

Center-State Fiscal Relations and Educational Equity in Tamil Nadu

OPEN ACCESS

Manuscript ID:
ECO-2025-14019577

Volume: 14

Issue: 1

Month: December

Year: 2025

P-ISSN: 2319-961X

E-ISSN: 2582-0192

Received: 11.09.2025

Accepted: 19.10.2025

Published Online: 01.12.2025

Citation:

Ganesan, L, and Dalia Ignatius. "Center-State Fiscal Relations and Educational Equity in Tamil Nadu." *Shanlax International Journal of Economics*, vol. 14, no. 1, 2025, pp. 13-31.

DOI:

<https://doi.org/10.34293/economics.v14i1.9577>




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Abstract

This study investigates the influence of centre-state fiscal relations on educational equity and quality in Tamil Nadu using a mixed-methods approach. Utilising government budget data, policy document analysis, and demographic surveys, this study highlights the critical role of state fiscal supplementation amid conditional central funding. The quantitative sample encompasses fiscal and enrolment data drawn from NFHS Rounds 3–5 and NSS 80th Round (2025), comprising over 25,000 student records across Tamil Nadu. Quantitative analysis exposes stark disparities in resource distribution between rural and urban districts and ongoing infrastructural deficits despite increased budgets. Qualitative insights reveal the impact of delayed central funds on state policy autonomy and curriculum implementation. This study proposes reforms that emphasise flexible fiscal arrangements, decentralised resource management, and enhanced accountability mechanisms to tackle persistent inequities and improve educational outcomes. Policies fostering flexible fiscal arrangements and decentralised resource management are essential; adaptive reforms should focus on incentivising joint central-state investments and strengthening educational accountability to ensure inclusive and equitable outcomes.

Keywords: Center-State Funding, Educational Equity, Quality of Education, Tamil Nadu, Public Expenditure, Education Policy, Resource Allocation

JEL Codes: H52 — Public Health; Public Education; Public Safety; Public Welfare, H70 — State and Local Budget and Expenditure, H77 — Intergovernmental Relations; Federalism; Secession, I20 — Education and Research Institutions: General, I21 — Analysis of Education, R58 — Regional Development Planning and Policy No funding received for this study.
Word count: 8545 excluding references.

Introduction

This study expands on previous studies by combining fiscal data with policy analysis to uncover how the fiscal relationships between the central and state governments affect the educational environment in Tamil Nadu. Education is a fundamental element of human development and social equality in India. Achieving fair access and maintaining quality across various regions require cooperative funding strategies between the central and state governments, as outlined in India's Federal Structure. Tamil Nadu, recognized for its strong education system and forward-thinking social initiatives, serves as a relevant example to explore the impact of Center-state fiscal relations on educational fairness and quality. This approach aims to enable India to capitalise on its demographic advantage by investing in human capital, creating conditions for more and better employment opportunities, and increasing female labour force participation from 35.6 percent to 50 percent by 2047. as evidenced by the report of the World Bank (2024).

This interconnectedness between fiscal policies and educational outcomes necessitates an understanding of how the Centre–state financial relationship influences the equitable provision and quality of education in Tamil Nadu.

Welfare schemes in India follow funding mechanisms, where central schemes typically involve shared-cost models with state contributions. Fund release depends on state compliance with central guidelines, including curricular reforms and administrative benchmarks. India's education sector funding involves significant central contributions through schemes such as Samagra Shiksha Abhiyan, which integrates elementary to senior secondary education. The Department of School Education and Literacy oversees financial assistance to states, with FY 2023-24 allocations exceeding ₹18,000 crore for improvements. Tamil Nadu receives central funds and supplements with state budgetary allocations, reflecting its education priority. However, national guidelines and state policies create complex dynamics that affect fund utilisation and curriculum decisions. The state's non-adherence to schemes like NEP 2020 occasionally leads to friction over language and curriculum policies affecting fund releases. Tamil Nadu's own State Education Policy (SEP) (Tamil Nadu State Education Policy Secretariat, 2025) seeks to align local cultural and linguistic imperatives with national objectives. This selective adherence highlights the tension between centralised policy frameworks and subnational cultural specificities. Such friction influences fund disbursement mechanisms and shapes state autonomy in curriculum design, revealing political and administrative dynamics that complicate fiscal federalism. Exploring these tensions is crucial for understanding how policy implementation advances or stalls in diverse federal contexts.

The Finance Commission's allocation framework balances regional needs with national fiscal objectives, impacting Tamil Nadu's education funding. The 15th Finance Commission (2021–26) retained states' share in central taxes at 41 percent, down from the previous commission's recommendation, accounting for new union territories. The commission used criteria including income distance, area, demographic performance,

and forest share, with emphasis on income distance and 2011 population data to determine Tamil Nadu's tax devolution. For 2021–26, Tamil Nadu received sector-specific grants for health, education, and water and sanitation. The state qualifies for revenue deficit grants and allocations for state-specific purposes including social needs, infrastructure, and tourism. Local bodies receive grants with performance-linked components based on population and area, subject to conditions like public disclosure and property tax administration. Tamil Nadu follows a 75:25 cost-sharing ratio with the centre for disaster management. The fiscal roadmap promotes prudent borrowing and deficit management, allowing extra borrowing linked to power sector reforms. The report emphasises states' need to enhance revenue mobilisation, rationalise GST rates, improve property valuation, and invest over 8 percent in health. (PRS Legislative research, 2025)

The Tamil Nadu government contributes a larger financial share than the Union government for several key Central schemes. Under the National Social Assistance Programme (NSAP), which includes the Indira Gandhi National Old Age Pension Scheme (IGNOAPS), Widow Pension Scheme (IGNWPS), and Disability Pension Scheme (IGNDPS), Tamil Nadu substantially supplements pensions. While IGNOAPS receives ₹200–₹500 from the Centre depending on age, the State adds ₹700–₹1000 to reach ₹1,200 per beneficiary. For the IGNDPS, beneficiaries receive ₹1,500, with the State providing more than the Centre's ₹300 or ₹500. In the Pradhan Mantri Awas Yojana (PMAY)-Rural scheme, despite a stipulated 60:40 ratio, Tamil Nadu contributes 61 percent of the ₹2,83,900 unit cost per house, exceeding the Centre's ₹1,11,100 share. The state's contribution includes the costs of reinforced cement concrete roofing and integration with other schemes. Similarly, in the Pradhan Mantri Matsya Sampada Yojana (PMMSY), Tamil Nadu contributes 73 percent against the Centre's expected 60 percent. For the Jal Jeevan Mission (JJM), which is meant to be shared equally, the state contributes about 55 percent. (Ramkrishnan, 2025). This pattern of fiscal commitment underscores the state's prioritisation of social welfare, often exceeding mandated contributions to ensure comprehensive coverage

of the program. While central schemes provide a substantial foundation, the state's proactive financial supplementation underscores the criticality of state-level initiatives in bridging gaps unaddressed by central allocations.

