

NAME OF AUTHORS :

Ishika Singh

Sadhika Sunil

Ashina Sharma

Manaal Farooqui

INDIA'S EDUCATION SECTOR EXPENDITURE : BUDGET PRIORITIES AND HUMAN DEVELOPMENT OUTCOMES

ABSTRACT:

Education plays a crucial role in the social and economic development of a country. In recent years, India has introduced several educational policy reforms and increased its focus on improving the quality and accessibility of education. This study examines educational policy reforms and budget priorities in India since 2014 and analyses their relationship with human development outcomes. The study is based on secondary data collected from government reports, research articles, and published sources.

The research explores major educational policy reforms, trends in the education sector, and government budget allocation for education. It also examines the relationship between education and human development by analysing indicators such as education expenditure and educational attainment. The study highlights the importance of government investment in education for improving literacy, skills, and overall development.

The findings suggest that educational reforms and increased government attention towards education have contributed to improvements in access to education and learning opportunities. However, challenges such as limited financial resources and inequalities in educational access still remain. The study concludes that effective educational policies and adequate budget allocation are essential for improving human development outcomes in India.

INTRODUCTION:

Education plays a vital role in social and economic development by improving literacy, skills, and employment opportunities.

Since 2014, the education sector in India has undergone significant changes through various policy reforms and government initiatives. The government had introduced several programs aimed at improving access to education, enhancing quality, and promoting inclusive learning. One of the major developments in recent years has been the introduction of National Education Policy 2020, which focuses on improving the structure and quality of education and promoting skill-based learning the policy aims to make the education system more flexible, inclusive, and aligned with the needs of the modern economy.

Government budget allocation plays an important role in determining the development of the education sector. The level of public expenditure on education reflects the priority given by the government to human capital development. Investment in education helps in improving school infrastructure, teacher training, and learning facilities. Adequate funding is necessary to ensure equal educational opportunities and improve the overall quality of education.

Education is also closely related to human development. Improvements in education contribute to better employment opportunities, higher income levels, and improve standards of living. The United Nations Development Programme developed the Human Development Index to measure development in terms of education, health and income. Education is considered one of the most important components of Human Development because it enhances knowledge, skills and productivity.

Despite various educational reforms and government initiatives , challenges such as unequal access to education , shortage of resources and variations in quality still exist. While several studies have examined education policies and Human Development separately limited research focuses on the relationship between education policy reform , budget priority and Human Development outcomes in India since 2014.

Therefore, the present study aims to examine educational policy reforms and budget priority in India since 2014 and to analyse their relationship with human development outcomes. The study seeks to understand how government policies and financial investment in education continue to the overall development of the country.

RESEARCH QUESTION

What is the impact of public education expenditure (as a percentage of GDP) on human development outcomes (measured through HDI and its components) in India since 2014?

LITERATURE REVIEW:

The relationship between education, government policy, and national development has been widely discussed in academic literature. Several studies highlight that government intervention through educational policies and financial investment is essential for improving access, quality, and equity in education. In the Indian context, recent studies have examined the changes in educational policies and government priorities since 2014 and their implications for educational development.

Many scholars have studied the role of educational policies in improving the education system. According to Tilak (2015), public investment in education is necessary for ensuring equal educational opportunities and social development. Mehrotra (2016) argues that government policies must focus on strengthening school infrastructure, improving teacher quality, and increasing enrolment in order to achieve long-term educational development. Studies by Kingdon (2017) emphasize that policy reforms should focus not only on access to education but also on improving learning outcomes and quality of education.

Several researchers have also examined the importance of education financing. Tilak (2018) points out that education expenditure reflects the priority given by governments to the education sector. However, studies suggest that education expenditure in India as a percentage of GDP has remained below the recommended level, which affects the overall development of the education system.

Research on educational reforms in recent years has highlighted the importance of policy changes in improving educational outcomes. According to Sharma (2020), recent educational reforms have emphasized skill development, digital learning, and institutional improvement. Kumar (2021) notes that government initiatives have focused on expanding access to education and improving the quality of teaching and learning. These reforms aim to modernize the education system and make it more inclusive and accessible.

Several studies have also examined the relationship between education and human development. Research by Muzumdar (2014, 2021) shows that education expenditure and educational attainment have a strong positive relationship with human development. Kurian and Muzumdar (2019) highlight that indicators such as education expenditure and mean years of schooling significantly influence human development outcomes.

