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Political Economy of Education in India: A Historical and Contemporary Analysis of Government Policies and Financial Allocations

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Abstract: The political economy of education in India reveals an intricate interplay of historical legacies, ideological shifts, and policy decisions that have shaped the nation's education system. Since independence, educational policies have oscillated between welfare commitments and economic pragmatism, influenced by the broader political regimes in power. The Nehruvian era's emphasis on state-led development laid the foundation for public education, while liberalization from the 1990s onward saw an increasing push toward privatization and public-private partnerships. Financial allocations to education, however, have not consistently aligned with policy ambitions, leading to structural gaps in quality, equity, and access across rural and urban divides.

The study explores the political economy of education in India, examining how historical legacies, ideological shifts, and fiscal decisions have collectively shaped the nation's educational landscape. Beginning with the Nehruvian vision of state-led development, the paper traces the evolution of education policies through different political regimes, emphasizing the tension between welfare goals and economic pragmatism. It highlights how early post-independence efforts focused on equity and nation-building, while later decades witnessed increasing privatization and market-driven reforms.

Despite ambitious policy frameworks such as the Right to Education Act (2009) and the New Education Policy (2020), public investment in education has consistently fallen short of the recommended 6% of GDP. The paper critically analyzes this disconnect between policy promises and financial realities, revealing how political priorities, electoral considerations, and fiscal decentralization have influenced education spending. Special attention is given to disparities across regions and socio-economic groups, particularly the impact on marginalized communities.

Methodologically, the study employs a historical-comparative approach using secondary data, government reports, and policy documents. It concludes that India's education system remains a reflection of deeper political and economic structures. Until there is a structural shift in how education is prioritized within public policy and fiscal planning, the goals of universal, inclusive, and quality education will remain aspirational.

Key words: Political Economy; Educational Policy; Public Financing; Equity in Education

Introduction: Education in India has long been a subject of socio-political debate and economic planning. As early as the Kothari Commission (1964-66), the state recognized education as a powerful instrument for national development and social transformation. However, while successive governments committed to expanding educational access, especially after independence, the structural limitations imposed by political ideologies and financial constraints have continuously hindered progress (Tilak, 2006). The state's dual role as a provider and regulator has evolved under varying political regimes, influencing the extent and nature of public investment in education.

Historically, the colonial legacy left India's education system fragmented and underdeveloped, catering mostly to the elite and urban populace. Post-independence policies aimed to correct this imbalance through centralized planning and budgetary commitments. However, the prioritization of higher education over primary education, especially during the first few Five-Year Plans, led to growing disparities in access (Basu, 1997). The political choices embedded within these decisions reflect the class biases of early Indian leadership and their vision of nation-building through technocratic advancement.

The economic liberalization of 1991 marked a turning point in the political economy of education. As fiscal pressures mounted and structural reforms took precedence, education began to be viewed more through the lens of human capital development than as a social good. This shift resulted in



reduced public expenditure, a rise in privatization, and a growing reliance on external funding agencies (Tilak, 2004). These trends intensified inequalities in educational access, especially for rural, tribal, and economically disadvantaged groups.

In the 21st century, policies such as the Sarva Shiksha Abhiyan (2001), the Right to Education Act (2009), and most recently, the New Education Policy (2020) reflect efforts to universalize education. However, the actual allocation of resources has frequently failed to match the ambition of these reforms. As of 2019-20, public expenditure on education hovered around 3.1% of GDP—far below the long-standing recommendation of 6% by various national commissions (Chakrabarti, 2020). This reveals the persistent tension between policy vision and fiscal commitment.

Therefore, a nuanced examination of India's educational trajectory must interrogate both historical and contemporary political and financial decisions. Understanding the interplay of ideology, governance, and fiscal policy is essential to evaluate whether India's education system is progressing toward equity and inclusiveness, or reinforcing existing socio-economic divides.

