For higher education, GST is a setback

By Nisha Nair & Nandita Koshal, Aug 20 2017, 22:51 IST

At a time when the nation is gearing up towards becoming a knowledge economy, with its demographic dividend expected to be at its peak by 2020, higher education becomes an important catalyst for the country to realise its full potential. In this context, the Goods and Services Tax (GST) presents a dichotomy that puts a question mark on the vision of making India a knowledge economy.

As per the report published by Ernst & Young (2014), India would have a population of 142 million students in the age cohort of 18-23 years seeking higher education by 2030. While we have not yet attained the mark of 6% of GDP investment on education, we are seeing increasing taxes on higher education services, leading to an increase in the cost of education.

While GST, or a similar level of tax, is applied on higher education in many countries, their higher education landscapes are very different from the Indian scenario. At a certain level, GST reflects the bipolarity of the educational policy which, on the one hand, laments about the lack of access and quality as major roadblocks to higher education but, on the other hand, imposes indirect taxes, which directly affects both access to and the quality of the higher educational experience.

Although higher education has been recognised as a public good, which should be equally accessible to all on the basis of capacity (merit), in practice, it has become a private good, based mostly on an individual’s capacity to pay for it.

Can India, which is at the cusp of global advancement, afford to make higher education, an important component of that advancement, more expensive? This move certainly overlooks the fact that in our country, private institutions cater to approximately two-thirds of the total enrolment in colleges, as per the All-India Survey on Higher Education (AISHE 2015-16), a report published by the Ministry of Human Resource and Development.

Establishment of 10 private and 10 public institutions of eminence, a declaration by the prime minister, reinforced the government’s commitment to taking India’s higher education sector on the path of global excellence. The effort and enthusiasm of the current government in initiating and supporting the National Institutional Ranking Framework (NIRF) are indeed commendable.

But a 3% hike, from 15% to 18%, on services like dining, laundry, health and medical facilities, transportation — basically all services utilised by higher educational institutions, both private and public,
will put additional stress on the resources of these institutions as well as on students, especially in private institutions, as the costs are passed on.

The other, equally undesirable consequence could be that institutions may opt for cheaper substitutes, which would lead to a compromise in quality. Compromise of any nature in medical facility, food services, etc., can prove to be disastrous. In both the scenarios, it is the student who will suffer.

The framework of ranking established under NIRF considers diversity of national and international students as an essential criterion for grading, an important parameter also found in the world rankings framework.

Roadblock to global vision

The current tax hike can adversely affect India’s aspiration of becoming an attractive education hub for students from across the globe, especially students from economically weaker countries in Africa and South-East Asia. This will be a step back from the larger vision of making India a hub of world-class education, and might affect our Indian and foreign student composition, at a time when China and Singapore are already ahead of us on this front.

Research, another component which is at the heart of any knowledge society and is emphasised upon in both national and international rankings frameworks, will be affected by GST as foreign grants received by researchers will fall under the tax bracket, effectively reducing the amount at the researcher’s disposal for her work. This is a major cause of concern as we are already on the back foot when it comes to institutionalising a research-oriented culture in our institutions. Perhaps an exception can be made for the grants for academic research in higher education.

The current tax system will be more detrimental for institutions providing professional degrees and courses like medical, engineering and law, which are four or five year programmes. These students also have to make use of additional services like expensive softwares, technical equipment and kits, reading material and books, all of which adds to the costs, and all of which come under the tax regime.

GST will also eat into the developmental surplus that institutions maintain to add more amenities, such as introducing programmes for the benefit of both faculty and students. Universities and colleges are largely non-profit and many private universities have been established as philanthropic endeavours or under corporate social responsibility. These additional costs, if not passed on to students in the form of higher fees, might come through at the expense of these beneficial activities.
Imposing GST might be an effective economic policy but it must be noted that it has long-term social implications. There are several avenues through which the government can and is collecting revenue, therefore making an exception in the case of higher education is both possible and an imperative.

In a world in which knowledge economies are leading in all aspects, education, and especially higher education, must be affordable to the millions of Indians who join the workforce every year. An educated India would be better placed to overcome the socio-cultural and economic inequities than one where millions are denied the opportunity to obtain an education.