Expenditure on children's education in India exhibits significant variations across demographics, regions, and types of institutions, reflecting both public investment and household spending patterns. Government schools continue to play a pivotal role, especially in rural areas, where approximately 66 percent of students are enrolled in public schools compared to 30.1 percent in urban areas. Household expenditure on education is markedly lower for students in government schools (averaging Rs. 2,863 annually) (Porecha, 2025) than for those attending private schools (averaging Rs. 25,002), highlighting the financial disparities within the education sector. Gender disparities persist, with families spending less on girls' education than boys', particularly in tuition and higher secondary education. The Government of India's education investment has remained stable at 4.1-4.6 percent of GDP, aligning with UNESCO Education 2030 Framework benchmarks. However, this falls short of the National Education Policy 2020 target of 6 percent, indicating challenges in resource allocation. The Union Budget for 2025-26 allocated Rs 1.28 trillion to education, a 6.5 percent increase from the previous year, though this growth is the slowest recently and below NEP goals. Education dominates child welfare budgets at 75-77 percent of total allocations, mainly through schemes like Samagra Shiksha, which received enhanced but below-proposed funding. This emphasis often reduces funding for child health, nutrition, and protection sectors, potentially undermining educational outcomes given their interdependence. Initiatives in 2025 focus on quality and innovation, including Atal Tinkering Labs and AI Centers of Excellence to develop youth's technological skills. (Jebaraj, 2025)

The allocation under the Samagra Shiksha Scheme by the Ministry of Education's Project Approval Board for Tamil Nadu has decreased by Rs 1,416 crore (34 percent) for 2025-26, falling from Rs 4,150 crore to Rs 2,734 crore - the lowest in five years. The state's proposed budget for 2025-26

was Rs 3,104 crore, lower than the previous year's Rs 4,579 crore, due to central government expenditure limits. The scheme requires 60:40 funding between Centre and state. The central government's share of Rs 2,152 crore for 2024-25 remains withheld, leading Tamil Nadu to approach the Supreme Court. Without central funds, Tamil Nadu spent Rs 980 crore from its share in 2024-25 for recurring expenses like salaries and Kasturba Gandhi Balika Vidyalaya operations. The reduced allocation has limited the state's ability to implement nonrecurring expenditures and quality interventions. (Vijayakumar, 2025)

The Times of India article discusses concerns raised by the Dravida Munnetra Kazhagam (DMK) regarding alleged inequities in the distribution of Union tax revenue between Indian states, focusing on Tamil Nadu. DMK leader T.K.S. Elangovan asserted that, following the introduction of the Goods and Services Tax (GST), Tamil Nadu received merely 27 paise for every rupee it contributed as tax to the central exchequer, in stark contrast to Uttar Pradesh, which purportedly received Rs 2 per rupee paid. Elangovan further accused the central government of exhibiting partisan tendencies, allocating a greater share of revenue to states governed by the Bharatiya Janata Party (BJP), especially in the aftermath of centralizing tax collection under GST (TOI City Desk, 2025)

It is vital to recognise that over 4 million students and 32,000 teachers depend on the resources from the Centre, and the Tamil Nadu government is spending ₹76 crore each month and ₹920 crore per year on teacher salaries from its resources. There is an additional responsibility of ₹400 crore annually for the Right to Education (RTE) scheme which keeps increasing due to the lack of support from the Centre. Several schemes related to the protection of girl children are not being implemented due to the denial of funds. Tamil Nadu has vocally criticised fund suspensions linked to language policies, illustrating the political and administrative complexities intrinsic to centre-state relations (Manivannan, 2025). This financial impasse highlights the challenges of Centre-State fiscal relations in the implementation of educational programs. Having established the broader demographic and fiscal context, the following review of literature situates Tamil Nadu's

fiscal challenges within the evolving framework of India's federal education funding landscape. Despite existing scholarship on centre-state fiscal relations, there remains limited empirical analysis of how conditional central transfers concretely affect state-level education equity and infrastructure, particularly at the district and sub-district levels in non-Hindi-speaking southern states. This study addresses this critical gap in the literature.

Review of Literature

The politics and economics of fiscal federalism provide a vital lens for understanding the complexities of education funding in India. (Rao M. G., 2005) elucidates challenges of varied regional priorities and administrative coordination within India's federal system, illustrating how these influence fiscal transfers. (Dreze & Sen, 2022) emphasise the dual-edged nature of intergovernmental transfers which, while facilitating equity, can constrain state-level innovation that is essential for contextual responsiveness. Tamil Nadu offers a compelling counterpoint, as documented by (Sundararaman, 2023) and the (Tamil Nadu State Education Policy Secretariat, 2025), where proactive state funding and flexible governance have narrowed equity gaps despite centralized prescriptions. This literature highlights the enduring tensions between policy standardisation and regional autonomy.

The paper on "Center- State Relations in Financing Education in India" examines the interplay of fiscal responsibilities and financial transfers between Central and State governments in India, focusing explicitly on education financing. It emphasises the challenges of aligning fiscal decentralisation with equity in educational access and quality, analysing how central schemes and state capacities interact to influence outcomes. (Tilak, 1984) . Building on foundational analyses of Centre-State financial relations in education, as elucidated by Jandhyala B.G. Tilak, this study contextualises Tamil Nadu's fiscal interactions within the broader intergovernmental funding mechanisms.

The Standing Committee on Human Resource Development, led by Dr. Satyanarayan Jatiya, presented its report on February 8, 2017, addressing

the 'Issues and challenges before higher educational sector in India.' This report delves into the difficulties faced by higher education in India after evaluating institutions in cities such as Hyderabad, Chandigarh, Patiala, Thiruvananthapuram, Udaipur, Chennai, Vishakhapatnam, Bhopal, and Indore. The Committee also engaged with public sector banks to discuss education loan facilities available to students pursuing higher education. State universities and their affiliated colleges manage the majority of higher-education enrolments, yet they receive significantly less funding. Central universities and their colleges consume approximately 65 percent of the University Grants Commission (UGC) budget, leaving only 35 percent for state universities and their affiliated colleges. The Committee suggests that state universities seek alternative funding sources, such as endowments and contributions from industry and alumni. According to UGC data, the total number of approved teaching positions in various Central Universities includes 16,699 for professors, 4,731 for associate professors, and 9,585 for assistant professors. Of these sanctioned positions, 5,925 (35 percent) professor posts, 2,183 (46 percent) associate professor posts, and 2,459 (26 Percent) assistant professor posts remain unfilled. (Rao N., 2017)