The Human Development Index (HDI), developed by the United Nations Development Programme, measures development through education, health, and income indicators. Researchers such as Basyal and Zeng (2020) argue that HDI provides a broader understanding of development compared to traditional economic indicators like GDP. Higher HDI values indicate better overall development outcomes.

Muzumdar (2011) argues that countries that invest more in education tend to achieve higher levels of human development. Similarly, Limaye et al. (2023) emphasize that education is a key component in improving overall quality of life and social progress.

Mean years of schooling is another important indicator influencing human development. According to Kurian and Muzumdar (2019), higher levels of schooling reflect better educational opportunities and improved human capital formation. Increased years of schooling contribute to economic growth, social mobility, and innovation, which are essential for sustainable development.

Although many studies have examined education expenditure and human development, limited research focuses on the combined analysis of educational policy reforms, budget priorities, and human development outcomes in India since 2014. Therefore, the present study attempts to examine educational policy reforms and budget priorities and their relationship with human development outcomes in India.

While most studies highlight a positive relationship between education expenditure and human development, there is limited consensus on the effectiveness of such spending in the Indian context. Some studies argue that increased expenditure directly improves outcomes, while others point to inefficiencies in allocation and implementation. Moreover, limited research has examined the combined impact of policy reforms and budget priorities on human development outcomes in India since 2014. This study attempts to address this gap.

METHODS:

This study is primarily based on secondary data analysis to examine educational policy reforms, budget priorities, and human development outcomes in India from 2014 to the present period. The data for this research were collected from various published sources, including government reports, research articles, and official statistics.

Information on educational policies, reforms, and government initiatives was collected from reports and publications of the Ministry of Education and other official government sources. Data related to education expenditure and budget priorities were obtained from Union Budget documents and educational reports. Information on human development outcomes was collected from reports published by the United Nations Development Programme and other academic studies. Additional information was also drawn from the National Education Policy 2020.

In addition to descriptive analysis, this study adopts a comparative and trend-based analytical approach to examine the relationship between education expenditure and human development outcomes. The study compares changes in education expenditure (as a percentage of GDP) with trends in the Human Development Index (HDI) and its components over time. A simple correlation-based interpretation is used to understand the direction and nature of the relationship between these variables.

The collected data were organised, compared, and interpreted to identify trends and relationships between educational expenditure and human development outcomes.

Variables used in the study:

- Education Expenditure: Measured as percentage of GDP and total government spending
- Human Development Index (HDI): Composite index including education, health, and income
- Education Indicators: Mean years of schooling, enrolment levels
- Time Frame: 2014 to present

EDUCATION POLICIES AND REFORMS (2014-PRESENT):

Since 2014, India's educational landscape has undergone significant institutional transformation. One of the most notable developments was the renaming of the Ministry of Human Resource Development (MHRD) to the Ministry of Education following the adoption of the National Education Policy 2020 under the government of Narendra Modi. This change symbolized a renewed emphasis on education as a central pillar of national development rather than merely a component of human resource management.

The Ministry of Education, Government of India, is responsible for formulating and implementing national educational policies, enhancing quality standards, and expanding access across levels. It functions under a Union Cabinet Minister and operates through two key departments: the Department of School Education and Literacy, and the Department of Higher Education. The Ministry regulates institutions, manages funding allocations, coordinates with state governments, and promotes digital learning initiatives to strengthen governance and accountability.

1) *Structural Reform: National Education Policy (2020)*

The National Education Policy 2020 seeks to comprehensively restructure India's education system by shifting from rote-based learning to a holistic, skill-oriented approach. Among its key features are the 5+3+3+4 curricular structure, emphasis on foundational literacy and numeracy, promotion of mother tongue instruction at the primary level, multidisciplinary higher education with multiple entry and exit options, and a longstanding target of allocating 6 percent of GDP to public education expenditure.

The National Education Policy (NEP) 2020 prioritizes universal foundational literacy and numeracy (FLN) as an urgent, necessary prerequisite to learning, aiming to ensure every child achieves reading, writing, and numeracy skills by grade 3. The NIPUN Bharat Mission (launched in 2021) acts as a national implementation program, targetting these skills by 2026-27 through teacher training (NISHTHA), play-based learning (Bal Vatikas) and digitalized resources.

This policy mandates that the medium of instruction until at least grade 5 (preferably grade 8 and beyond) should be the home language, mother tongue, local language. This initiative aims to improve foundational learning, cognitive development and comprehension by removing language barriers.

