Underlying Educational Development Through Public Expenditure in Educational Plans

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Abstract:
Education is a fundamental driver of economic development and social transformation. It not only enhances individual capabilities but also contributes significantly to national progress by impacting poverty reduction, health, fertility, and overall human development. Recognizing this, successive Five-Year Plans and national policies in India have emphasized the need for increased public investment in education. However, the reality continues to fall short of aspirations. While the National Policy on Education (NPE) recommended allocating 6% of the GDP to education, actual expenditure has remained consistently below this benchmark. As per recent estimates, the combined public expenditure by the Centre and States on education was around ***2.9% of GDP in 2022–23****, reflecting a persistent gap in financial this paper critically examines the trends in public expenditure on education across planning periods and assesses its impact on key educational indicators such as literacy rate, gross enrollment ratio, dropout rate, and gender parity. It also explores the shift toward privatization as a response to declining public investment and its implications for equitable access to quality education. The analysis reveals that insufficient and uneven public funding has contributed to systemic disparities, thereby undermining efforts to harness education as a vehicle for inclusive growth.*

The paper argues that achieving sustainable educational development and realizing the vision of a knowledge-based economy requires a renewed policy thrust with a substantial increase in public investment, efficient resource utilization, and strong political will. Without this, India's demographic dividend risks being lost, and its aspiration of becoming a global superpower remains uncertain. The study concludes that public expenditure on education is not merely a budgetary concern but a strategic imperative for national development.

Keywords: *Education, Educational development, Public Expenditure, Educational Plans*

1. Introduction

India's economic growth over the last two decades has been commendable, positioning the country among the fastest-growing major economies globally. After achieving an average GDP growth rate of 7% during the Tenth Five-Year Plan (2002–2007), the Eleventh Plan (2007–2012) projected a growth rate of 9%, although it ultimately averaged around 7.9% due to global economic challenges. More recently, India's GDP growth rate stood at 7.2% in FY 2022–23 and is projected to remain robust in the coming years (Economic Survey, 2023–24). However, this growth has not uniformly translated into improvements in social indicators such as health, sanitation, and especially education. Large sections of the population, particularly in rural and marginalized communities, continue to lack access to quality educational facilities—thereby hindering equitable development.

Education remains a cornerstone of national development, not only as a means of fostering economic productivity but also as a tool of social transformation and empowerment. Despite significant strides in increasing literacy and school enrollment, challenges persist. According to the National Statistical Office

(NSO) and NFHS-5 (2019–21) data, India's literacy rate is estimated to be around 77.7%, up from 74% in 2011. While the Gross Enrollment Ratio (GER) at the primary level stands above 100%, indicating near-universal access, the GER in higher secondary education is just 57.6% (AISHE, 2022), and dropout rates remain high, particularly among girls and socioeconomically disadvantaged groups. Public expenditure plays a critical role in addressing these gaps. However, India's spending on education continues to fall short of national policy commitments. The National Education Policy (NEP) 2020 reiterates the long-standing target of allocating 6% of GDP to education—a goal first articulated in the Kothari Commission Report (1966) and reaffirmed through various Five-Year Plans. Despite this, the combined public expenditure by the Centre and States on education was 2.9% of GDP in FY 2022–23, a marginal increase from 2.8% in the previous fiscal but still significantly below the desired benchmark (Economic Survey, 2023). This underinvestment has resulted in poor infrastructure, a shortage of trained teachers, and limited learning resources in government institutions.

Furthermore, inadequate public funding has catalyzed the privatization of education. Between 2010 and 2023, the share of private unaided schools rose sharply, now accounting for over 45% of enrollments at the secondary level (U-DISE+, 2022–23). This trend raises concerns about affordability, quality assurance, and equitable access, especially for low-income families. Privatization, driven by unmet public demand, has widened the learning divide and shifted the burden of education financing from the state to households.