2. LITERATURE REVIEW-

- **Tilak, J.B.G. (2004):** Tilak analyzed trends in public subsidies in education in India and found that government expenditure had been consistently insufficient. The study pointed out that allocations were not based on actual need but often influenced by political motives and macroeconomic constraints. He emphasized the need for improved budgetary planning to support inclusive education.
- **Kumar, K. (1991):** In his critical work on the political agenda of education, Kumar explored how both colonial and nationalist ideologies shaped India's education system. He noted that despite the political independence, the system retained classist biases, privileging urban elites while marginalizing rural and backward communities.
- **Basu, A. (1997):** Basu provided a historical overview of India's education planning since independence. Her analysis pointed to the imbalance between investment in higher education and primary education, arguing that political priorities were influenced by elite interests, resulting in skewed development.
- **Jandhyala, B.G. (2003):** This study evaluated the political resistance to implementing inclusive educational policies. It highlighted how even well-formulated policies, such as the Common School System, failed due to lack of political consensus and poor public awareness, reflecting a weak education-oriented governance culture.
- **Mehendale, A. (2012):** Focusing on the RTE Act, Mehendale critiqued the mismatch between legal mandates and fiscal capacity. She argued that without adequate financing and infrastructure, rights-based legislation could not produce real outcomes, especially in underdeveloped states.
- **Sarangapani, P. (2009):** This study critiqued the quality of universal elementary education under programs like SSA. It found that large-scale enrollment had not translated into learning outcomes due to poor teacher training, lack of accountability, and underfunded school ecosystems.
- **De & Dreze (1999):** Their field-based research highlighted wide regional disparities in public education systems. States like Kerala and Himachal Pradesh had better outcomes due to consistent political commitment and better fund utilization, unlike Bihar and Uttar Pradesh, where corruption and poor monitoring diluted impact.
- **Chakrabarti, R. (2020):** Chakrabarti investigated trends in public education expenditure, showing that allocations hovered around 3.1% of GDP. He noted that actual spending lagged behind budget announcements due to bureaucratic inefficiencies and low prioritization in finance ministries.
- **Nambissan, G.B. (2010):** This study brought attention to exclusion within the education system. Focusing on Dalit and Muslim children, it showed how state neglect and discriminatory practices undermined the goals of inclusive education, and financial allocations often failed to address these deep-rooted inequities.



- **Raman, S. (2020):** Raman critiqued the New Education Policy 2020 as visionary but vague. While it proposed transformative changes, it lacked an actionable financial roadmap. He warned that without significant public investment, NEP 2020 could become another unfulfilled aspiration.

Research Gaps: Despite extensive policy initiatives and decades of planning, the literature suggests that India's education system continues to face persistent gaps in access, quality, and equity. Most scholars, including Tilak (2004) and Kumar (1991), have emphasized that political intent has not always translated into action due to financial constraints and implementation challenges. While there are studies that explore educational disparities and policy designs, relatively fewer works critically analyze the political economy that drives budgetary allocations, ideological preferences, and governance behavior in education. Particularly lacking is a comprehensive historical-contemporary linkage between government financial priorities and education outcomes.

Furthermore, existing literature tends to focus either on policy content or expenditure trends in isolation, but rarely integrates both dimensions to show how political regimes influence financial decisions and how those, in turn, shape the educational landscape. With the rollout of the New Education Policy 2020, there is a renewed need to understand the gap between rhetoric and resource allocation. There is limited empirical and theoretical inquiry into whether India's current political-economic model can support the ambitious goals of NEP 2020, particularly for underprivileged and rural populations. This gap in connecting political intent with financial implementation forms the foundation of the current study.

3. RESEARCH OBJECTIVES:

- To examine the historical evolution of educational policies in India and their socio-political underpinnings.
- To analyze trends in government financial allocations to the education sector and assess their implications for access, equity, and quality.

4. Research Methodology- This study is based on qualitative research using historical and policy analysis methods. Secondary data has been collected from government reports, policy documents, parliamentary budget reports, planning commission data, and peer-reviewed academic publications up to the year 2021. A thematic content analysis approach has been employed to examine trends in political decision-making, fiscal priorities, and educational outcomes. Select statistics have been referenced to support critical interpretations of policy implementation.

