

Reaction on the Education Budget - 2016-17

Allocations

- ✦ It is heartening to find education and skill development listed amongst the '9 pillars' identified by the Finance Minister for this year's Budget. This Union Budget (2016-17) has allocated **Rs. 72,394 crore** against **Rs. 68,963 crore** for last year, which is about **4.9% increase in the education budget**.
- ✦ The revised budget for 2015-16 reduced the overall education allocation to Rs. 67,585.5 crore from Rs 69,074.76 crore as was pegged in the budget estimate.
- ✦ About 4% of the total budget and 0.5% of the GDP is allocated for education. This is a far cry from the 6% of GDP that had been recommended by the education commission set up in 1966 under the chairmanship of D.S. Kothari.
- ✦ The allocation is less than not only developed nations such as the U.S. (5.2%), U.K. (5.8%), Japan (3.8%) and Australia (4.9%), but also it lags behind Brazil (6.3%), Ghana (8.1%) and Indonesia (3.6%). Even Pakistan allocates (2.5%).
- ✦ In the last year's budget, Rs 42,219 crore and Rs 26,855 crore were allocated for school sector and higher education sector, respectively. **In this budget, Rs 43,554 crore (2.4 per cent increase) is allocated for school educationⁱ and Rs 28,840 crore (approx 7.3 per cent increase) is allocated for higher education.**

Budgetary Allocations for Education

	Actual 2014-2015			Revised 2015-2016			Budget 2016-2017		
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total
School Education	42478.60	3243.81	45722.41	39038.50	3181.00	42219.50	40000.00	3554.00	43554.00 [63,826.7]
Higher Education	12574.75	10577.73	23152.48	14428.00	10971.00	25399.00	16500.00	12340.00	28840.00
TOTAL						69074.8			72,394 [92,666.7]

[Figs in brackets shows demand for grants] In '000 crores

Figures in '000 crores;

Scheme	2015-16 BE	2015-16 RE	2016-17 BE	% change between 2015-15 BE to 2016-17 BE	% change between 2015-15 RE to 2016-17 BE
SSA	22000	22015.42	22500	2%	2%
MDM	9236.4	9236.4	9700	5%	5%

Source: Vol. II of Expenditure Budget, 2016-17.

- ✦ The budget documents, however, reveal that the allocation for school education is **up by a meager Rs. 1367.5 crores** from the revised estimate (RE) of 2015-16.
- ✦ What is interesting to note is that the demand for grants in 2016-17 for school education by the ministry of human resources development was Rs. 63, 826.7 crores, but only Rs 43, 554 crores has been allocated by the finance ministry – a whopping shortfall of 20, 273 crores.

- ✦ Every child below the age of 18 years deserves to have an education and skills that prepare them for life. With a UNICEF estimate of 17.8 million children in India out of school and the new Education Policy in the anvil, we haven't seen much change in the budget for education. In the allocation for children, from 70% for education in the BE 2015-16, it came down to 65% BE this year (BE 2016-17). *Sarva Shiksha Abhiyan* and *Mid-day Meals* had a lesser allocation this year.
- ✦ However, for higher education the demand for grants has been met by the increase in allocation this year, indicating a clear shift in priority towards higher education.
- ✦ It is not surprising, therefore, that for *Sarva Shiksha Abhiyan (SSA)*, which is the government's vehicle for fulfilling its constitutional obligation under the Right to Education Act, the allocation has gone up by a negligible Rs. 500 crores (even less if compared to the RE). It has declined 7.5 per cent over two years.
- ✦ **Girl's education** also continues to be a challenge, but the focus seems to have shifted away from addressing that this year. National Scheme for Incentives to Girls for Secondary Education has been given a princely amount of Rs 3 crores.
- ✦ The allocation for **minority education** however is down from Rs 375 crores [Rs 335 RE] last year to Rs. 120 crores this year.
- ✦ The allocation to the higher education sector thus registers an increase of 13.5% from last year (RE to budgeted estimate), while school education shows a negligible increase of 3.24%, which if adjusted does not even cover the inflation rate.
- ✦ For the Rashtriya Uchchatar Shiksha Abhiyan (**RUSA**), a provision of **Rs 1,300 crore** has been made in the Budget, up from Rs 1,155 crore in the current financial year
- ✦ But the budget allocation for the **University Grants Commission (UGC)**, which provides funds and maintains standards in institutions of higher education, has been cut by almost **55 per cent, from Rs 9315.45 crore in 2015-16 to Rs 4286.94 crore in 2016-17.**
- ✦ It is said that the funding for the UGC has declined with the setting up of a Higher Education Financing Agency and increased focus on the Rashtriya Uchchatar Shiksha Abhiyan.
- ✦ A sum of **Rs 190 crore** has been earmarked for setting up of new Indian Institutes of Technology (**IITs**). Similarly, **Rs 695 crore** is available for Indian Institutes of Management (**IIMs**). The previous budget had set aside **Rs 300 crore for IIMs and Rs 1,000 crore for setting up new IITs and IIMs.** No new IITs or IIMs were, however, announced this year.