This paper explores the patterns of public expenditure on education across various Five-Year Plans and assesses their impact on key educational indicators such as literacy, enrollment, dropout rates, and gender disparities. It examines how fiscal priorities, planning mechanisms, and policy commitments have either facilitated or hindered educational development in India. By analyzing data from national surveys and government reports, the study argues for a stronger political and financial commitment to education as a strategic imperative for inclusive growth and long-term economic resilience.

2. Literature Review

The relationship between public expenditure and educational development has long been a subject of research and policy debate in India. Scholars and policy experts have consistently highlighted the critical role of government investment in improving access, quality, and equity in education.

- **Kothari Commission (1964–66)** was among the earliest efforts to comprehensively recommend a minimum of **6% of GDP** to be spent on education, emphasizing that investment in education yields both direct economic benefits and wider social returns. However, decades later, this benchmark remains largely unmet.
- The **National Policy on Education (1986, modified in 1992)** and the more recent **National Education Policy (NEP) 2020** reiterated this target, recognizing education as a public good and an instrument of social justice.
- **Tilak (2006)**, in his extensive work on educational financing, argued that insufficient public funding has led to systemic disparities in access and outcomes, particularly affecting marginalized groups. He emphasized that public spending is not just a monetary allocation but a policy instrument to achieve social equity.
- **Mehrotra (2004)** noted that declining public investment has led to a widening gap between public and private educational institutions, resulting in a dual system where quality becomes a function of affordability.
- **Saleem and Gawali (2008)** examined trends in government expenditure and found that between 2003–04 and 2007–08, spending on education remained around **3.7% to 4.1% of GDP**, falling short of both policy aspirations and developmental needs.
- **NITI Aayog and Economic Survey Reports (2022–23)** have reiterated the urgency to boost education spending, especially post-COVID, when learning gaps widened and digital divides became more visible.

- **UNESCO's Global Education Monitoring Report (2021)** underscores that countries investing adequately in public education show better literacy levels, lower dropout rates, and higher workforce participation. In India's case, however, large disparities persist despite various centrally sponsored schemes such as **Sarva Shiksha Abhiyan**, **Rashtriya Madhyamik Shiksha Abhiyan**, and **Samagra Shiksha Abhiyan**, primarily due to fragmented implementation and underfunding.
- Private sector participation has grown rapidly, particularly in urban and newly developed colonies. While private institutions have expanded access, **Basant and Sen (2011)** caution that this trend has increased stratification in the education system, privileging the affluent while marginalizing economically weaker sections.

This body of literature collectively suggests that while planning frameworks in India have identified education as a developmental priority, financial allocations have lagged behind ambitions. The consistent underutilization of planned budgets and lack of targeted interventions have limited the transformative potential of education in India.

3. Methodology

This study employs a **descriptive and analytical research design**, integrating both **quantitative** and **qualitative** approaches to examine the trends, patterns, and implications of public expenditure on education in India across various Five-Year Plans.

1. Data Sources

The research is primarily based on **secondary data** collected from authentic and government-recognized sources, including:

- Planning Commission Reports **(1st Plan to 12th Plan)**
- National Education Policy (1986, 2020)
- Economic Survey Reports (various years)
- Annual Budget Documents of the Ministry of Education
- U-DISE+ Reports (2020–23)
- All India Survey on Higher Education (AISHE)
- Reports from NSO, RBI, and NITI Aayog
- Census of India and NFHS data (2011, 2019–21)

Academic journals, research articles, and policy papers by educational economists such as Tilak, Mehrotra, and others were also reviewed to support critical perspectives.