The National Education Policy (NEP) 2020 transforms Indian education by promoting holistic multidisciplinary learning through flexible student-chosen curriculum

combinations, eliminating rigid divides between arts, science, and commerce. Key features include a 4-year undergraduate degree, multiple entry/exit points, academic credit banks and a shift towards skill-development based, experimental, and inquiry driven learning.

National Education Policy (NEP) 2020 aims to increase the Higher Education Gross Enrollment Ratio (GER) from 28.4% (2021-22) to 50% by 2035, requiring an additional 3.5 crore seats. Which includes strategies like multidisciplinary institution, flexible curricula with multiple exit options, digital expansion and establishing National Research Foundation. The ambitious target necessitates accelerating annual growth from 3.5% to over 4% - 5% focusing on equity and strengthening infrastructure.

2) ***Digital Education Reforms***

Digital education reforms in India from 2014 to present have been driven by a push to transition from traditional teaching to a technology-enabled, accessible, and inclusive ecosystem, particularly accelerated by the Digital India Campaign and the National Education Policy (NEP) 2020. This reforms focus on creating robust digital infrastructure, providing free online educational content, and training teachers for the 21st century digital economy. Major digital infrastructure and platform:

- **DIKSHA** (digital infrastructure for knowledge sharing): Launched to provide a National Digital Infrastructure for teachers and students, enabling access to econtent QR-coded energised textbook, and online courses.
- **SWAYAM** (Study Webs of Active Learning for Young Aspiring Minds): An indigenous MOOCs platforms providing high-quality free online courses for learners from school to University levels.
- **SWAYAM Prabha**: A project for telecasting high-quality educational programs through 32 DTH channels, ensuring access to education in rural and backward areas without internet connectivity.
- **PM e-VIDYA**: Launched as a comprehensive initiative under the 'Atmanirbhar Bharat Abhiyan' to unify all efforts related to digital/ online/on-air education.
- **National Digital Library**: A virtual repository that provides a single-window search facility for learning resources.
- **ePathshala**: A platform for showcasing and disseminating all educational resources, including textbook, audio, video and periodicals.

3) ***School Education Reforms***

India school education system is undergoing a massive transformation through the National Education Policy 2020, replacing the 10 + 2 model with a 5 + 3 + 3 + 4 structure . This reform focuses on foundational literacy, holistic development, vocational training and flexible multilingual learning to foster critical thinking and reduce reliance on rote memorization.

New Curricular Structure (5+3+3+4):

- Foundational Stage (5 years): Ages 3-8 (Pre-school/Anganwadi + Grades 1-2).

Focus on play-based learning.

- Preparatory Stage (3 years): Grades 3-5. Focus on interactive learning and reading/writing/mathematics.

- Middle Stage (3 years): Grades 6-8. Focus on subject-oriented learning, vocational training, and coding.

- Secondary Stage (4 years): Grades 9-12. Focus on multidisciplinary study, critical thinking, and flexibility in choosing subjects.

Teacher and Structural Development:

- National Professional Standards for Teachers (NPST): To raise quality standards

- Digital Integration: Enhanced use of technology in learning and teacher training

PARAKH (Performance Assessment, Review, and Analysis of Knowledge for Holistic Development): It is a national assessment regulator in India established under National council of Education Research and training (NCERT) in February 2023. It is a key initiative of National Education Policy 2020 designed to overhaul the Indian education system assessment methods.

4) **Higher education reforms**

Higher education reforms largely driven by National Education Policy (NEP)2020 focus on creating flexible interdisciplinary and skill-oriented learning environment.

Key changes include a 4-year undergraduate program, multiple entry/exit options, regional language instruction, and increased autonomy for top institution. The goal is to move from rote learning to practical skill development and research-focused education.

Key Pillars of Higher Education Reforms (NEP 2020 & Beyond):

- Structural Changes: The traditional 3-year degree is shifting towards a 4-year undergraduate programme (FYUP) with multiple entry and exit points, offering certificates, diplomas, or degrees depending on the duration completed.

- Curriculum & Pedagogy: Promotion of interdisciplinary studies, allowing students to combine subjects, and integrating skill-based training and internships from the second year.
- Academic Bank of Credits (ABC): Facilitates digital storage of academic credits, allowing students to break from their studies and resume, or move between institutions seamlessly.
- Admissions & Assessment: Expansion of the Common University Entrance Test (CUET) for standardized undergraduate admissions, reducing reliance on school board marks.
- Governance & Regulation: Moves toward a “light but tight” regulation model, encouraging institutional autonomy while strengthening accreditation (NAAC). The Viksit Bharat Shiksha Adhishthan Bill, 2025 aims to restructure regulatory bodies.
- Internationalization & Language: Promotion of teaching in regional languages for technical courses (engineering/medical) and increasing the capacity of top universities for online and distance learning.
- Research & Innovation: Enhanced focus on research, with the establishment of National Centres of Excellence and a push to convert colleges into multidisciplinary institutions. These reforms aim to improve quality, enhance employability, and align Indian higher education with global standards by 2030-2035.