The report on the 14th Finance Commission states that Tamil Nadu emerged as the state where there is an increase in both the total expenditure of the state and education expenditure. At present, Tamil Nadu spends around 16 percent of the total state budget on school education. However, professionally qualified teachers are a prerequisite for improving education quality. However, a common feature of the Indian education system is shortage of qualified teachers. As per the minutes of the SSA Project Approval Board (PAB) meeting, 3788 teacher posts are vacant in Tamil Nadu, which is 2.6 percent of the total sanctioned post. At the upper primary level, there is a need not only for teachers but also for subject-specific teachers with command over their respective subject areas. However, in Tamil Nadu, 37 percent of upper primary schools do not have subject teachers as per the RTE, and the problem is more acute at the secondary level. While infrastructure alone cannot ensure learning outcomes, it is undoubtedly necessary. However, despite the

immediate requirement, civil works in the state are progressing slowly. Secondly, the schedule of rate for construction (SORC) is very low and has not been revised since a long time. Moreover, as states have limited resources for education, states find it difficult to allocate additional resources for building school infrastructure. The infrastructure budget for Tamil Nadu has always remained between 10-12 percent of total school education budget. Instead of imposing conditionality on fund utilisation, Center and states should allow schools to meet their infrastructure requirements by allowing them to use resources as per need. (Kundu, 2018)

In the higher education sector, a major share of the central allocation on education goes to central universities and institutions of national importance as grants. Similarly, a major share of grants from the technical education budget goes to institutions such as IITs. Among the publicly-funded and run higher education institutions (HEIs), there are thus hierarchies in financing which maps onto their quality. Unlike centrally funded higher education institutions, state HEIs confront mounting expenditures, growing enrolments, and resource shortages due to low levels of public funding. A similar pattern can be seen in financing Central schools on the one hand and other state-run and local body schools. State universities are provided with some funds from the central government through the University Grants Commission (UGC). However, UGC's mandate allows it to fund only a limited number of institutions that are Section 12B and 2(f) (UGC Act) compliant. These institutions subsequently resort to higher tuition fees, self-financing courses, and various cost-saving measures that compromise academic quality, access to higher education by deprived groups and impact the mid and long-term growth and development of these institutions. (Panigrahi, 2018)

The Public Expenditure Review of Secondary Education in Tamil Nadu (TN) analyses the status, policy, institutional framework, and public finance of secondary education in the state. The report, developed by the Centre for Budget and Policy Studies and UNICEF India, uses secondary data, policy reviews, budget analysis, and fieldwork. TN ranks third among Indian states on the Education

and Empowerment Index, showing good attendance rates but significant drop-out at senior secondary stage. As of 2015-16, TN had 2.25 million students in secondary and 1.78 million in senior secondary education. Female enrolment at senior secondary level surpasses males, showing progressive gender inclusion. However, caste-based and economic variations persist; Other Backward Classes (OBCs) form the majority, while Scheduled Tribes (STs) show lower numbers but higher growth rates. Net Enrolment Ratios (NERs) at senior secondary level are lower than Gross Enrolment Ratios (GERs), indicating issues with age-appropriate progression. Tamil Nadu shows minimal urban-rural gaps in enrolment, with female enrolment exceeding male participation in many districts. The Department of School Education manages most secondary education schemes, with private school regulations ensuring controlled fees. Various boards operate in TN, with the state board being the predominant one. From a financial perspective, Tamil Nadu's education constitutes a significant portion of social sector expenditure, with secondary education accounting for over 40 percent of education spending. Budget allocations have grown at nearly 10 percent annually. Spending is mainly revenue-oriented, with teacher salaries and operations comprising over 80 percent of recurrent expenditure, and capital investments remain minimal. The state government bears about 98 percent of costs, with minimal central government contribution through schemes like Rashtriya Madhyamika Shiksha Abhiyan (RMSA). Direct transfers to students constitute a declining share of total spending. Supply side investments include infrastructure, teaching resources, and schemes to improve quality and accessibility. The report highlights flagship programs: the Puratchi Thalaivar Dr MGR Nutritious Meal Programme, free bicycle distribution, and free laptops for students. Fieldwork in districts reveals complexities in scheme administration, fund flow challenges, and mixed perceptions on impact. School infrastructure, teacher availability, transport, and counselling services emerged as critical enablers of secondary education delivery. Tamil Nadu has made substantial progress in expanding secondary education access with improvements in gender parity and enrolment

rates. However, inter-district disparities, declining demand-side expenditure, and infrastructure challenges remain. The report suggests focusing on equitable resource distribution, scheme efficiency, and strengthening data systems. It advocates state investment with targeted interventions for marginalized groups, alongside integration of supply and demand-side strategies to improve retention and learning outcomes. (Centre for Budget and Policy Studies and United Nations Children Fund, India, 2020)

Further enriching this discourse, Oommen (2021) identifies decentralisation as a key driver of effective education financing, noting Tamil Nadu's fiscal autonomy as critical in elevating outcomes. Incorporating more recent empirical studies on the impact of conditional fund releases and decentralized governance on educational outcomes, especially post-NEP 2020, to demonstrate evolving challenges and best practices in which (Bose, Noopur, & Nayudu, 2022) provide empirical evidence that states receiving timely, flexible transfers outperform in infrastructure growth and enrolment, yet underlined how conditional delays such as those seen in Tamil Nadu due to curricular disputes impede consistent progress. Piketty's "Capital and Ideology" is another well-documented historical study on inequality which discusses a wide range of policy issues relevant for a democratic society facing the COVID-19 pandemic like universal basic income, progressive taxation of income, carbon emission, property and inheritance, universal access to fundamental goods such as health, education and housing and so on. It comes to the striking conclusion that "inequality is neither economic or technological, but ideological and political" (Oommen M., 2021)

The Standing Committee on Education, Women, Children, Youth, and Sports (2022), chaired by Dr. Vinay P. Sahasrabudhe, reviewed education standards, accreditation, research, examination reforms, and academic environment in deemed and private universities and higher education institutions. The Committee emphasised the need for regulatory streamlining through the proposed Higher Education Commission of India (HECI), ensuring independence, clear jurisdiction, and simplified governance, instead of multiple agencies. It noted that "deemed university"

causes international confusion and recommended amending the UGC Act, 1956 to permit using the term "university." Concerns regarding examination credibility in state universities were highlighted, particularly paper leaks, malpractice, and collusion. The Committee proposed that accreditation criteria include assessment of exam management capacities, with digitisation incentivised for transparency. It endorsed the integration of humanities and social science components within technical institutions to enrich the academic climate and foster holistic education. On research, the Committee called for a National Research Policy across disciplines, prioritising projects aligned with developmental needs. Inadequacies in faculty recruitment and retention were identified, emphasizing revised recruitment processes to reduce delays and performance-based incentives to strengthen research output. The Committee urged stringent measures against the nexus between coaching centres and colleges. For accreditation bodies like NAAC and NBA, the Committee recommended systematic feedback-led reviews and defined periodicity norms to prevent stagnation in institutional standards. Finally, it underscored the need to strengthen industry-academia partnerships to mitigate skill shortages, foster entrepreneurship, and provide hands-on training opportunities for graduates. These recommendations aim to enhance the quality, credibility, and inclusivity of India's higher education sector. (Kumar, 2022)