2. Analytical Tools and Techniques

To interpret the data, the study uses:

- **Time series analysis** of GDP and education expenditure (1951–2023)

Table 1: Time period and education's share of total Plan Outlay

Plan Period	Education's Share of Total Plan Outlay
I (1951–56)	4.78%
II (1956–61)	7.20%
III (1961–66)	11.85%
IV (1969–74)	8.17%
V (1974–79)	4.11%
VI (1980–85)	4.41%
VII (1985–90)	5.41%
VIII (1992–97)	4.56%
IX (1997–2002)	4.00%
X (2002–07)	3.76%*
XI (2007–12)	3.55%*
XII (2012–17)	4.00%*

*Approximate value

- Trend analysis of key indicators like literacy rate, Gross Enrollment Ratio (GER), dropout rates, and gender parity index

Table 2: Priority areas and the major goals during the Five-Year Plans

Plan	Priority in Education	Major goal
First plan (1951-1956)	Elementary Education	Domer-Mahalanobis Model increasing the economical efforts in the country
Second plan (1956-1961)	Higher Education and Technical education	**The Socialist Pattern of Society** focused on industry, especially heavy industry
Third plan (1961-1966)	Higher Education and Technical education	Agriculture Plan and Industrial upliftment
Fourth plan (1969-1974)	Vocational and Industrial Institutions	Strengthen the national security and industrial development
Fifth plan (1974-1979)	Primary education and technical education, vocational education	Stress was laid on employment, poverty alleviation, and justice, self in agricultural production and defense
Sixth plan (1980-1985)	All, Higher education	Beginning of economic liberalization
Seventh plan (1985-1989)	All, but higher education lacking	Increasing productivity level of industries by up gradation of technology
Eighth plan (1992-1997)	Elementary Education, Higher education	Liberalization, globalization and privatization
Ninth plan (1997-2002)	Elementary Education	Growth with Social Justice and Equity.
Tenth plan (2002-2007)	Elementary Education	Human resource development and social empowerment
Eleventh plan (2007-2012)	Elementary and Secondary education	Towards faster and more Inclusive growth
Twelfth Plan	Elementary and Secondary education	Faster Sustainable and more inclusive growth
Subsequent plans after abolishing five year planning	All sectors but more focus on Elementary and Secondary education	Viksit Bharat Knowledge-Based Economy

Table 3: Key Indicators of Educational development

Indicator	Latest Available Value	Trend & Notes
Literacy Rate (age ≥7)	**80.9% (2023–24 PLFS)**• Male: 84.7%• Female: 77.0%	Increased from 77.7% in 2017–18; gender gap (7.7 pts) remains, and rural urban disparities persist (Wikipedia, The Economic Times)
GER – Elementary & Secondary	Nearly **100% at primary & lower secondary**; upper secondary still below target	Achieved near universal access; gaps remain in transition to higher levels with concern for retention
GER – Higher Education (18–23 yrs)	**28.4% (2021–22 AISHE)**; Male **28.3%**, Female **28.5%**	Gained significant ground since 2010–11 (approx 19.4%), with marginally higher female enrolment
Dropout Rate – Secondary	**15.1% (2021–22 UDISE+)**	Dropped to ~15%; but remains high in rural, disadvantaged areas

Gender Parity Index (GPI) – School (grades 1–12)	**1.02 (UDISE+ 2021–22)**	Signals marginal female advantage in enrolment; progress continues
GPI – Higher Education	**1.01 (2021–22 AISHE)**	Reflects slight female majority in higher education enrolment

- **Comparative analysis** between plan periods (e.g., Pre-NPE and Post-NPE years)
- **Correlation** between government spending and progress in educational indicators to assess efficiency and equity
- Wherever applicable, data are presented using **tables, graphs, and charts** to highlight visual trends and comparisons.

4. Scope and Limitations

The study covers the period from **1951 to 2023**, focusing on education planning in India. While every effort has been made to include the most recent statistics, data availability limitations may affect consistency, particularly for post-2020 indicators during the pandemic and post-pandemic years.
This paper does not include primary surveys or field-level data collection. Instead, it relies on validated secondary data to explore the macro-level relationship between public spending and educational development. The influence of privatization and digital education during COVID-19 is considered as part of contextual analysis but not investigated in depth.