TRENDS IN INDIA’S CENTRAL GOVERNMENT EDUCATION EXPENDITURE (2014–PRESENT):

1. Absolute Growth in Budget Allocations:

The Ministry of Education’s budget has increased significantly in nominal terms over the past decade — from roughly ₹68,728 crore in 2014-15 to over ₹1.20 lakh crore in 2024-25. This reflects inflation, expansion of programmes, and new policy commitments.

2. Declining Share in Total Government Spending:

Despite rising nominal figures, education’s share in the total Union Budget has declined over time:

Around 4.1 % of total government expenditure in 2014–15

Approximately ≈2.5 % by 2024–25

This shows that although more is being spent in absolute terms, education has become a smaller part of the overall budgetary pie, largely because other sectors have grown faster.

3. Share of GDP Has Fallen:

As a percentage of GDP, central education spending has also contracted:

Around ≈ 0.55 % of GDP in 2014–15

Down to ≈ 0.36 – 0.37 % of GDP by 2024–25

This suggests that education spending has not kept pace with overall economic growth.

4. Distribution Within Education (School vs Higher Education):

A significant portion of the central education budget continues to go towards school education and literacy programmes (e.g., Samagra Shiksha Abhiyan, midday meals), typically absorbing 60 %+ of the allocation.

The balance goes to higher education (central universities, IITs, national schemes, scholarships).

5. Trend in Higher Education Heads:

Within higher education budgets, the central share in spending has remained dominant (often 80 %+), reflecting the Centre's role in funding national institutions and central schemes.

6. Real vs Nominal Growth:

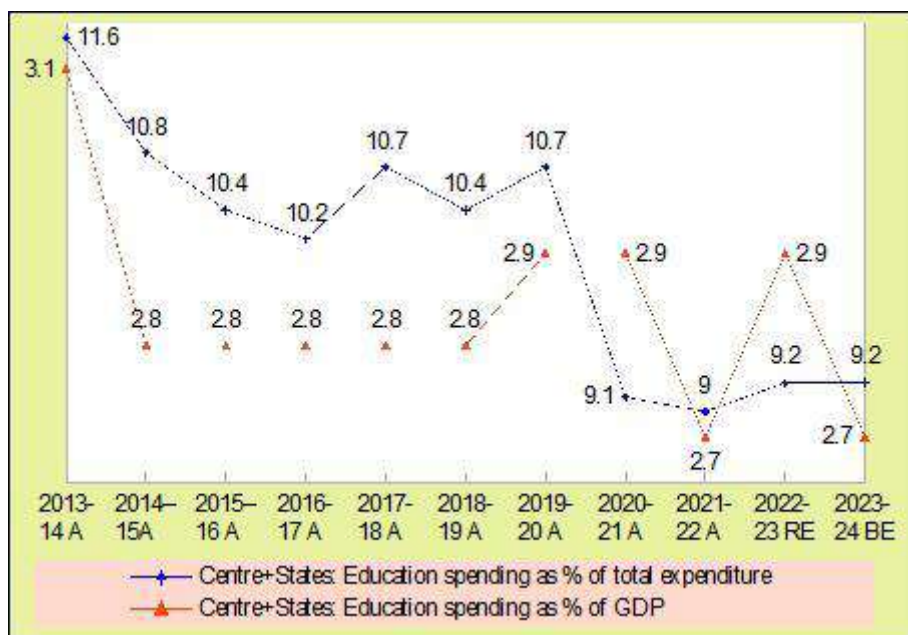
When adjusted for inflation and India's economic expansion, the real value of central education expenditure has grown much more slowly than headline numbers suggest.

In some analyses, real growth barely keeps pace with rising costs of teacher salaries, institutional upkeep, and new programme needs.

Trends in Education Expenditure in India (2013–2024)

the Economic Survey indicates that total education spending of the general government (Centre + States) declined from 3.1 percent of GDP in 2013–14 to 2.8 percent, inched up to 2.9 percent in 2019–20, and then again declined to 2.7 percent in 2023–24 BE, which is the lowest level. The Economic Survey data on education spending includes spending on sports, art and culture; so actual spending on education would be even less. This figure is relatively

low compared to global trends. As a percentage of total expenditure of Centre and States, the fall is even more — from 11.6 percent in 2013–14 to 9.2 percent in 2023–24.