5. Findings of the study-

General Findings of the study:

- **Colonial Hangover and Elite Bias:** India's education system under British rule was designed to produce clerks and bureaucrats, not to democratize knowledge (Kumar, 1991). Post-independence, this elitist structure remained partially intact, with early policymakers favoring higher education institutions such as IITs and IIMs while neglecting mass literacy campaigns.
- **The Nehruvian Model and State-led Development:** Jawaharlal Nehru's government believed in planned development with state-led investment in education. However, expenditure was skewed toward technical and scientific education rather than universal primary education. The First and Second Five-Year Plans allocated less than 3% of total expenditure to education (Basu, 1997).
- **Kothari Commission and Policy Recommendations:** The 1966 Kothari Commission proposed spending 6% of GDP on education and stressed equal opportunities. However, political instability and lack of fiscal will led to poor implementation. By 1985, India was still spending less than 4% of GDP on education (Tilak, 2006).
- **The Shift Post-1991 Reforms:** Liberalization brought budget cuts in the social sector, especially education. Structural Adjustment Programs (SAPs) encouraged by the IMF and World Bank emphasized cost-efficiency, which led to increased private sector participation (Jandhyala, 2003).
- **Privatization and Stratification:** From the late 1990s, the mushrooming of private schools and coaching centers created a parallel system of education. This commercialized education without adequate state regulation, further alienating marginalized groups (Sarangapani, 2009).



- **The Right to Education Act (2009):** The RTE Act was a progressive step toward ensuring access to free and compulsory education for children aged 6–14. However, its implementation was marred by inadequate funding, lack of infrastructure, and poor teacher training (Mehendale, 2012).
- **Budgetary Trends and Disparities:** The Economic Survey 2018-19 showed that education expenditure remained between 2.8%–3.1% of GDP. Even within this, central allocations disproportionately favored urban and higher education sectors over rural and foundational learning (Chakrabarti, 2020).
- **NEP 2020: A New Vision?:** The New Education Policy 2020 offers ambitious reforms in pedagogy, multilingualism, and digital education. However, critics argue that without substantial fiscal commitment, its goals will remain aspirational (Raman, 2020).
- **Equity Concerns for Marginalized Groups:** Dalits, tribals, and Muslim children continue to have lower access to quality education due to socio-economic factors and poor public schooling infrastructure. The Sachar Committee (2006) and subsequent studies point out that policy implementation remains inequitable (Nambissan, 2010).
- **Federal Disparities in Educational Funding:** States with higher fiscal capacity such as Kerala and Tamil Nadu perform better in educational outcomes. Conversely, backward states like Bihar and Jharkhand struggle due to poor central support and local governance issues (De & Dreze, 1999).

Objective wise findings of the study-

Findings of Objective 1: To examine the historical evolution of educational policies in India and their socio-political underpinnings

- **Colonial Legacy and the Emergence of State Education Policy:** The roots of India's modern education system lie in the colonial era, where policies were primarily elitist and exclusionary. The British introduced English education through Macaulay's Minute (1835), emphasizing clerical training over universal literacy. By independence, literacy was just 12% (Basu, 1997). Post-1947, the political leadership led by Nehru inherited a fractured education system and aimed to unify it under a centralized framework. The University Education Commission (1948–49) and the Secondary Education Commission (1952–53) marked India's first steps toward formulating indigenous education policies. However, a continuity of elitist approach was evident in the prioritization of technical and higher education institutions such as IITs and IIMs over rural primary schooling.
- **Five-Year Plans and Political Priorities in Education:** India's Five-Year Plans reflected the ideological stance of different governments. The First and Second Plans emphasized infrastructure and industrialization, allocating only 7.8% and 6.8% of total public outlay to education, respectively (Tilak, 2006). Education was viewed through the lens of economic productivity rather than a fundamental right. The Third Plan saw an increase in social sector spending, but still insufficient. The Emergency era (1975–77) saw the expansion of non-formal education and adult literacy, which were often politically motivated and not structurally sustainable. These fluctuations point to the political volatility in treating education as a national priority.
- **The Kothari Commission and Unrealized Promises** The 1964–66 Education Commission (Kothari Commission) was the first attempt to frame a comprehensive national education policy. It recommended a common school system, education for social justice, and a budgetary allocation of 6% of GDP for education. Though progressive, most recommendations remained unimplemented due to political resistance and resource constraints (Jandhyala, 2003). This period reflects how progressive policy documents failed to translate into action due to inadequate political will and competing economic agendas.
- **Post-1991 Reforms and the Rise of the Private Sector** Liberalization in the 1990s brought significant changes. Under World Bank and IMF prescriptions, the state began reducing direct investment in education. Instead, it promoted cost-recovery models and private sector



participation. New institutions mushroomed, especially in urban areas, but with poor regulatory oversight. This created a stratified education system—public schools for the poor and private schools for the middle and upper classes. The shift demonstrated how political and economic ideology influenced the commodification of education, particularly in urban India (Tilak, 2004).

