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Learning loss a tragedy, but no mention in Union Budget:

Raghuram Rajan

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Former RBI Governor Raghuram Rajan (Photo | EPS)

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Former Governor of Reserve Bank of India, Raghuram Rajan has expressed concern over lack of focus on the learning loss caused due to Covid-19 among school children in the Union Budget, while a significant amount of money was allocated for production linked incentive (PLI) schemes meant for industries.

Delivering a lecture on 'Democracy and Indian Economic Development' at an event organised by the Madras Institute of Development Studies on Thursday, Rajan said, "The Budget barely mentions the tragedy that is overtaking our school children, especially the poor ones. That very few extra resources are being devoted to rescue a potentially lost generation of children is a serious omission. Devoting money to physical infrastructure while neglecting human infrastructure is absolutely a serious problem."

He added that it revealed a serious failure to realise that human capital is as important as industrial capital. Lashing out at the Centre for neglecting the education sector in the Budget, Rajan said the government is not short of money as the Budget further increased production subsidies to industries under various PLI schemes. Rajan is of the view that India has a fixation with building physical infrastructure and becoming a manufacturing hub when its strength is human capital.

He said that instead of spending on the PLI schemes, the Centre should invest in filling the gaps in our education system, strengthening higher education, skilling and research and development.

"If we focus on the development of human capital, it will automatically lead to our growth," said Rajan. He also urged that the PLI schemes be studied in a detailed manner to understand if these subsidies are actually helping industries.

He noted that India is rebounding today with strong growth numbers despite the impact of war in Ukraine. However, he said, even with strong growth in the fiscal year 2022-23, India's growth will still be significantly below the pre-pandemic trend line.

"Our slow growth is not all the fault of the pandemic. Our underperformance predates the pandemic. In fact, we have been underperforming for over a decade,

probably since the onset of the global financial crisis," said Rajan, adding the under-performance is mainly due to the government's inability to create jobs.

Taking a dig at the Atma Nirbhar programme, Rajan said that instead of focusing on becoming a manufacturing superpower and trying to manufacture everything here, India needs to work on the service sector, which is its biggest strength.

He said it would require huge subsidies for India to build an ecosystem from scratch for the manufacturing sector. Instead, this money could have been better invested in education and producing quality engineers and doctors who can provide services globally, thereby creating more jobs and tapping the global demand, he said.