Source: Economic Survey of India (various years)

The figure illustrates trends in education expenditure in India as a percentage of GDP and total government expenditure from 2013–14 to 2023–24. It shows a gradual decline in education spending as a share of GDP, from around 3.1% in 2013–14 to approximately 2.7% in 2023–24. Similarly, expenditure as a percentage of total government spending has also decreased over time. This trend indicates a relative decline in budget priority given to education, despite increasing policy focus on the sector.

This trend is important in the context of the study, as it raises questions about whether declining budget allocation has affected human development outcomes in India.

BUDGET PRIORITIES IN THE EDUCATION SECTOR (2014–2026)

The Union Budget allocations for India's education sector between 2014–15 and 2026–27 reveal a gradual but structurally evolving fiscal trajectory. While total allocations increased from the mid-2010s to a peak of ₹1.39 lakh crore in 2026–27, the pattern of expenditure reflects shifting policy priorities rather than a simple linear expansion. Broadly, the period can be divided into three phases: pre-NEP consolidation (2014–2019), transitional restructuring (2020–2022), and post-NEP implementation consolidation (2023–2026).

Phase I: Pre-NEP Consolidation (2014–2019)

In the initial years following 2014, budgetary emphasis was directed toward expanding access and strengthening institutional infrastructure. School education dominated fiscal allocations, accounting for nearly 60% of the Ministry's expenditure. Schemes such as Sarva Shiksha Abhiyan (SSA) and Rashtriya Madhyamik Shiksha Abhiyan (RMSA) continued to receive substantial support, primarily aimed at enrolment expansion, classroom construction, and teacher recruitment. However, despite steady nominal increases, public expenditure on education as a share of GDP remained significantly below the long-standing 6% target recommended by successive policy frameworks. Combined centre-state expenditure hovered around 4% of GDP, indicating fiscal caution and competing macroeconomic priorities.

Phase II: Structural Transition and NEP Announcement (2020–2022)

The introduction of the National Education Policy (NEP) 2020 marked a turning point in budgetary orientation. Allocations began to reflect structural reform priorities rather than incremental infrastructure expansion. This phase saw integration of earlier schemes into the umbrella program Samagra Shiksha, signalling administrative consolidation and efficiency rationalisation. Budgetary growth accelerated during this period, particularly between 2020–21 and 2023–24, as funding aligned with NEP objectives such as universal foundational literacy, curricular restructuring, and institutional autonomy. The pandemic further reinforced the urgency of digital integration, redirecting fiscal attention toward technology-enabled education delivery.

Phase III: Post-NEP Implementation and Reform Consolidation (2023–2026) From 2023 onward, allocations increasingly focused on outcome-oriented interventions. Foundational Literacy and Numeracy (FLN) became a central fiscal priority under the NIPUN Bharat Mission, embedded within Samagra Shiksha. Funding allocations reflected recognition of learning deficits revealed by assessment data, with resources directed toward teacher training, early-grade learning materials, and competency tracking systems. School education continued

to receive the majority share of allocations approximately 60% underscoring the government's emphasis on foundational and secondary education reform. The PM SHRI initiative, aimed at upgrading selected schools to NEP aligned model institutions, represents a shift toward demonstrative institutional reform. Digital education emerged as another major priority area. Platforms such as DIKSHA, SWAYAM, SWAYAM Prabha, and PM e-VIDYA illustrate an attempt to institutionalise blended learning frameworks. Although allocations for these initiatives remain modest relative to overall spending, their policy significance lies in long-term structural integration rather than short-term expenditure magnitude.

Higher Education and Research Priorities

Higher education allocations grew in nominal terms but displayed a more concentrated distribution pattern. A substantial portion of funds continued to be directed toward centrally funded institutions such as IITs, IIMs, and central universities. Post-NEP reforms including the Academic Bank of Credits, CUET-based admissions, multidisciplinary expansion, and the proposed National Research Foundation signal a strategic shift toward research intensity and global competitiveness. Nevertheless, structural challenges persist. Faculty vacancies, uneven institutional capacity, and underutilisation of research grants indicate that financial allocation alone has not resolved systemic constraints. Additionally, the gap between NEP's ambitious fiscal commitment of 6% of GDP and actual public expenditure remains significant.