- **National Education Policies and Gaps in Implementation:** India's National Policies on Education (1968, 1986, revised 1992) reflected broader developmental paradigms of their times. The 1986 policy emphasized women's education and child-centered pedagogy, while the 1992 revision adapted to market needs. However, actual outcomes lagged behind due to poor state capacity, lack of teacher training, and corruption in public schemes. This persistent implementation gap stems not from policy design but from weak governance and insufficient political prioritization (Kumar, 1991).

Table 1: Evolution of Major Education Policies in India (1948–2020)

Period	Major Policy Initiative	Focus Area	Observed Limitation
1948-49	University Education Commission	Higher education	Neglect of primary education
1964-66	Kothari Commission	Equity, common school system	Budgetary constraints
1986-92	National Education Policy	Women, ECCE, vocational training	Poor implementation
2001	Sarva Shiksha Abhiyan	Universal primary education	Drop-out rates, quality issues
2009	Right to Education Act	Free and compulsory education	Infrastructure and teacher shortage
2020	National Education Policy	Holistic, multilingual education	Underfunding concerns

Findings Objective 2: To analyze trends in government financial allocations to the education sector and assess their implications for access, equity, and quality

- **Underfunding Despite Commitments:** Despite repeated recommendations for a 6% GDP allocation, India's actual spending on education has hovered between 2.8% and 3.5% since the 1990s (Chakrabarti, 2020). Even during policy expansions like Sarva Shiksha Abhiyan (2001) or the implementation of the RTE Act (2009), budgetary provisions were far lower than needed. In 2018–19, for instance, only 3.1% of GDP was spent on education, with substantial disparities between central and state contributions. This underfunding has created infrastructural deficits, shortage of trained teachers, and limited digital infrastructure—hindering educational equity and quality.
- **Inequity in Budget Allocations across Levels of Education:** An important political-economic flaw lies in the disproportionate allocation between primary, secondary, and higher education. While the majority of India's school-going population is at the primary level, a larger share of funding historically went to elite institutions of higher education. For instance, in the Union Budget 2019–20, the Ministry of Human Resource Development allocated ₹38,317 crores to school education, while ₹37,461 crores went to higher education—highlighting a top-heavy spending pattern (Raman, 2020).
- **Rural–Urban Divide and Financial Injustice:** The urban-rural divide in education funding is stark. Schools in rural or tribal areas often lack basic infrastructure like toilets, libraries, and electricity. According to DISE 2017-18 data, only 66% of rural schools had functional toilets, and just 52% had a library. Political neglect in rural education investment reflects both a demographic bias and vote-bank politics that favor urban visibility over long-term rural reforms. This skews educational outcomes and limits social mobility for rural youth.
- **State-Wise Variations and Federal Inequality:** Education being a concurrent subject, state governments play a major role in its implementation. Yet, there is stark disparity among states.



For example, Kerala spent 5.4% of its GSDP on education (2019), while states like Uttar Pradesh and Bihar lagged below 3%. These variations are shaped by both economic capacity and political priorities. Better-performing states have stronger governance, less corruption in school programs, and often left-leaning policy regimes that prioritize social sectors (De & Dreze, 1999).

- **Rhetoric vs Reality in NEP 2020 Financial Vision:** The National Education Policy 2020 proposed increasing public education expenditure to 6% of GDP, a reiteration of the Kothari Commission's recommendation. However, there was no binding financial roadmap. The policy's ambitious goals—multilingual education, digital transformation, teacher training, and vocational integration—remain underfunded. Without increased budgetary commitment, these reforms may meet the same fate as previous initiatives: under-implementation and widening inequality (Raman, 2020).

