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Budget 2018: The ‘education’ we can take from Budget FY19

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After earning accolades on the 30-rank improvement in ‘Ease of Doing Business’, the government aims to enhance ‘Ease of Living’ in the country—the theme of Budget 2018-19. (Reuters)

After earning accolades on the 30-rank improvement in ‘Ease of Doing Business’, the government aims to enhance ‘Ease of Living’ in the country—the theme of Budget 2018-19. One might wonder how will a country, whose higher education system produces more than 80% unemployable youth, provide this ‘ease of living’. Would anyone like to pour in more money into such a system? We may have to re-look at the strategy of educating our youth to earn a decent livelihood. A budgetary allocation of Rs 85,010 crore has been announced for education. This comes out to be 3.48% of total outlay. Is this amount adequate? Comparison with allocations in the past—for instance, 4.57% during UPA's FY14 Budget—are uncalled for. The government may want to allocate higher percentage of funds to all sectors of the economy as compared to the previous governments or Budgets. But this is mathematically impossible! Consider a hypothetical situation where the government allocates 50% each to sectors A and B of the economy. Next year, it wishes to do a better allocation. Can it allocate 51% each to the two sectors? No.

Budgetary allocations are strategic in nature and specific to changing conditions of the economy. So, comparison like this year's allocation is about 4% more (not considering inflation) than the previous year may have a mathematical significance, but not much socio-economic significance. Comparisons with developed countries' spend on education, as a percentage of GDP, are also not warranted. Developed nations, on an average, spend 6% of GDP on education. A back-of-the-envelope calculation of 6% of our GDP comes out to be Rs 10 lakh crore. The total Budget outlay is Rs 24.42 lakh crore. Copying the developed world, we will end up spending almost 40% of our Budget on education. In that case, what happens to agriculture, healthcare, infrastructure and defence? The size of our Budget itself is too small, just around 13-14% of GDP.

Mere higher allocation to education sector would not help given the glum business environment which is not able to create adequate number of jobs. The 2016 ASER states that the percentage of children in Standard V who can do division has declined from 42.5% in 2007 to 26% in 2016, while the percentage of those who can read a Standard II text has declined from 53% in 2006 to 48% in 2016. This implies that the marginal product of spend on education in the present system is negative. The system needs to change.

Hence, in order to determine the impact of Budget 2018-19 on education, we need to look at the whole picture that includes the ability of students to learn as well as ability of industry to provide job opportunities, instead of just looking at budgetary allocations to education sector alone. Addressing these concerns, the FM announced the 'Revitalising Infrastructure and Systems in Education (RISE)' scheme which should increase supply of quality human resource and a slew of measures to revitalise industry that creates more demand for such human resource. RISE would see a spend of Rs 1 lakh crore by 2022. The scheme provides fiscal responsibility to expenditure on education. It will be financed through the reformed Higher Education Financing Agency (HEFA) which is operational since November 2017. HEFA enables lending low-cost funds to government higher educational institutions. HEFA has been intending to raise Rs 20,000 crore and now it has been revised to Rs 1 lakh crore. HEFA was granted a budgetary allocation of Rs 250 crore in FY18, which has been increased to Rs 2,750 crore.

The Budget stimulated both demand and supply drivers of education through spend on education, MSMEs, infrastructure and healthcare. Education demand is a derived demand. Unless other sectors see growth, education will not see revival.

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The article can be read online here.