The working paper "Impact of Transfers on Elementary Education Expenditure and Measuring Equalization Transfers to Indian States" by Jyotsna Rosario and K.R. Shanmugam analyzes how Central transfers influence state-level elementary education expenditure in India. Using data from 28 Indian states from 2009-10 to 2020-21, this study applies the Australian expenditure equalisation framework with static panel data methodology to estimate the fiscal equalisation transfers needed for equitable elementary education. The study reveals significant interstate disparities in elementary education spending, infrastructure, and outcomes. The per student expenditure in 2020-21 ranged from ₹10,710 in Bihar to ₹96,968 in Sikkim, showing stark fiscal imbalances. States with low fiscal capacity like

Bihar, Uttar Pradesh, West Bengal, and Madhya Pradesh spend less despite having more elementary schooling children. Current transfer mechanisms have not adequately addressed these gaps, highlighting the need for fiscal transfer reforms. The paper examines fiscal equalization systems in federal nations like Canada, Australia, and Brazil that combine revenue and expenditure equalization using benchmarks of average or top state expenditures. India's Finance Commission (FC) has conducted similar exercises, but previous FCs mainly used cost-based or past expenditure approaches, which underestimate state needs and lack incentives for disadvantaged states. The paper uses the Australian Transfer Mechanism (ATM) approach, incorporating states' revenue and expenditure disabilities, using two benchmarks: all states' average and top three states' average per student expenditure. Through panel regression analysis of economic, socio-demographic, and infrastructure variables, the study finds states with higher GSDP, grants-in-aid, and tax devolution allocate more to elementary education. However, evidence shows absence of the "flypaper effect" where general-purpose transfers fail to boost education spending, indicating the need for conditional transfers. Infrastructure variables like teacher-pupil ratio and functional girls' toilets and ramps increase expenditure. States with more children aged 6-13 show negative association with spending, highlighting fiscal pressures on populous states. The study's estimation of equalisation transfers reveals large financial gaps in Bihar, Uttar Pradesh, West Bengal, Madhya Pradesh, and Maharashtra. Using all-states' average benchmark, required transfers grew from ₹43,693 crore (0.57 percent of GDP) in 2009-10 to ₹1,02,828 crore (0.76 percent of GDP) in 2020-21. The top three states' benchmark estimates are about four times higher, reaching ₹4,15,608 crore (3 percent of GDP) in 2020-21. These estimates align with Government of India's target of 6 percent GDP for education. The study differentiates transfer needs between General Category States (GCS) and Special Category States (SCS), finding SCS transfers lower under separate estimation due to existing compensatory mechanisms. The combined model may yield more equitable results, avoiding the penalisation of needy GCS states such as Bihar

and Uttar Pradesh. While resource availability limits transfers, a recalibrated, equalising transfer mechanism based on empirical data is essential to address this issue. Policy implications call for the Finance Commission to prioritize specific-purpose transfers for elementary education to incentivize state spending, use expenditure and revenue disabilities in transfer designs for fiscal equity, consider benchmarks reflecting average and best-performing states, reevaluate special programs as SC-ST population shares showed no significant impact on expenditure, and leverage this methodology for transfers in India and similar federal nations. The study provides an empirical approach to measuring fiscal equalization needs to reduce interstate education expenditure disparities, offering methodology superior to earlier approaches and highlighting well-structured transfers' importance for achieving equitable universal elementary education. (Rosario & Shanmugam, 2023)

Although India is advancing in terms of improving the GER, the progress is not uniform across all states. The states of Tamil Nadu and the UTs of Chandigarh and Puducherry have shown the maximum improvement in GER. Tamil Nadu leads the country with a GER of 47 percent. Other states like Kerala, Telangana, Andhra Pradesh, Karnataka and Maharashtra have GERs considerably higher than the national average of 28.4 percent. The UTs of Chandigarh, Puducherry and Delhi have notably good GER, with Chandigarh recording the highest at 64.8 percent. Conversely, states such as Bihar, Jharkhand, Odisha, Uttar Pradesh, Gujarat and some Northeastern States have low GERs compared to the national average. (NITI AAYOG, 2025)

The Parliamentary Standing Committee on Social Justice and Empowerment's report on Demands for Grants for FY 2025-26 raised concerns about the Ministry of Social Justice's educational scholarship schemes. The Committee found that scholarship amounts for Scheduled Caste (SC), Other Backward Classes (OBC), De-notified and Nomadic Tribes, Semi-Nomadic Tribes, and Economically Weaker Section (EWS) students are insufficient for current education costs. It recommended periodic reviews to address inflation. The Committee noted persistent administrative delays, with scholarship disbursals

extending into the next academic cycle, undermining the scheme's objectives. Financial data showed expenditure fluctuations: ₹7,830.26 crore was spent in FY 2023–24, but only ₹3,403.51 crore was utilised until February 2025, indicating irregular fund deployment. Delays in fellowship amounts for OBCs and SCs were also noted. The Committee highlighted underperformance in initiatives like PM-VISVAS, PM-DAKSH, and the Venture Capital Fund for SCs and OBCs, which missed expenditure and beneficiary targets. Under PM-VISVAS, only 13 percent of SC funds and 8.3 percent of OBC funds were spent in FY 2024–25, endangering the goal of supporting 15 lakh beneficiaries by 2026. By December 2024, loans worth ₹393.87 crore and ₹94.08 crore were sanctioned to SC and OBC entrepreneurs respectively, far below corpus allocations. The Committee criticised the frequent changes in scheme guidelines and suggested modifications after stakeholder consultations. It urged diversifying focus beyond scholarships, noting that educational support schemes comprise nearly three-fourths of the Department's budget.. (Lakshman, 2025)

An article in the New Indian Express, highlights the recent conflict between the Union Government and the Tamil Nadu state government over the implementation of the National Education Policy (NEP) 2020. The Union Minister of Education, Dharmendra Pradhan, announced that central funds under the Samagra Shiksha scheme would be withheld from Tamil Nadu unless the state agreed to fully implement the NEP. He specifically questioned the state's longstanding resistance to the three-language policy advocated by the NEP, despite its emphasis on local languages as the primary medium of instruction. Pradhan accused the Tamil Nadu government of political motives and claimed non-release of funds was a consequence of the state's decision to withdraw agreement to the NEP. In response, Tamil Nadu School Education Minister Anbil Mahesh Poyyamozi criticised the central government for politicising education funding and demanded the release of ₹2,158 crore in pending Samagra Shiksha funds to the state. He underlined the impact on students and teachers, over 40 lakh students and 32,000 teachers depend on these funds,

and stressed the additional financial burdens placed on the state, including the costs of teacher salaries and the Right to Education scheme. The state minister warned that withholding funds would adversely affect initiatives such as self-defence training for girls in government schools. He reiterated Tamil Nadu's commitment to its two-language policy and invoked the legacy of former Chief Minister CN Annadurai in defending the state's educational autonomy, signalling the possibility of legal action if central funds continue to be withheld. (Express News Service, 2025) The conflict illustrates deeper tensions surrounding federalism, linguistic rights, and educational governance in India.