5. Data Analysis & Discussion

India's planning framework has long emphasized education as a vehicle for inclusive development, yet the financial commitment to this sector has seen inconsistency across plan periods. This section analyzes how public expenditure in education has evolved over time and how it correlates with educational development indicators such as literacy, enrollment, dropout rates, and equity, especially in the context of the privatization trend.

1. Public Expenditure Trends across Plans

From the First Five-Year Plan (1951–56) to the Twelfth (2012–17), public expenditure on education as a percentage of GDP has increased gradually but has consistently fallen short of the recommended **6%**. The expenditure was **0.64% of GDP** in 1951–52 and rose to **3.74% in 2003–04**, reaching approximately **4.1% in 2007–08** (Saleem & Gawali, 2008).

Table 4: Plan period vis-à-vis Average Educational Expenditure

Plan Period	Avg. Education Expenditure (% of GDP)
1st (1951–56)	0.64%
5th (1974–78)	2.8%
10th (2002–07)	3.5%
11th (2007–12)	4.1%
12th (2012–17)	3.8%
FY 2022–23	2.9%
FY 2023-24 (RE)	2.78%
FY 2024-25 (BE)	2.5%

Source: Different years documents on Union Budget documents by PRS.

However, in the last decade, despite rapid economic growth, expenditure has stagnated around **2.8% to 3.1%**, with the **latest figure for FY 2022–23 being 2.9%** (Economic Survey, 2023) which further declined to 2.78 % in 2023-24 and 2.5 % in the 2024-25. Despite continued commitments in the **National Policy on Education (1986/1992)** and **NEP 2020,** fiscal reality has not matched political intent.

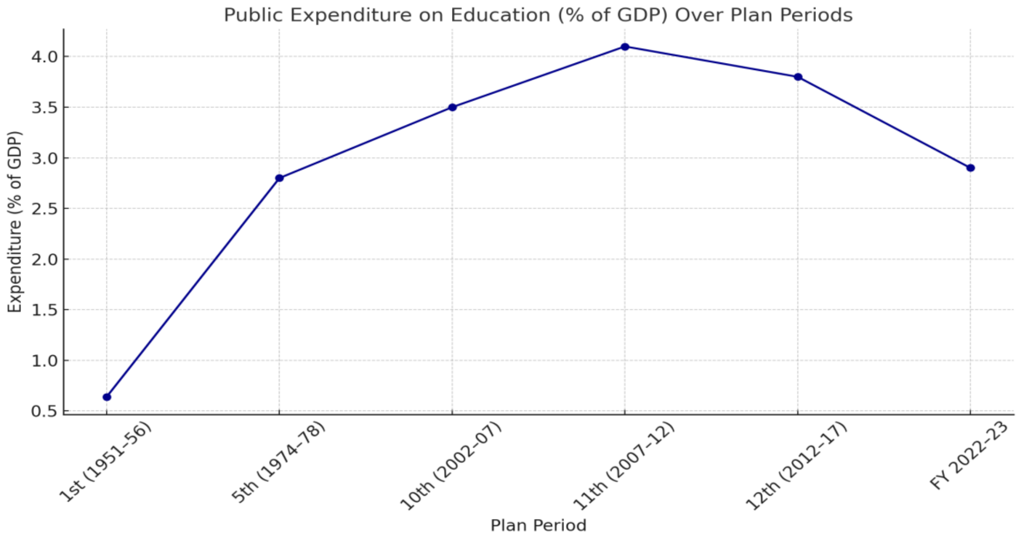
2. Literacy and Enrollment Trends

The **literacy rate** rose from **18.3% in 1951** to **77.7% in 2022** (Census/NFHS-5 projections), a positive outcome linked to increased access, mid-day meals, and universal primary education initiatives.