In aggregate, the Union Budget from 2014 to 2026 reflects a transition from access oriented expansion to structural reform and outcome-based prioritisation. While nominal allocations have increased steadily, the qualitative shift in priorities post-2020 is more significant than the quantitative rise in expenditure. The central challenge remains translating policy ambition into sustained fiscal commitment and effective institutional implementation.

Causal Link Between Budget Allocation and Human Development

The relationship between education expenditure and human development operates through a clear causal mechanism. Increased budget allocation to education enables improvements in school infrastructure, teacher recruitment, and availability of learning resources. This leads to better access to education, higher enrolment rates, and improved quality of learning. Over time, these improvements result in increased years of schooling and skill development, which

enhance employability and income levels. Consequently, these factors contribute to improvements in human development indicators such as education, income, and overall quality of life. Therefore, public investment in education plays a crucial role in shaping long-term human development outcomes. However, the effectiveness of this relationship depends on efficient allocation and implementation of resources.

HUMAN DEVELOPMENT OUTCOMES :

Since 2014, India's education sector has experienced significant policy restructuring alongside rising nominal budget allocations. While the Ministry of Education's budget increased from approximately ₹68,728 crore in 2014–15 to over ₹1.20 lakh crore in 2024–25, this rise must be interpreted cautiously. Education's share of total government expenditure declined from around 4.1% to nearly 2.5%, and its share of GDP fell from approximately 0.55% to about 0.36–0.37% over the same period. This indicates that although spending has grown in absolute terms, education has not been proportionally expanded as a fiscal priority.

At the same time, policy ambition has significantly increased. The National Education Policy (NEP) 2020 proposes universal foundational literacy, a restructured 5+3+3+4 system, multidisciplinary higher education, and an increase in Gross Enrolment Ratio (GER) to 50% by 2035. Flagship implementation schemes such as Samagra Shiksha which focuses on infrastructure development, teacher training, inclusive education, and digital classrooms, play a central role in translating policy ambition into outcomes. These reforms are strongly aligned with human development objectives, as defined by the United Nations Development Programme, particularly in the education and income dimensions of the Human Development Index (HDI).

Trend indicators suggest that gradual improvement in enrollment rates and gender parity have increased, and India's HDI has shown steady, though moderate, upward movement over the past decade. However, learning outcomes remain uneven across states, and foundational literacy gaps persist. This suggests that while access expansion is progressing, quality transformation is slower.

The critical analytical issue is the alignment between policy ambition and fiscal commitment. NEP 2020 reiterates the long-standing target of allocating 6% of GDP to education, yet actual

central expenditure as a share of GDP has declined. Expanding GER, modernizing higher education, and bridging digital divides require sustained investment in infrastructure, teacher training, and institutional capacity. Without proportional fiscal scaling, ambitious structural reforms risk being underfunded.

Thus, India's education reforms demonstrate conceptual alignment with long-term human development goals, but budgetary trends indicate partial prioritization. Human development outcomes are improving incrementally, yet not at a pace that fully reflects the scale of policy ambition. The evidence suggests that reforms have strengthened institutional architecture, but their transformative impact depends on stronger budget-policy coherence and equitable implementation.

IMPLEMENTATION CHALLENGES:

One of the most significant challenges the Indian education system faces is the quality of education. Despite significant improvements in recent years, many schools, colleges, and universities still lack adequate infrastructure, qualified teachers, and an updated curriculum. Many schools in rural areas lack basic facilities such as electricity, water supply, and toilets, which can harm the quality of education. Additionally, there is a significant shortage of qualified teachers, particularly in rural areas.

Caste is one of the most enduring social divisions in the world, and in India, its influence reaches deep into the classrooms. In contemporary times, with so many policies and constitutional amendments, the forms of discrimination are subtler but no less damaging. Castes from Uttar Pradesh and Rajasthan document dalit students being abused, confined and subjected to violence in school, including a tragic case in Rajasthan where a dalit student died after being struck by his school principal from a pot reserved for upper caste teachers. Despite legal frameworks advocating for equality, the lived realities of marginalized caste communities reveal a stark disconnect between Policy ideals and everyday practice. Around 37% of individuals who identify themselves as Scheduled Caste or Scheduled Tribe members and around 39% of those who identify themselves as Other Backward Classes, have received no formal education at all.

Although NEP is said to be an excellent policy reform , it is still not delivering all its promised policies, it requires attention on implementation . There is a huge gap between high quality policy design on one hand and a low quality implementation on the other, it is widely visible across various parts of India.

