

Financing Quality **Childcare Facilities** in India



Background

Crèches or centre-based childcare facilities are essential for ensuring the rights of children to holistic development. They are particularly important for working parents, especially mothers from marginalised social and economic groups, who often have limited time to engage in childcare responsibilities due to their compulsion to work for gruelling hours and a lack of resources to hire daily help.

Due to the increasing urbanisation and the rise of nuclear families in urban and peri-urban areas of India, where most family members are involved in jobs/employment, the demand for quality childcare facilities has grown among working parents from all sections of society.

Rationale of the Study

The study on ‘Financing Quality Childcare Facilities in India’ sought to understand how adequately resourced and effectively functioning crèches can be established to strengthen children’s rights while simultaneously advancing women’s economic opportunities.

Study Objectives

- To analyse the Union and State budgets of Delhi NCT, Haryana, Karnataka, and Kerala to assess the quantum of public resources allocated towards childcare services at the national and sub-national levels. The budget analysis also aimed to identify allocation patterns for Early Childhood Development (ECD) services across the selected states.

- To document the experiences of crèches operators employing different business models in various contexts across selected states, including Delhi NCT, Haryana, Karnataka, and Kerala.
- To estimate the range of financial resources required to operate quality crèches in rural, peri-urban, and urban settings in India, ensuring that they meet the basic non-negotiable components of early childhood care.

Methodology

- This mixed-method study draws on both secondary and primary data sources. It includes a detailed analysis of Union and State budgetary data to examine government expenditure on ECD services in Delhi, Karnataka, Haryana, and Kerala from 2020–21 to 2024–25.
- Fieldwork was conducted to understand the crèche landscape in select states in India and document various models of centre-based childcare facilities, as well as the operating costs associated with each. In total, 38 Focus Group Discussions (FGDs) were conducted at individual centres, alongside In-Depth Interviews (IDIs) with 62 crèche workers and 35 crèche supervisors. Additionally, 3 Key Informant Interviews (KIIs) were carried out with government officials across the four states.

Key Findings

- Financing of Early Childhood Development (ECD) is complex as it involves multiple actors, varied service providers, and significant regional variations. According to the 2024-25 Budget Estimates (BE), approximately 0.52 per cent of the Union Budget is allocated to ECD schemes, falling from 0.93 per cent in FY

2020-21. The total Union allocation for ECD in FY 2024-25 amounted to INR 25,189 crore, a decline from INR 28,307 crore in FY 2020-21.

- In Delhi, ECD allocations in FY 2023-24 increased by 0.4 per cent. Total expenditure rose from INR 595 crore in BE 2020-21 to INR 1,028 in BE 2023-24.
- In Haryana, ECD schemes saw a 0.1 per cent decline in allocations in FY 2023-24 compared to FY 2020-21. However, total expenditure increased from INR 1,167 crore to INR 1,432 crore, largely due to the state government’s Humari Phulwari scheme.
- In Karnataka, there was a 1 per cent increase in allocations compared to BE 2020-21. Total expenditure rose from INR 2,162 crore to INR 6,119 crore—the highest among all states included in the study.
- In Kerala, a 0.1 per cent decrease in ECD allocations was observed over the same period.

Overall, the steady decline in Union Budget allocations for ECD schemes is concerning. Resource-constrained states face significant challenges in ensuring the effective functioning of crèches, even in states like Kerala, which have demonstrated a strong policy commitment to strengthening the ECD ecosystem.

- The Palna Scheme is a scalable and sustainable model that minimises infrastructure and service provisioning costs. State departments tend to prefer Anganwadi-cum-Crèche Centres (AWCCs) over separate stand-alone crèches, as the latter increases both financial and administrative burdens. Based on the study’s financial analysis which assessed budgets for existing crèches while accounting for basic minimum standards - the estimated annual expenditure for running quality crèches is as follows:

- **Urban areas:**
INR 5.6 lakh to INR 9.1 lakh
- **Peri-urban areas:**
INR 6.95 lakh
- **Rural areas:**
INR 6.33 lakh

- The states of Haryana and Karnataka have made concerted efforts to go beyond the provisions of NCS/Palna and other central schemes, developing more comprehensive ECD interventions and plans. These initiatives demonstrate that the state governments are best positioned to design interventions tailored to their specific regional needs.
- The Haryana Crèche Policy ensures decent wages for crèche workers and helpers, mandating that their pay must be at least equal to the state's minimum wage for semi-skilled and unskilled workers.
- Crèches operated by organisations such as Mobile Crèches play a vital role in addressing the gap in ECD services created by the shortage of government-run facilities, particularly in urban areas

Recommendations

- The Union government must establish tangible policy objectives and a robust regulatory framework, supported by an independent body such as a care council with representation from state, academia, and Civil Society Organisations (CSOs) with expertise in ECD.
- The Union government should play a central role in universalising childcare services across rural and urban areas by providing financial resources, to be supplemented by state governments.
- Practical unit costs for essential components of early childcare programs in rural, peri-urban and urban areas must be established. These benchmarks can guide the formulation and updating of budget estimates.

- The number of crèches under the Palna Scheme- including both AWCCs and stand-alone crèches must be expanded, with a corresponding increase in budgetary allocations.
- State governments should conduct a comprehensive needs assessment to identify the number of target beneficiaries and the corresponding number of crèches required to meet demand.
- Financing strategies to address funding deficits must be developed by mobilising private sector contributions through Corporate Social Responsibility (CSR) initiatives, as well as support from philanthropic national and international organisations.
- Governments at both national and sub-national levels should work towards the consolidation of ECD-related data to support planning, implementation and monitoring.
- Standardised metrics must be developed and applied to determine a fair honorarium for crèche workers. It is also crucial to invest in the training and upskilling of crèche workers and helpers.
- The central and state governments must collaborate with experienced organisations such as Mobile Crèches and SEWA to establish crèches that meet optimal standards and are supported by budgetary allocations.

[Read the full report](#)

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