3. Gross Enrollment Ratio (GER) at the elementary level has surpassed **100%**, but secondary and higher education GERs remain low:

- GER (Secondary): **79.6%** (U-DISE+, 2022–23)
- GER (Higher Education)**: 28.4%** (AISHE, 2022)

Figure 1: Public expenditure on Education



However, high **dropout rates**—especially among girls, SC/ST communities, and rural populations continue to hinder progress. This points to a quality gap rather than mere access.

4. Privatization and Inequity

With declining investment in government schools, the vacuum has been filled by the **private sector**, particularly in urban and developing areas. As of 2022–23, over **45% of school students** are enrolled in **private unaided institutions** (U-DISE+).

This trend has created:

- **Two-tier system**: High-quality private vs. low-resourced public schools
- **Out-of-pocket expenditure** increase, especially for rural poor
- Widening **digital divide** during and after COVID-19

These outcomes show that limited public funding contributes to **inequity and exclusion**, particularly in underdeveloped regions.

5. Policy Initiatives and Challenges

Major schemes like **Sarva Shiksha Abhiyan (SSA), Rashtriya Madhyamik Shiksha Abhiyan (RMSA),** and **Samagra Shiksha Abhiyan** were launched to bridge gaps. However, underfunding and inconsistent implementation have diluted their impact.

The **National Education Policy 2020** reaffirms the goal of 6% GDP expenditure and aims to restructure the education system through holistic and equitable learning. Yet, implementation remains a concern, especially with **low fiscal decentralization**, uneven fund utilization, and **lack of accountability** in state-level bodies.

6. Education Expenditure and Human Capital Development

The link between investment in education and economic growth is well-established. Studies show that a **1% increase in public education expenditure** leads to **a significant rise in human capital and long-term income levels** (Tilak, 2006; UNESCO GEM, 2021). India, with its demographic dividend, must strategically invest in education to transform population into productive, employable citizens.

6. Discussion Summary

- Despite positive trends in literacy and access, **public underinvestment** remains the biggest barrier to equitable educational development.
- The **planning structure**, while visionary in documents, has lacked corresponding **fiscal backing.**
- The rise of **private education** has introduced **inequities** and eroded faith in public institutions.
- If India aims to become a **knowledge-based economy**, a renewed commitment to planned, equitable, and increased public expenditure is non-negotiable.
- The plans indicated that the public expenditure is gives in the varied fashion but still the desired goals of the education are not achieved as per the expectations.
- There is Disparate Literacy levels as far as the rural and urban literacy rates are concern, Slow Progress of Higher and Vocationalization/Technical education due to negligence of the Vocationalization sector and overemphasis on elementary education, Regional disparities as the dropout rates of SC/STs, Missing link between the broader goal and the objectives achieved as there is fluctuated growth attainment, Funds to higher education and vocational education is diminished on behalf of the higher education, No concrete direction in framing the policies due to the political instability as all of sudden the higher education expenditure is being cut off after the seventh plan and in the Eighth five year plan, Lack of Inclusive growth in terms of the women, reservation and regional disparities are also seen with gap among planned and achieved goals. In the matter of educational developmental index relative the other developing countries India lacks far behind. Even the countries like Mexico, Egypt etc. are leading as to India. The government is looking forward in this direction in the eleventh five-year plan but up to what level the success in this grey area accomplish will be a matter of great importance.