Challenges in relation to policy recommendations in NEP includes firstly, in a Large-scale randomised controlled trial covering over 5,000 schools in the state of Madhya Pradesh, we found no notable effects on school functioning or student achievement of an ambitious reform that aimed to improve school management, largely through the type of school development plans that are recommended in the NEP (Muralidharan and Singh, 2020). Yet, this model is perceived to be successful and has been scaled up to over 600,000 schools nationally (and aims to reach 1.6 million schools). Our work suggests that this perception is based primarily on completion of paperwork (such as school assessments and improvement plans), even though there was no change in management, pedagogy, or learning outcomes.

Another example includes how even measuring learning outcomes accurately is challenging. The state of Madhya Pradesh administers an annual state-level standardised assessment to all children in public schools from Grades 1 to 8. This has been declared a national “best practice” and the NEP recommends a similar assessment for students in all schools in Grades 3, 5, and 8. Yet, an independent audit that administered the same test questions to the same students a few weeks after the official tests showed that levels of student achievement are severely overstated in official data (Singh, 2020a). The audit found that a large fraction of students did not possess even basic skills even though most of these students were shown as having passed the test.

POLICY RECOMMENDATIONS :

Based on our analysis of education budget priorities and their relationship with human development outcomes in India, we have identified several key issues that require focused

policy attention. We believe that addressing these specific problems can significantly improve the effectiveness of education sector and its contribution to National Development.

1) *Increasing Public Education Spending to the Recommended Level :*

One major issue identified in the study is that public expenditure on education in India remains below the recommended level. We recommend that the government should gradually increase education spending to 6% of GDP, as proposed in the National Education Policy 2020. Insufficient funding limits improvements in the infrastructure, teacher recruitment and learning resources. A planned increase in education expenditure over the next few years would help strengthen the overall education system and improve Human Development indicator such as literacy and employment.

2) *Addressing Teacher Shortages in Government Schools :*

Another important issue is the shortage of qualified teachers in many government schools, especially in rural areas. We recommend that the government should prioritise the recruitment of trained teachers and ensure that vacant teaching positions are filled on time. Lack of teachers directly affect the quality of education and learning outcomes which in turn influence is long term human development.

3) *Reducing Dropout Rates at Secondary Level :*

Higher dropout rates at the secondary education level remain a serious issue that affects human development outcomes. We recommend that the government should introduce targeted financial support such as scholarship and incentives for students from economically weaker section to continue their education. Reducing dropout rates will improve skill development and employment opportunities which are essential component of Human Development.

4) *Strengthening Monitoring on Educational Funds :*

We also recommend stronger monitoring mechanism to ensure that education funds are properly utilised. In many cases, delays in fund release and insufficient use of resources reduce the impact of education spending. We suggest a transparent reporting and regular evaluation of education programs should be made compulsory so that the effectiveness of budget allocation can be assessed properly.

5) *Local-Level Planning for Education :*

One important recommendation of our study is to promote local-level planning in education so that policies and budget reflect the real needs of different areas. We suggest that district authorities, panchayats, and school management committees should be more actively involved in identifying local educational problems such as lack of teachers, poor infrastructure, or student dropouts. We believe that involving local committees in educational planning will make policies more effective, ensure better use of resources and help reduce inequalities in education across different regions.

6) Recommendation: Strengthening Inclusive and Non-Discriminatory Educational Environments

The challenges discussed above highlight that despite constitutional protections and policy initiatives aimed at promoting equality, social discrimination continues to influence the educational experiences of many marginalized communities. Incidents of exclusion, verbal abuse, and unequal treatment within schools indicate that the principles of equality are not always reflected in everyday institutional practices. Therefore, we recommend stronger institutional measures to ensure that educational spaces remain inclusive and respectful for students from all social backgrounds . Firsty schools and educational institutions should establish formal grievance and monitoring mechanisms where students can safely report incidents of discrimination or unfair treatment. These mechanisms should include teachers, school administrators, and community representatives who can ensure that complaints are addressed in a transparent and timely manner. Second, we recommend that education budgets should allocate resources for mandatory sensitization and inclusion training for teachers and school staff. Such programs can help educators recognize social biases and promote respectful classroom interactions among students from diverse backgrounds. Third , targeted academic support and mentoring programs should be introduced for students from historically disadvantaged communities. These initiatives can help reduce educational

inequalities by providing additional learning assistance, guidance, and emotional support to students who may face structural barriers in the education system. Finally, we recommend that educational authorities strengthen accountability and monitoring frameworks to ensure that equality policies are properly implemented within schools. Regular assessments and reporting mechanisms can help identify gaps and ensure that inclusive practices are maintained. In our view as a group, creating inclusive and discrimination-free learning environments is essential for improving educational access and strengthening human development outcomes in India. When students feel safe, respected, and supported in schools, they are more likely to participate actively in education and benefit from its long-term social and economic opportunities.