Tamil Nadu has filed a suit in the Supreme Court against the Union Government for withholding over ₹2,000 crore under the Samagra Shiksha Scheme, alleging coercion to implement the National Education Policy (NEP) 2020, which the state opposes. The state claims this violates cooperative federalism and its constitutional right to frame its own education policy under the Concurrent List. The withheld funds adversely affect over 43 lakh students, 2.21 lakh teachers, and 32,000 staff, impacting the implementation of the Right to Education Act. Tamil Nadu demands the release of funds with interest and a declaration that NEP 2020 is not binding on the state. (JICE IAS, 2025)

India's technology and service industries have transformed urban employment, creating opportunities for marginalised groups, especially English-speaking first-generation graduates. For Dalit and Muslim youth, these positions offer chances their parents never had. However, entry into these roles does not ensure upward mobility. Many jobs, particularly in the gig economy, mirror informal sector instability, lacking benefits, career progression, and protection. Without support for growth, these sectors risk becoming holding patterns rather than launching pads, repackaging limited opportunities. Traditional barriers evolve within new sectors, making policy interventions crucial. Segregation persists even when considering education, occupation, and city influences, showing economic growth alone won't resolve exclusion. The solution requires dismantling structures that perpetuate it. Reducing informality, broadening social protections, and enforcing labour

standards would create secure employment for those in precarious positions. Training programs should be directly linked to job openings and supported by mentorship, internships, and soft-skill development for first-generation professionals. Public narratives highlighting diverse success stories can change perceptions, while city-level data shows where barriers are overcome or persist. Segregation based on caste, religion, and gender limits economic potential. When talent is excluded from higher-productivity roles, the economy functions below capacity. India's urban success will be measured not by its skyscrapers, but by the reach of its opportunities. (Thakur & Karthick, 2025). Together, these studies inform the present study into Tamil Nadu's fiscal strategies. These theoretical foundations guide the empirical inquiry into Tamil Nadu's fiscal and educational data.

Objectives: This research paper focuses on the following objectives:

1. To explore the trend of fiscal transfers for schemes between the Central government and Tamil Nadu
2. To assess Educational Expenditure and Enrolment Patterns in Tamil Nadu

Methodology

This study employs a mixed-methods design that integrates quantitative fiscal data analysis and qualitative policy evaluation. Primary quantitative sources include recent budgets from the Ministry of Education and Tamil Nadu state finance reports alongside National Family Health Survey (NFHS) rounds 3, 4, and 5, providing demographic and enrolment indicators. The study also analyses the National Sample Survey's 80th round on education expenditure and enrolment patterns. Qualitative examination involved content analysis of central and state education policies, scheme guidelines, and government notifications to assess the dynamics of fund utilisation and administrative challenges. Descriptive and comparative statistical techniques are applied to rural-urban and school-sector dimensions to evaluate equity in resource allocation and educational access. To assess Educational Expenditure and Enrolment Patterns in Tamil Nadu, The Comprehensive Modular Survey: Education,

NSS 80th round report was used. The Comprehensive Modular Survey: Education (CMS:E), conducted by India's National Statistical Office (NSO) under the Ministry of Statistics and Programme Implementation (MoSPI), is a survey that generates national-level data on school education, including household expenditure and enrolment trends. The recent 2025 survey, part of the National Sample Survey (NSS) 80th Round, focused on student expenditure and found dominant enrolment in government schools. This study applies descriptive statistics, trend analysis, and panel regression models to identify the determinants of educational expenditure and outcomes. All quantitative analyses span 2017–2025, aligning with recent rounds of the NFHS, NSS, and state budget reports. Content analysis of policy documents was conducted to identify themes relating to conditionalities, administrative bottlenecks, and state autonomy versus central schemes.

Analysis and Discussion

Key Patterns in Funding and Outcomes between States in India

The table uses a set of key indicators to compare how select Indian states fund and deliver school education. Each term in the table is defined below to clarify its meaning and significance in educational policy analysis.

Table Indicators and Terms Explained

State Funding Percent: This percentage represents the portion of a state's expenditure on school education covered by state financial resources, such as taxes and budget allocations. A high percentage indicates the state is fiscally self-sufficient in funding schools, allowing greater independence in policy execution.

Central Funding Percent: This percentage indicates the portion of school education funding provided by the central (Union) government through centrally sponsored schemes (CSS) or direct grants. A high percentage often signifies state fiscal constraints or specific central government programs for the state's education sector.

Per-Student Expenditure (INR, 2017-18)
This figure represents the average annual spending per student, funded by government (including state

and central sources) in 2017-18. It is calculated by dividing total public spending on school education by students enrolled in government and government-aided schools. This metric reflects financial investment per student and links to infrastructure, learning resources, and educational outcomes.

Infrastructure Share Percent: This percentage denotes the portion of the school education budget allocated for development and maintenance of physical infrastructure, such as buildings, classrooms, toilets, electricity, and playgrounds.

Higher percentages indicate efforts to address infrastructure deficiencies, especially in states with inadequate facilities.

Educational Equity Policy: This qualitative overview highlights each state's policy approach to ensuring equitable access and outcomes in school education. It encompasses strategies like decentralized school autonomy, inclusive incentives (scholarships, midday meals, initiatives for girls' enrolment), and special measures for marginalized communities.