Skill Development

- ✦ The Budget has also provided a fillip to skill development with an outlay of Rs 1,804.28 crore for 2016-17. The setting up of 1,500 multi-skill training institutes was a good initiative.

- ✦ PM Kaushal Vikas Yojana to “capitalise on the demographic dividend” by setting up 1500 skill training institutes across the country in “partnership with industry and academia” with an estimated budgetary allocation of Rs 1700, crores.
- ✦ 300 schools to be catered through online entrepreneurship courses and a national career service is to be expanded with 100 new centres established in this year and linked with State employment exchanges.
- ✦ Hence 10 million youth will be provided skill training under Pradhan Mantri Kaushal Vikas Yojna (PMKVY) during 2016-19. Hopefully, formally skilled youth will be recognised for employment purposes in public & private sector. The impetus provided towards job creation and setting up of model career centers are also welcomed decisions. A Digital Literacy Scheme has also been announced in the budget to cover 60 million additional households.
- ✦ Indian youth is under tremendous pressure due to lack of jobs which is an outcome of poor employability prevailing in our education system. The annual budget has a lot of focus on skilling, new job creation and research-focused higher education which would help in new job creations both in manufacturing and service sector. The greater focus on training and entrepreneurship, especially in the rural sector, will help in faster economic revival and overall development.

School Education

- ✦ If we recall during the 12th Five Year Plan, it was expected that Rashtriya Madhyamik Shiksha Abhiyan (RMSA) will lift our school education and Rashtriya Uchcharitar Shiksha Abhiyan (RUSA) to lift higher education from the current stagnancy and will help our schools, universities and colleges to attain respectable standards.
- ✦ There are still no indications as to how the millions of government schools will be improved to provide quality school education. The budget proposal does not talk about RtE. Right to Education (RTE) was launched in 2009 and up till now only 9% of the public schools are RtE compliant. This scheme is losing its steam due to half-hearted implementation and lacklustre execution
- ✦ Despite government spending on education having more than doubled over the last decade, the system is suffering from poorly trained teachers, (and consequently quality of teaching) and a high drop-out rate among the poor.
- ✦ **The Focus on the quality of education** is to be achieved by (a) increasing the share of allocation under Sarva Shiksha Abhiyan for this; and (b) 62 new Navodaya Vidyalayas will be opened in the remaining uncovered districts over the next two years.
- ✦ The school education, saw only marginal changes. The government raised its allocation by Rs 1,335 crore, of which nearly Rs 1,000 crore went to Sarva Shiksha Abhiyan (Education for All) and the midday meal scheme.
- ✦ The key question is would this government take heed and put in place measures to ensure better learning outcomes as well as a regular monitoring system for measuring learning outcomes?

- ✦ A key factor in enhancing quality of education is the quality of teachers. What steps does the government plan to take to provide good quality training for teachers?
- ✦ As suggested by the Seventh Pay Commission, would the increase in pay of teachers be linked with their performance?

Higher Education

- ✦ **World class education**-In order to make higher educational institutions world class ten public and ten private institutions shall be given an enabling regulatory architecture to emerge as world-class teaching and research Institutions. This will enhance affordable access to high quality education for ordinary Indians. A detailed scheme will be formulated.
 - The first question that comes to mind – is this too little, too late? At last count, we have 757 universities, 38,056 colleges and 11,922 institutes in the country. ***Why only 20 institutions should be provided with an enabling regulatory environment? Shouldn't all educational institutions be provided that? Also, on what basis would these institutes be chosen?***
 - Second, given that we have the dual challenge of low Gross Enrolment Ratio (GER) in higher education (23.6%) and many graduates who are unemployable, this seems grossly inadequate as a measure. ***How do we address the skill-gap problem adequately?***
 - Third, the ***nature of the enabling regulatory architecture will be the key to changes in the quality of the institute.*** Would it allow institutes to hire world class faculty at market salaries? Would it allow institutes to set student fees? What would be the governing structure of these institutes? How would faculty be evaluated? These are key questions that need to be pondered over while framing the policy.
- ✦ **Higher Education Financing Agency (HEFA)** would be set up with an initial capital base of Rs1,000 crores and it would be not-for-profit organization. It would leverage funds from the market and supplement them with donations and CSR funds. These funds will be used to finance improvement in infrastructure in India's top institutions and will be serviced through internal accruals.
- ✦ This is a good idea but it is not clear why the focus is on improving the infrastructure in India's top institutions. The condition of our state universities where most students attend is abysmal. Instead of focusing only on improving the quality of top universities and institutes, it would make far more overall difference in the quality of education if the government also makes an effort to enhance the infrastructure of state universities.
- ✦ While HEFA is much needed and could go towards supporting better research and development infrastructure, details on it are missing from the budget documents and it is not clear yet to which institutions this money will be allocated.
- ✦ HRD Ministry officials said HEFA could be set up as a company under Section 8 of Companies Act, 2013, and chaired by a reputed banker. While HEFA will start

with an initial fund of Rs 1,000 crore, an equal amount will be raised from five corporate donors, each contributing at least Rs 200 crore

