

Budget 2018: Education sector analysis

After the major reforms enforced by the current government namely GST and Demonetization and given India's slowing GDP everyone was looking forward to the 2018 budget.

The government has already overshoot its Fiscal Year '18 fiscal deficit target and with all the confusion and several changes made to the GST since its introduction of tax revenue has been well below its target.

TEN PER CENT INCREASE IN BUDGET:

Despite all of this Arun Jaitley has announced a 10 per cent increase in this year's budget as compared to last year.

Most sectors have seen an increase in their respective allocations including the much debated about education sector.

Although the absolute spending went up by 4 per cent it is a smaller fraction of the complete budget pie that has been allocated this year.

SECTORS WITH HIGHEST ALLOCATED BUDGETS:

- Interest,
- Defence
- Subsidies
- Education remains one of the least valued at 3.5 per cent

An amount of 8.5 lakh crore has been set aside to spend on improvements in education but the question here is, is it enough?

With Defence spending once again dominating the share it feels like other sectors are suffering because of this difference.

INDIA'S RANK IN LITERACY:

India ranks 124th in literacy rates as per several sources and given the education sector budget we might not see a rise in rankings this year.

As of last year on 8 per cent of the schools were RTE (Right to Education) compliant. In fact, education spending was 4.4 per cent in 1999 and it has now dropped to this value of 3.5 per cent which means a steady decline in a country that is supposed to be focusing on skilling its labourers to increase growth rate.

India is even behind the likes of Sri Lanka and Indonesia in terms of the Legatum Prosperity Index. Several experts in the industry are of the opinion that the education sector must receive at least 6 per cent of the total budget in order to try and reduce the demand and supply gap.

The IITs, IIMs funding has been lowered along with the funding for digital education sector but more money has been allotted to the World Class Institution program.

INCREASED CESS FROM 3 PER CENT TO PER CENT:

Also, the CESS for the education and health sector has been increased from 3 to 4 per cent. This is probably a good move in order to help the rural sector but it does levy a bigger burden on the salaried class.

Overall there definitely has been some changes that could help the education sector but the primary issue of required funding to improve the overall standard of the education will not be met with the current budget allocation.

If priorities can be changed from a focus on defence to education then we might see more growth but for now, the trend of a low education budget has been continued.

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