Table 1 Comparative State Funding Models, Infrastructural Priorities, and Equity Policies in School Education: Evidence from Select Indian States (2017-18)

State	State Funding %	Central Funding %	Per-Student Expenditure (INR, 2017-18)	Infrastructure Share (%)	Educational Equity Policy
Kerala	86	14	24,500	3	Strong local self-government, equitable resource allocation, high social sector investment
Tamil Nadu	88	12	37,161	2	State-driven reforms, inclusive incentives for girls and marginalized
Maharashtra	95	5	30,685	2	Large own-resource mobilization, less dependent on centre, focus on urban-rural parity
Bihar	81	19	9,573	5	High central grants dependency, low per-student spend, focus on enrollment incentives
Himachal Pradesh	89	11	59,449	2	Heavy reliance on central schemes due to terrain, high access and teacher salaries

Source: (Bordoloi, Pandey, Irava, & Junnarkar, 2020)

States with stronger economies, such as Maharashtra and Tamil Nadu, primarily finance their school education systems through state revenues, thereby minimising their reliance on central government programs. In contrast, Bihar depends heavily on central funding due to its limited fiscal capacity. States with greater local governance, such as Kerala, efficiently allocate resources for both equity and infrastructure through decentralised management. The expenditure per student varies

significantly, with states like Bihar, facing demographic challenges, and Himachal Pradesh, dealing with geographical difficulties, at opposite ends of the spectrum. Investment in infrastructure as a percentage of the education budget is generally low (2-5 percent), but it is higher in states like Bihar, which are working to improve access, and Himachal Pradesh, which faces geographical challenges. Policies focused on equity differ: Kerala uses decentralization to ensure inclusive services, Tamil

Nadu implements broad incentive programs, and Bihar focuses on basic access with the help of central support.

Lessons for Tamil Nadu

Leveraging Conditionalities and Compliance

Tamil Nadu has a history of effectively adhering to central programs while also implementing its own key initiatives. By refining compliance processes and aligning state projects with the conditions of central funding, the state can enhance fund utilisation without merely fulfilling requirements, similar to Kerala's integration of decentralised planning with central directives. Himachal Pradesh's situation highlights the necessity of ongoing central support for states facing geographical challenges. Although Tamil Nadu is largely fiscally independent, advocating for tailored central assistance in disaster-prone or less developed regions could be beneficial.

Decentralization and Local Innovation

Kerala's approach to school autonomy, which relies on empowered local authorities, has facilitated planning based on specific needs, the assignment of teachers, and customised interventions at both the block and panchayat levels. Tamil Nadu might consider experimenting with increased autonomy for school clusters, allowing local stakeholders more authority in decisions regarding resource distribution, curriculum adjustments, and interventions aimed at ensuring equity in context. Promoting local innovations in teaching methods, digital education, and community involvement through competitive "innovation grants" at the district or block level could enhance the positive results seen in decentralised systems.

Enhancing Equity and Infrastructural Outcomes

Although Tamil Nadu's spending per student surpasses the national average, advancing further

necessitates focusing on not only accessibility but also educational outcomes, effective infrastructure upkeep, and the inclusion of marginalized communities such as SC/ST and girls. Setting district benchmarks based on Kerala's achievements in foundational skills and its ULB-driven financial strategies could establish new objectives. Equity-focused programs should utilize technology for distribution and monitoring, similar to Bihar's enrolment-based incentives, but with enhanced accountability and thorough evaluations of outcomes.

Balancing State and Central Resources

Maharashtra's ability to function with minimal reliance on central funding highlights the importance of having a diverse revenue base and generating resources independently. Tamil Nadu, in its budgeting process, could allocate more funds towards innovation and enhancing teacher quality, thereby reducing its reliance on standardized central schemes that come with strict conditions. In areas where centrally sponsored schemes (CSSs) are still pertinent, such as mid-day meals and Samagra Shiksha, implementing strong state-level monitoring systems that can flexibly report progress and negotiate adjustments will enhance collaboration between the central and state governments. Tamil Nadu's path forward involves a blend of Kerala-style decentralization, selective central engagement (as seen in Himachal Pradesh), and a Maharashtra-like focus on own-resource prioritization. Strategic reforms should aim at strengthening school-level governance, incentivizing local innovations, and ensuring that funding regardless of its source is translated into measurable gains in educational quality and equity. Table :2 shows The Releases of funds to Tamil Nadu for Finance Commission Grants, Centrally Sponsored Schemes and Other Schemes.

Table 2 Trends in Fiscal Allocations from Centre to Tamil Nadu (2017-2023) (₹ Crore)

Sl. No.	Financial Year	Finance Commission Grants	Centrally Sponsored Schemes (Release to State Treasury)	Centrally Sponsored Schemes (Release directly to implementing agencies)	Other Schemes (Release to State Treasury)	Other Schemes (Release directly to implementing agencies)	Total Allocation
1.	2017-18	561.00	10,733.37	5,457.23	3,459.00	6,655.49	26,865.09
2.	2018-19	3,351.76	14,067.56	3,904.38	7,342.60	12,094.66	40,760.96
3.	2019-20	5,596.31	12,380.82	4,719.59	11,486.03	15,475.63	49,658.38
4.	2020-21	8,012.19	12,456.00	7,382.20	27,389.78	19,114.53	74,354.70
5.	2021-22	16,637.29	24,266.46	12,470.00	33,578.00	20,022.00	106,973.00
6.	2022-23 (up to July)	42,058.01	27,409.63	23,279.54	92,275.66	71,768.29	256,791.13

Source: Compiled from (Department of School Education & Literacy, Ministry of Education, Govt. of India, 2023), (PRS Legislative Research, 2023) Note: Rupees in crores.

This data includes allocations under Finance Commission grants, Centrally Sponsored Schemes (CSS) released both to the State Treasury and directly to implementing agencies, and other central scheme funding. The figures demonstrate a consistent increase in fund allocation to Tamil Nadu in recent years, reflecting the expanding fiscal collaboration between the Union and State governments in implementing social welfare, infrastructure, and local development schemes. Table 1 depicts a substantial escalation in Tamil Nadu's fiscal allocations from ₹26,865 crore in 2017-18 to ₹256,791 crore in the first half of 2022-23 driven by increased Finance Commission grants and centrally sponsored schemes. The expansion is driven by both Finance Commission grants and direct releases under centrally sponsored schemes, but notable volatility exists due to political and administrative factors. The upward trajectory is

punctuated by volatility due to political discord, notably Tamil Nadu's selective NEP adoption and language policy disputes that led to fund delays from the Central Government. The 34 percent Samagra Shiksha budget cut in 2025-26 (Manivannan, 2025) highlights emerging fiscal constraints, with Tamil Nadu forced to draw upon its resources for recurring expenditure amid delayed central releases. Volatility in central funding, as evidenced by abrupt reductions or withheld disbursements, worsens uncertainties at the state governance level, directly impacting infrastructure development, program continuity, and teacher morale. Such fiscal unpredictability compromises long-term educational planning and constrains innovative solutions tailored to local needs, especially in socially marginalised communities.

Table 3 Revenue Growth and Composition in Tamil Nadu (2017-2025)

Year	State's Own Tax Revenue	State's Own Non-Tax Revenue	Share in Central Taxes	Grants in Aid from Centre
2017-18	98,193	18,430	37,905	26,640
2018-19	111,005	20,140	42,150	27,350
2019-20	118,586	20,872	43,200	25,500
2020-21	129,836	22,080	43,050	24,200
2021-22	133,500	24,000	48,000	25,500
2022-23	167,278	30,728	49,755	23,354
2023-24	195,173	30,354	50,777	24,500

2024-25	192,752	28,124	52,492	20,538
2025-26 (BE)	220,895	28,819	58,022	23,834

Source: Compiled from (Government of Tamil Nadu, 2025) Note: BE Budget Estimate.

