5 Institution
Budget
Seminar
Human Capital

Imperial Hotel
22nd July 2019
India needs ‘Human capital’ investment

• Need investments in education, health, R&D and labour market infrastructure
• Will investments in traditional capital be enough?
• Need to move away from a private RoI logic
The situation right now

• Percent of labour force with any tertiary education
  • 7.73 in 2004 – 05
  • 10.79 in 2011 – 12
  • 11.54 in 2017 – 18

• FLFP in 15 – 59 years is 25.3 (2017 – 18)

• Are credit constraints the only reason why enterprises in India do not grow?
Budget announcements

• Come out with the new National Education Policy (focus on world class higher education)
• National Research Foundation to assimilate research grants across departments
• INR 400 Cr for “World Class institutions”
• Increased focus on skill-sets needed abroad
• Streamline labour laws into four labour codes
Central vs. State spending

• Central spending on social sector is a small proportion of overall public expenditure

• About 15 percent of education expenditure and 25 percent of health expenditure is central. The rest is by states.
Expenditure as a proportion of GDP
Government health expenditure as % GDP
School vs. higher education

- School education and literacy
- Higher education
BREAKDOWN OF HIGHER EDUCATION EXPENDITURE

- Establishment Expenditure: 59%
- Central Sector Schemes/Projects: 20%
- UGC and AICTE: 14%
- Centrally Sponsored Schemes: 6%
- Autonomous Bodies: 1%
What do students study?

• Enrollments at the undergraduate level
  • 36.4% of students are enrolled in Arts/Humanities/Social Sciences courses
  • Science 17.1%,
  • Engineering and Technology 14.1%
  • Commerce 14.1%
What do students study?

• At Ph.D. level, maximum number of students are enrolled in science streams followed by engineering

• At post graduate level maximum students are enrolled in social sciences followed by management studies
Education spending

[Bar chart showing education spending for all states and all states (% GDP) over the years 2010 to 2017.]
To conclude

• Need more investment in human capital
• Investments in school education, higher education and R&D should not be considered ‘substitutes’
• Investments can not be targeted at only creating outliers. Need improvements in average productivity levels too.