LIMITATIONS

This study is based on secondary data, which has certain limitations. There may be time lags between policy implementation and observable outcomes in human development indicators. Differences in data sources and reporting methods may affect the comparability and consistency of the data. Additionally, the study relies on aggregated national-level data, which may not fully capture regional disparities and variations in educational outcomes across different states in India. Therefore, the findings should be interpreted with these limitations in mind.

CONCLUSION

This study examined the relationship between education budget priorities and human development outcomes in India and highlighted the importance of effective allocation and utilization of educational resources. The findings indicate that although several reforms have been introduced in recent years, including the vision outlined in the National Education Policy 2020, challenges such as low public spending, teacher shortages, regional inequalities, and student dropout rates continue to limit the overall impact of education on human development.

The analysis suggests that increasing investment alone is not sufficient unless resources are efficiently allocated and effectively implemented. Education plays a crucial role in improving human development outcomes such as literacy, employment opportunities, and quality of life.

From a policy perspective, the findings highlight that improving the efficiency of public spending and ensuring equitable distribution of resources are as important as increasing overall expenditure. Greater emphasis on implementation, targeted interventions, and improved monitoring mechanisms will be essential for achieving meaningful improvements in human development outcomes.

Overall, strengthening budget priorities and implementation strategies in the education sector is essential for achieving long-term human development and sustainable national progress in India.

The finding suggest that increasing education expenditure is alone not sufficient. Greater emphasis should be placed on efficient allocation of resources and targeted intervention to address inequality in access to education.

REFERENCES

Azam, A., & Ahmad, A. (2024). *Financing of higher education in India*.

Behera, P. K., & Khatei, R. (2018). An analysis of public finance on education sector in India. *VISION: Journal of Indian Taxation*.

Elango, V. S. (2024). Government spending on higher education in India: An economic perspective. *ShodhKosh Journal*.

Government of India. (1966). *Report of the Education Commission (1964–1966) (Kothari Commission)*. Government of India.

Government of India. (2020). *National Education Policy 2020*. Ministry of Education

Jana, S. K., & Maiti, A. (2019). State-wise public expenditure on higher education in India: An empirical analysis.

Kingdon, G. G. (2017). The progress of school education in India. *Oxford Review of Economic Policy*, 33(3), 453–469.

Kumar, A. (2021). Educational reforms and development in India.

Limaye, D., et al. (2023). Education and human development: A global perspective.

Mehrotra, S. (2016). The role of education policy in development.

Ministry of Education. (n.d.). *Education statistics at a glance*. Government of India.

Ministry of Education. (2026). *Education budget 2026–27: Yuva Shakti driven budget*. Government of India.

Ministry of Finance. (2014–2024). *Union budget documents (Expenditure profile & Budget at a glance)*. Government of India. <https://www.indiabudget.gov.in/>

Muzumdar, P. (2011). Education and human development: Evidence from developing countries.

Muzumdar, P. (2014). Human development and education expenditure.

Muzumdar, P. (2021). Education and human development linkages.

Reserve Bank of India. (n.d.). *Database on Indian economy*. <https://data.rbi.org.in/>

RISE Programme. (2021, October 14). *India's new National Education Policy: Evidence and challenges*. <https://riseprogramme.org/publications/indias-new-national-education-policy-evidence-and-challenges.html>

Sharma, R. (2020). Recent trends in educational reforms in India.

Singh, K., Cheemalapati, S., RamiReddy, S. R., Kurian, G., Muzumdar, P., & Muley, A. (2025). Determinants of human development index (HDI): A regression analysis of economic

and social indicators. *Asian Journal of Economics, Business and Accounting*, 25(1), 26–34.
<https://doi.org/10.9734/ajeaba/2025/v25i11630>

Sociology Institute. (2022, November 16). *Caste and its impact on education in India*.
<https://sociology.institute/sociology-of-education/caste-impact-education-india/>

Tilak, J. B. G. (2015). Public investment in education and development in India.

Tilak, J. B. G. (2018). Financing education in India: Trends and issues.

United Nations Development Programme. (n.d.). *Human development reports*.
<https://hdr.undp.org>

World Bank. (n.d.). *Education statistics*. <https://data.worldbank.org/>