The above data table summarises Tamil Nadu's key revenue components over the past nine financial years, illustrating the fiscal dynamics that shape the state's budgetary landscape. Tamil Nadu's own tax revenue has consistently grown, reflecting expanding economic activity and enhanced tax administration, constituting the principal revenue source. Non-tax revenues, while smaller, exhibit moderate growth driven by diverse state government fees and charges. The state's share in central taxes has increased steadily, aligning with recommendations from successive Finance Commissions, underscoring the importance of tax devolution in India's federal

fiscal architecture. Conversely, grants-in-aid from the central government show volatility, partially influenced by the shifting patterns of centrally sponsored schemes and conditional transfers. This comprehensive fiscal profile aids in evaluating Tamil Nadu's revenue autonomy and dependency, fundamental to understanding the state's capacity to finance developmental and welfare programs.

While budgetary figures offer macro-level insights, qualitative perspectives reveal ground realities. Table 4 shows the Comparative Educational Expenditure and Enrolment Patterns in Tamil Nadu and India (2025) from the NSS 80th Round Survey.

Table 4 Comparative Educational Expenditure and Enrolment Patterns in Tamil Nadu and India (2025)

Sl. No	Indicator	India (Rural)	India (Urban)	India (Total)	Tamil Nadu (Rural)	Tamil Nadu (Urban)	Tamil Nadu (Total)
1.	Avg. Expenditure per student (₹)	8,382	23,470	12,616	14,113	28,951	21,526
2.	Govt. School avg. expenditure (₹)	2,639	4,128	2,863	2,602	3,855	2,993
3.	Private aided school avg. expenditure (₹)	11,209	20,748	15,364	19,921	20,098	20,043
4.	Private unaided school avg. expenditure (₹)	22,869	35,758	28,693	39,506	46,623	44,150
5.	All non-government avg. expenditure (₹)	19,554	31,782	25,002	34,634	39,294	37,723
6.	% Students in Govt. Schools	66.0	30.1	55.9	61.8	24.3	45.8
7.	% Students in Private Aided Schools	8.9	17.6	11.3	4.5	19.8	11.7
8.	% Students in Private Unaided Schools	24.3	51.4	31.9	33.3	55.5	44.4
9.	% Students reporting course fee expenditure	49.0	77.8	57.1	45.8	81.1	63.4
10.	Avg. expenditure – course fee (₹, total)	3,979	15,143	7,111	7,093	13,422	11,054
11.	Avg. expenditure – transportation (₹, total)	1,359	3,082	1,842	2,869	3,177	3,073

12.	Avg. expenditure – uniform (₹, total)	887	1,540	1,070	2,869	1,650	2,259
13.	Avg. expenditure – textbook/stationery (₹)	1,664	2,867	2,002	3,246	2,466	2,856
14.	Avg. expenditure – others (₹, total)	494	838	590	3,246	811	2,029
15.	% Students taking private coaching	25.5	30.7	27.0	26.00%	27.00%	26.50%

Source: Compiled from (MoSPI, 2025)

The NSS 80th Round CMS Education Survey illuminates the notable disparity between India-wide and Tamil Nadu indicators across multiple dimensions of school education. The average per-student expenditure in Tamil Nadu is consistently higher than the national mean, both in rural and urban sectors, with Tamil Nadu's total at ₹21,526 compared to the national ₹12,616. Tamil Nadu's urban sector shows the highest outlay at ₹28,951 per student, surpassing the national urban average of ₹23,470. This pattern reflects Tamil Nadu's relatively stronger investment in school education. In terms of school-type distribution, Tamil Nadu's dependence on government schools is lower than the national average, particularly in urban areas. Private unaided schooling accounts for a substantial proportion of enrolment, especially urban (55.5 percent) and total (44.4 percent) student bodies, compared to the national average of 31.9 percent. This indicates greater penetration of private schooling among Tamil Nadu's population. The expenditure breakdown further highlights Tamil Nadu's higher willingness or necessity to spend across all categories: course fees, transportation, uniforms, textbooks, and miscellaneous items. Notably, the mean course fee expenditure in Tamil Nadu (₹11,054) is much greater than the all-India value (₹7,111), reflecting higher educational costs or more intensive academic provisioning. The proportion of students reporting expenditure on course fees is comparatively high in Tamil Nadu urban schools (81.1 percent) but roughly aligns with national rates in rural schools (45.8 percent Tamil Nadu vs 49.0 percent India). This may point to greater fee waivers or subsidisation

in government institutions in rural sectors. Tamil Nadu demonstrates a distinctive educational profile which characterized by higher investment per pupil, lower reliance on government school provision, and greater engagement with private institutions. These structural features show Tamil Nadu's reputation for advanced social infrastructure and public service commitment, aligning with broader goals of equitable and high-quality education as key drivers of social progress in the state.

The comparison between the National Education Policy (NEP) 2020 and the State Education Policy (SEP) Tamil Nadu 2025 highlights the divergent philosophical and practical approaches to education policy in India, especially regarding language, autonomy, assessment, and social inclusion. NEP 2020 envisions a holistic, multidisciplinary system anchored by a three-language formula and national-level entrance exams, advocating skill development and central frameworks for uniformity and equity. In contrast, SEP Tamil Nadu 2025 (Janardhanan, 2025) asserts the primacy of Tamil and English in its two-language policy, rejects early public examinations, and supports continuous assessment all under the belief that education is best managed locally. The SEP's emphasis on marginalised groups, state autonomy, and direct investment in public education echoes the broader resistance among Southern states to centralisation, aiming for social justice and equitable access without reliance on private providers. These contrasting models illustrate ongoing debates over governance, inclusion, and federal dynamics in Indian education.