- ✦ Hence as noted, HEFA will be set up as a not-for-profit and could leverage CSR funds. It is interesting to see how the Government defines the agenda for CSR funds for its own schemes and initiatives, whether it is the Swachha Bharat mission or now the HEFA.
- ✦ The FM also said that, “an enabling regulatory architecture will be provided to ten public and ten private institutions to emerge as world-class Teaching and Research Institutions”. To give teeth to its commitment of promoting research, the government has also pegged Rs 236 crore under a new sub-heading research and innovation with announcement of schemes such as “IMPRINT” “Unnat Bharat Abhiyan” and “Uchhatar Avishkar Abhiyan”.
- ✦ However, it is interesting to note that barring Rs 10 crore for Unnat Bharat Abhiyan, which is aimed at identifying development challenges in rural India and coming up with sustainable solutions, the remaining Rs 226 crore is directed towards research and innovation in technology and engineering related challenges. Importance given to research in social sciences is thus trumped by that set for natural sciences.

Digital Depository

- ✦ The government proposed to establish a **Digital Depository** for school leaving certificates, college degrees, academic awards and mark sheets, on the pattern of a Securities Depository. This will help validate their authenticity, safe storage and easy retrieval.
- ✦ The National Academic Depository Bill, 2011 was introduced in the Lok Sabha on September 5, 2011 but it had lapsed after the dissolution of the Lok Sabha. The Bill had sought to create an electronic depository to maintain database of academic records. If the Modi government can enact this law, it will be a step in the right direction since it will help in detecting fake degrees and mark sheets.
- ✦ This lapsed Bill had been referred to the standing committee on HRD which had made some interesting suggestions. At that time, the government was planning to give this task to security depositories. It had even commissioned two pilot studies to check the viability of security depositories undertaking this task. The new government should check these evaluations before taking a decision on who would create the database. The standing committee had also suggested that awards given by foreign boards and professional awards should also be included. Other recommendations pertained to recruitment and training of agents of the depository, the time-limit of the verification process and the adjudication of the offences under the Bill.

The government yet again **missed the boat on secondary education**. This is the crucial link between elementary and higher education in India’s education system. Focused attention needs to be paid to this part of school education to ensure that students are well-equipped to tackle higher education.

Some pressing issues such as permitting framework for External Commercial Borrowings (ECB) in building education infrastructure, ushering reforms to attract foreign

investment, promoting online and virtual education, wide-spread coverage and removing service tax incidence on input services have not been suitably addressed in the budget.

Instead of regulating fees in private institutes (and for that matter government institutes), the government needs to provide for easy and low interest (or interest-free) student loans and a large number of scholarships for meritorious students. This would ensure that higher educational institutes are financially viable while ensuring there is equity.

Exemptions currently allowed against **education loans** are up to 8 years. Students are hoping that this can be extended to a higher period. Government must take steps to decrease education loan rates across the board to make domestic higher education more affordable.

With India struggling to reduce the large share of low skilled employment as well as its huge informal sector, it is time that some of the burden is shared with the private sector. As per the Human Capital Index, India ranks 100 out 124 countries, indicating its inability to improve human capital formation. Therefore, steps need to be taken that incentivise the private sector to invest in primary education institutions in the country.

While there is slight increase in allocation in absolute terms, the budgetary allocation relative to the total budget and GDP have not changed. Numbers are only one aspect of the budget and does not tell the whole story.

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Year	2015-16 (BE)	2015-16 (RE)	2016-17 BE)
Budget for Children	58016.72	64635.09	65758.45
SSA	22000 (37.92%)	22015.42 (34.06%)	22500 (34.22%)
MDM	9236 (15.92%)	9236 14.29%)	9700 (14.75%)
RMS	3565 (16.14%)	3565 (5.52%)	3700 95.63%)
Total Education	40756.07 (70%)	40976.56 (63%)	42433.85 (65%)

Source: Statement 22, Vol. I

The share for Department of School Education and Literacy is only 2.1% of the Total Expenditure of Union Budget, a decrease from 2014-15 BE. Without investing in education, especially in the primary years, the demographic dividend cannot be turned into an advantage. There is no clear indication as to how the New Education Policy will be budgeted and implemented. While the RTE implementation has gaps in achieving the intended learning outcomes, there at least needs to be a consistency in funding for education.

Zero discrimination and barrier-free access to all children for all facilities has been a long-pending demand. However, *children with disabilities* continue to suffer marginalisation even in the Budget. From a mere 0.06% in 2015-16 allocation among the BfC, it is further reduced to 0.03% this year.

The *pre-matric scholarships for SCs* is almost cut to half from 1.28% to 0.74% (2016-17). While it is the children from the most marginalized sections who drop-out of school, it is unfortunate that the support for education for girls from marginalized groups is reduced.