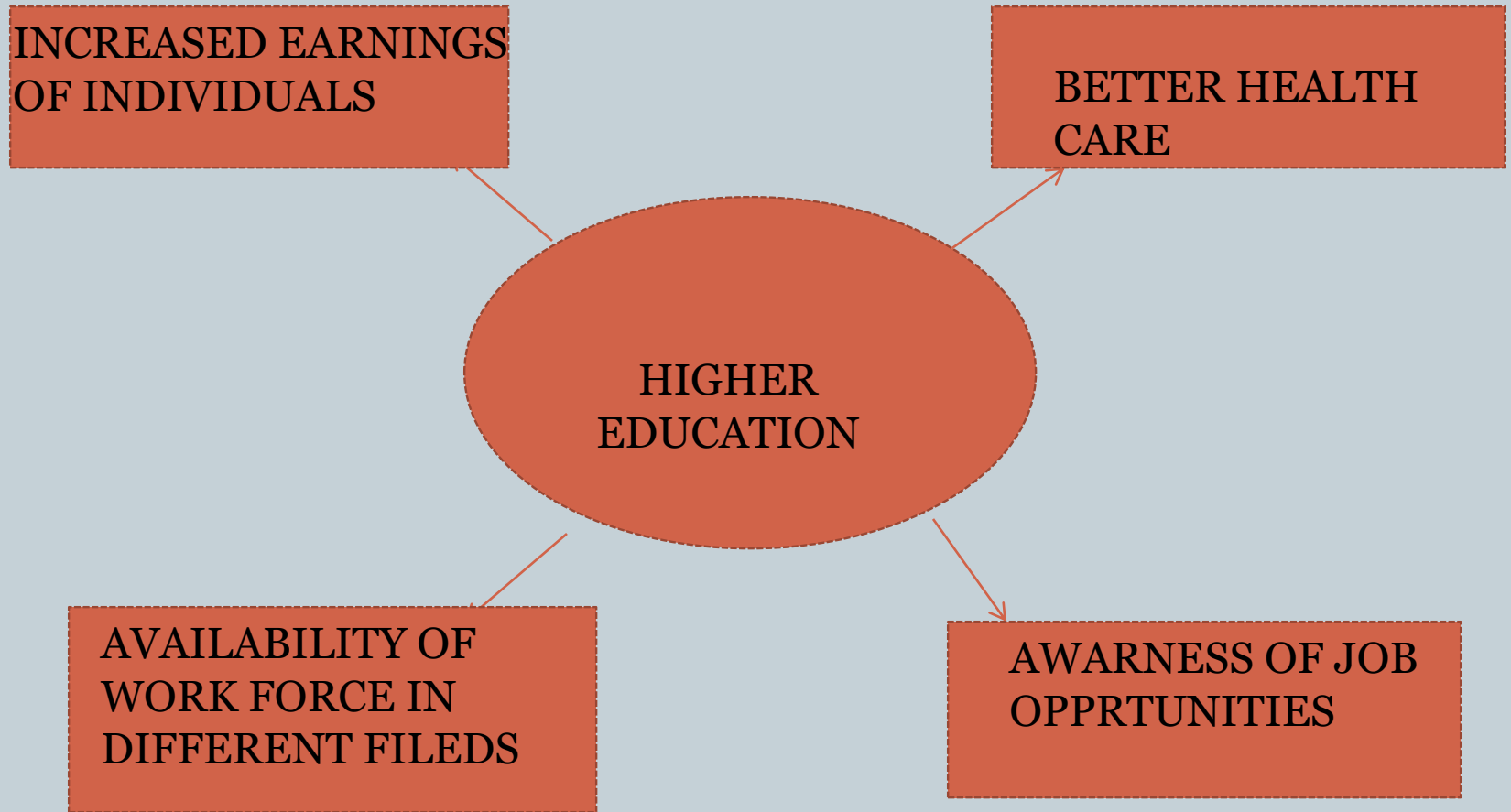
**INCREASED EARNINGS  
OF INDIVIDUALS**

**BETTER HEALTH  
CARE**

**HIGHER  
EDUCATION**

**AVAILABILITY OF  
WORK FORCE IN  
DIFFERENT FIELDS**

**AWARNESS OF JOB  
OPPRTUNITIES**



# EFFECT –MACRO



**EDUCATED WORK  
FORCE**



**ECONOMIC  
GROWTH**



**ECONOMIC  
DEVELOPMENT**

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