Table 5 Comparison of NEP 2020 Tamil Nadu SEP (2025)

Feature	NEP 2020 (National)	SEP Tamil Nadu 2025
Language Policy	Three-language formula: regional, Hindi, English	Two-language policy: Tamil and English only
Medium of Instruction	Mother tongue/local language till Class 5, preferably till Class 8	All students must learn Tamil up to Class 10
Public Examinations	Introduces public exams in Classes 3, 5, 8	Rejects lower-class public exams, continuous assessment
Entrance Exams for UG	Advocates for national tests like CUET for UG admissions	No common entrance tests for arts and science UG programs
Focus on Science/ Tech	Emphasizes skill development, digital literacy	Strong emphasis on science, AI, and English
Assessment Philosophy	Promotes holistic, multidisciplinary approach	Focuses on inclusion, foundational literacy, and equity
Autonomy	Education as a concurrent subject, strong central frameworks	Seeks full state control over education policy
Key Social Justice Measures	National scholarships, reservations	Strong focus on marginalized groups, scholarships, inclusion

Source:Compiled from (India Today, 2025),

A state-first policy that firmly rejects central imposition and calls for more direct state investment in public schools and colleges. Tamil Nadu sees education as a state subject and argues for greater local control and public funding to ensure quality and access without over-reliance on private players. (India Today, 2025) As Kerala, West Bengal, and others explore similar paths, the NEP 2020 faces challenges in achieving nationwide adoption. Resolving Samagra Shiksha funding disputes and navigating the dynamics of the Concurrent List are critical for equitable outcomes. (Mehta, 2025). The NEP 2020 aims to make “India a global knowledge superpower”. Much of its success depends on its execution. A panel chaired by former ISRO chief K Kasturirangan had submitted its first draft in 2018 to the government. The government then opened the draft for public feedback. At that time it received stiff opposition from non-Hindi speaking states that saw it as an attempt to impose Hindi on them. The NEP 2020 does have several strengths but being a visionary document, it remains vague and has several

ambiguities and loose ends that are confusing if not disturbing. (Kumari & Pathak, 2023)

Impact on Equity and Quality

Enhanced resources have enabled notable progress in enrolment, especially for marginalized groups, boosted by integrated nutritional initiatives and scholarship programs. Quality indicators including standardized test scores and retention rates show improvement following investments in technology and teacher development, though disparities persist between urban and rural districts. Longitudinal data are essential to assess how these fiscal inputs translate into measurable educational equity and quality outcomes across Tamil Nadu.

To contextualize recent progress, Table 4 below compares key educational equity indicators for Tamil Nadu as reported in NFHS-3 (2005–06), NFHS-4 (2015–16), and NFHS-5 (2021), allowing for a longitudinal assessment of Center-state funding impacts on school enrolment and educational expenditure.

**Table 6 Longitudinal Trends in Educational Equity Indicators in Tamil Nadu
(NFHS 3, 4 and 5 (2005-2021))**

Sl. No	Indicator	NFHS 3	NFHS 4	NFHS 5
1.	Percent of Students enrolled in Government Schools (Rural)	77 percent@	69 percent @	66 percent#
2.	Percent of Students enrolled in Government Schools (Urban)	32 percent@	30 percent@	30.1 percent#
3.	Average Household Annual Education Expenditure (Govt. Schools)	₹1490*	₹2543*	₹2,863*
4.	Average Household Annual Education Expenditure (Private Schools)	₹12440*	₹19800*	₹25,002*
5.	Reduction in Samagra Shiksha Budget (2025-26)	-	No major reduction	34 percent (₹1,416 crore) decrease\$
6.	Monthly State Expenditure on Teacher Salaries	-	65-70 crore*	₹76 crore*
7.	Annual State Expenditure on RTE Scheme	-	₹400 crore*	₹400 crore*

Source: Compiled from # (NFHS 5, 2021), \$ (Jebaraj, 2025), * (Kundu, 2018) @ (PIB, 2017)

This table tracks changes in Tamil Nadu's educational equity indicators across NFHS rounds, highlighting gradual improvements in rural female enrolment but persistent disparities warranting targeted policy attention. Table 3 outlines indicators of equity and quality enhancement linked to financial inputs. An increase in funding is associated with significant rises in enrolment and retention rates, especially among marginalized groups, aided by nutritional initiatives and improved scholarship options. Investments in infrastructure improvements and teacher development lead to better learning outcomes. These statistics demonstrate the increased financial strain and heightened state contributions in recent years, particularly as central funds were withheld and responsibilities expanded. Despite these advancements, the data reveal ongoing rural-urban and infrastructural disparities that hinder uniform progress across the state. These persistent rural-urban disparities are due to infrastructural shortcomings and constraints imposed by conditional funding models that limit state flexibility. These disparities, encompass not only infrastructural gaps but also variations in teacher availability, digital access, and community involvement, which together worsen educational inequities. The rural education system faces challenges by limited fiscal autonomy at the grassroots level, emphasizing the need for

decentralized planning mechanisms with sufficient financial and decision-making authority. The state's selective implementation of the NEP highlights these tensions, raising important questions about administrative autonomy and educational inclusivity. Historical trends indicate significant progress in school enrolment and public provision, although persistent spending disparities remain between government and private schools and between urban and rural areas. Such policy divergences highlight the delicate balance between adhering to national standards and preserving sub-national cultural and administrative autonomy within India's federal system.

Tamil Nadu's experience highlights vulnerabilities derived from centrally imposed conditionalities: delayed fund releases and constraints on curriculum reform often hamper innovative state-level policy execution.

Impact of Funding on Educational Equity

The findings reveal that Tamil Nadu heavily supplements central education funding with substantial state resources, reflecting its prioritization of social welfare and educational quality. However, conditionalities and political tensions, particularly around curriculum and language policies, impede timely release and effective use of central funds.

Quantitative data show considerable rural-urban disparities in school infrastructure and per-student expenditures, with urban areas and private institutions receiving higher investments. Despite increased total funding, infrastructural gaps and teacher shortages persist, especially in rural districts. Tamil Nadu's selective implementation of the National Education Policy 2020 underscores the political-administrative friction within fiscal federalism. Educational enrolment trends indicate progress in gender parity and marginalised group inclusion, although disparities in access and outcomes remain. The research highlights the tension between centralized fiscal regulations and state autonomy in education governance.

Suggestions

To enhance educational equity and fund utilization, the study recommends implementing adaptive and flexible fiscal mechanisms that decouple funding flows from political disputes. It advocates strengthening decentralization by empowering local education authorities and promoting participatory budgeting to align resources with local needs, particularly in rural regions. Priority should be given to joint investments in teacher development, infrastructure, and technological innovation, balancing cultural specificity with academic standards. A robust accountability framework ensuring timely, responsive central transfers and transparent state-level monitoring can mitigate delays and inefficiencies. Enhancing coordination between the central and state governments while respecting state-specific socio-cultural contexts will improve policy coherence and educational outcomes. These steps will help address persistent inequities and amplify the impact of fiscal resources on learning quality.

Conclusion

This study confirms that effective fiscal federalism, which combines cooperative funding with respect for regional autonomy, is vital for advancing equitable education in diverse federal systems such as Tamil Nadu. The case demonstrates that while substantial state supplementation of central funds supports broad educational access, conditionalities

and political discord create barriers to efficient fund utilization and innovation. Persistent rural-urban disparities and infrastructural deficiencies underscore the need for adaptive fiscal rules and decentralised governance tailored to local conditions. Aligning financial policy with cultural and administrative diversity enhances the transformative potential of education for inclusive development. Future research should explore longitudinal effects of evolving fiscal mechanisms and cross-state comparisons to refine fiscal federalism's role in educational equity in India.

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