6. Summary & Conclusion—India's political economy of education is characterized by ambitious policies often undermined by weak fiscal commitments and political apathy. Despite progressive frameworks, the failure to allocate adequate financial resources—especially at the foundational and rural levels—has led to persistent inequalities and underachievement.

The historical prioritization of elite education, continued dependence on privatization, and inadequate infrastructure investment suggest that the education system reinforces existing class and caste-based hierarchies rather than dismantling them. True reform demands not only visionary policy documents but consistent political will and financial prioritization.

For India to achieve equitable and quality education for all, a radical shift is required in how governments at all levels treat educational investment—not as expenditure but as a foundational pillar of socio-economic transformation.

The present study systematically traced the evolution of educational policies and public financing in India through the lens of political economy. From the colonial legacy of elitist education to the post-independence vision of inclusive development, education in India has always reflected broader ideological, political, and economic priorities. While the nation has made considerable progress in expanding educational access—especially at the elementary level—the study finds that deep-rooted structural imbalances persist, largely due to inadequate public spending, political apathy, and inequitable policy implementation.

One of the most critical insights emerging from the analysis is the disjunction between policy intent and resource allocation. Repeated policy documents—from the Kothari Commission to the NEP 2020—have emphasized universal and equitable education, yet public expenditure has rarely crossed the benchmark of 6% of GDP. Moreover, while rhetoric often highlights marginalized communities and rural outreach, actual budget allocations tend to favor urban, higher-education-centric models, contributing to a stratified system. This misalignment is not merely administrative but deeply political, shaped by regime ideologies, fiscal priorities, and electoral calculus.

The study also concludes that financial decentralization and the federal structure of education governance have led to wide inter-state disparities in educational outcomes. States with stronger political commitment and better public institutions like Kerala have outperformed states like Uttar Pradesh and Bihar despite similar policy frameworks. Further, the rise of private education as a consequence of neoliberal reforms has aggravated socio-economic inequalities, leaving vulnerable populations at the mercy of an under-resourced public system.

In summary, India's education system continues to be a battleground of competing political interests, market forces, and developmental needs. Until education is treated not just as a social service but as a fundamental right backed by sufficient political and financial commitment, the goals of equity, quality, and universality will remain elusive. The findings reinforce the need for a political economy approach to education reform that is inclusive, adequately funded, and driven by long-term public vision rather than short-term political gains.

7. Recommendations-

- **Ensure Constitutional Commitment to Education Spending:** The central and state governments should legally mandate the allocation of at least 6% of GDP to education, as



originally recommended by the Kothari Commission and reiterated in NEP 2020. This commitment should be protected from annual budgetary fluctuations.

- **Establish a Financial Equity Audit System:** A national mechanism should be set up to monitor and evaluate the equity of public education spending, particularly focusing on rural, tribal, and disadvantaged districts. This will help identify financial leakages and redirect funds to where they are most needed.
- **Revive and Strengthen Public School Infrastructure:** Targeted investment must be made in revitalizing government schools, especially in underdeveloped regions. This includes building adequate classrooms, toilets, libraries, and providing digital learning tools, along with hiring and training qualified teachers.
- **Limit Unregulated Private Sector Expansion:** A strong regulatory framework should be implemented to monitor private schools and higher education institutions. Policies should ensure affordability, transparency, and accountability while protecting the rights of students from economically weaker sections.
- **Promote State-Specific Policy Autonomy and Capacity Building:** States should be encouraged to develop education policies that reflect local needs, supported by central funding and technical assistance. Special emphasis should be placed on improving educational governance and monitoring capacity at the district level.

8. Scope For Further Research-

- **Comparative Political Economy of Education Across Indian States:** Future research can conduct a state-wise comparative study to explore why certain states succeed in educational outcomes while others lag despite having similar financial and policy support from the center.
- **Impact of Election Cycles on Education Budgeting:** A focused study can examine how electoral politics influence public education spending, especially in terms of populist schemes versus long-term structural investments.

Longitudinal Study on NEP 2020 Implementation: A longitudinal research project assessing the actual ground-level implementation of the NEP 2020 across regions can provide insights into the practical barriers between policy formulation and real-world outcomes.

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