7. Suggestions

1. **Increase Education Budget to 6% of GDP**
   Fulfill the long-pending commitment made by Kothari Commission and reiterated in NEP 2020.
   Ensure both central and state governments contribute proportionally.
2. **Strengthen Public Institutions**
   Revitalize government schools with improved infrastructure, digital facilities, trained teachers, and accountability mechanisms.
   Address learning loss post-COVID by investing in remedial programs and inclusive digital education.
3. **Reduce Regional and Social Disparities**
   Allocate funds based on backwardness index or need-based formulas to improve educational access in underserved states and districts.
   Promote inclusive schemes for SC/ST, girls, and differently-abled students.
4. **Transparent and Decentralized Fund Utilization**
   Empower local authorities and school management committees (SMCs) to utilize funds based on grassroots needs.
   Implement real-time monitoring and social audits to track expenditure effectiveness.
5. **Public-Private Partnership (PPP) with Regulation**
   While PPPs can increase capacity, strict regulations are required to ensure affordability, transparency, and quality.
   Avoid over-commercialization by protecting the interests of economically weaker sections.
6. **Integrate Vocational and Skill-Based Learning**
   Align education with employability by promoting vocational training, digital skills, and life-skills education from secondary levels.
7. **Long-Term Planning with Periodic Evaluation**
   Institutionalize a mechanism to periodically assess the impact of public expenditure on educational outcomes and adjust planning accordingly.

8. Conclusion

The analysis of India's educational development through the lens of public expenditure across Five-Year Plans reveals a persistent gap between policy promises and fiscal commitment. While education has always featured as a priority area in planning documents—from the First Five-Year Plan to the NEP 2020—the actual expenditure has consistently fallen short of the targeted 6% of GDP. As of FY 2024–25, public spending on education remains around **2.5% of GDP**, which is insufficient to address the needs of a growing and diverse population.

Though the country has achieved commendable progress in literacy, enrollment ratios, and infrastructural outreach, these gains are undermined by:

- High dropout rates, especially at the secondary and higher education levels
- Regional and gender disparities
- Over-reliance on the private sector due to declining public investment
- Inequitable access and learning outcomes, exacerbated post-pandemic

The **NEP 2020** re-emphasizes inclusive and equitable education for all and reiterates the goal of **6% of GDP** expenditure. However, without immediate and substantial action from both central and state governments, this remains aspirational.

India's demographic dividend can only be realized through quality education, accessible to all. Planning and policy must now transition from intent to **effective and accountable implementation** backed by adequate funding.

The pattern of growth of the education sector in India based on the assumption of the future requirements of the economy shows that the higher expenditure on primary education does not fulfill the needs of the economy as a whole. The lacking behind in the areas of educational development is just witnessed through various statistics mentioned aforesaid. But still much to go in these areas. Many times, the good rosy picture is shown to the government rather than the actual ground level realities (Jandhyala, 1993), but still the worth of these statistics cannot ignored as the future plans are much more depends on these. Further, if one wants to develop the economy in the new era of globalization, then the public expenditure on secondary education and on higher education must be increased. Unless the expenditure on secondary and higher education is increased one cannot produce the skilled manpower as per the requirements of the various sectors of the economy especially the industrial and service sector. No doubt that the government is spending a lot but at the same times the national income and national treasury is also diminishing. The pubic private partnership is now suits the contemporary situation with the inbuilt issues of costlier education, not ease of access for the marginal groups, lopsided and elite class-oriented education. The government is now shrinking its hands from education and tries to hand over the things to the private bodies in the name of better results. But at the same time the government has the responsibility towards the quality living of their countrymen. So, a more intellectual planning is needed in every sphere of sectors. There is need to be redressed that besides asking for adequate resources for educational development, the proper management of financial, physical and academic resources is equally important. This necessitates highlighting the need for non-financial resources like bringing about curricular reforms, improving the method of teaching, flexible and effective evaluation system and improving teachers' competencies. Also at the same time the achievable targets with time bound phase wise manner is also need of the hour and need in the priority list. In the run of eradication of the illiteracy the nation is also at the same time implicitly heading towards the physical gaining attitude which can only be tackled with realization of the true meaning and aim of education. Let all strive for educated not mere literate.

For India to truly witness educational development as a driver of economic growth and social equity, **planned and sustained public expenditure** is not merely a policy tool—it is a national imperative. The future of India as a global knowledge power hinges on how effectively it invests in the minds of its people today.

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