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Knowledge Brief

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Education Spending Inequality Across Income Groups: Evidence from HIES 2024–25

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Executive Summary

This brief examines household and government spending on education in Pakistan, with particular attention to differences across income groups, rural and urban areas, and provinces. Using data from the Household Integrated Economic Survey (HIES) 2024-25 and UNESCO data on education spending, it assesses changes in education spending and identifies groups and regions facing relatively low expenditure on education.

Household spending on education declined as a share of total household consumption, from 3.98 percent in 2018–19 to 2.48 percent in 2024–25. At the same time, the proportion of children aged 5–16 who are out of school declined from 30 percent to 28 percent, indicating that the reduction in household education spending cannot simply be attributed to lower participation.

Public spending on education also remains low. Pakistan's education expenditure has remained below 2 percent of GDP and around 8 percent of total government expenditure in recent years, with a widening gap relative to India. Household-level data further reveal substantial disparities: education expenditure rises consistently with household welfare and is generally higher among urban than rural households. These disparities are particularly pronounced across provinces.

The findings point to the need for greater and more effectively targeted public investment in education, particularly to support lower-income households, rural populations, and underserved regions.

1. Introduction

Education is a fundamental component of human capital development, economic growth, and poverty reduction. Investment in education enhances productivity, improves income prospects, and supports innovation. Financing education is a shared responsibility: government expenditure supports the provision of educational infrastructure and public services, while household expenditure reflects families' capacity to invest in education. The interaction between these two sources of financing has important implications for access, quality, and equity.

Pakistan's education sector faces persistent financing constraints. Public expenditure remains low, while inflation and weak economic growth have reduced household purchasing power. These pressures can disproportionately affect lower-income and rural households, potentially widening existing educational disparities across socioeconomic groups and regions.

The HIES 2024–25 reports a substantial decline in the share of household expenditure devoted to education compared with 2018–19. International evidence also indicates that Pakistan allocates fewer resources to education than some regional peers, including India. This brief examines education expenditure across income quintiles, rural and urban areas, and provinces, alongside trends in public education spending.

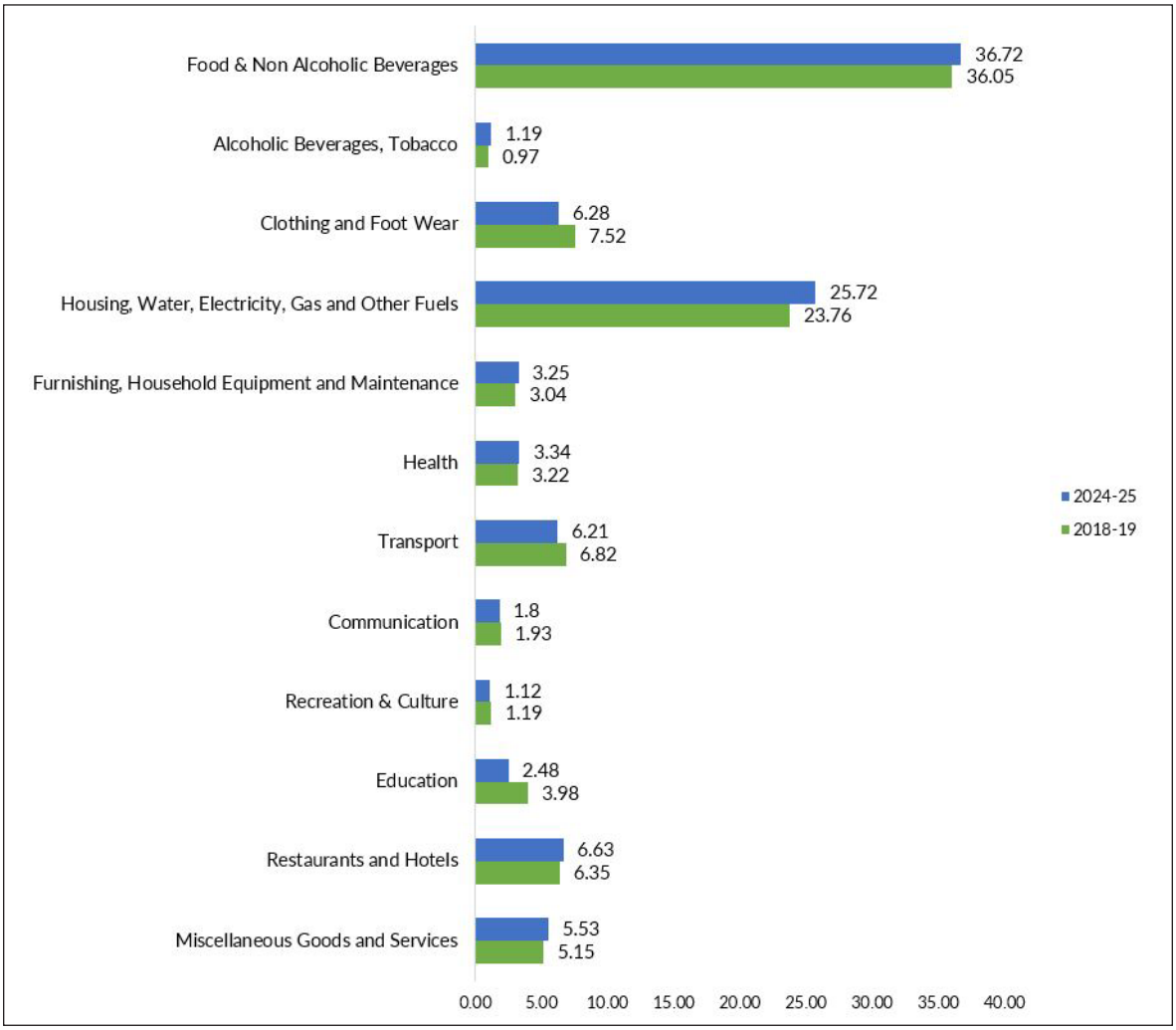
2. Household Consumption Expenditure on Education

Household expenditure patterns provide an important indication of the financial constraints faced by families. As household budgets come under pressure, spending may shift towards immediate necessities and away from expenditures that generate longer-term benefits.

Figure 1 presents the distribution of household consumption expenditure across major categories between HIES 2018–19 and HIES 2024–25. Food and housing account for an increasing share of household expenditure, while education's share declined from 3.98 percent in 2018–19 to 2.48 percent in 2024–25.

This decline is important because education is not merely a current consumption item; it represents an investment in future productivity and income. A reduction in household education spending may therefore have implications for human capital accumulation, particularly among households with limited financial resources.

Figure 1: Distribution of Consumption of Households

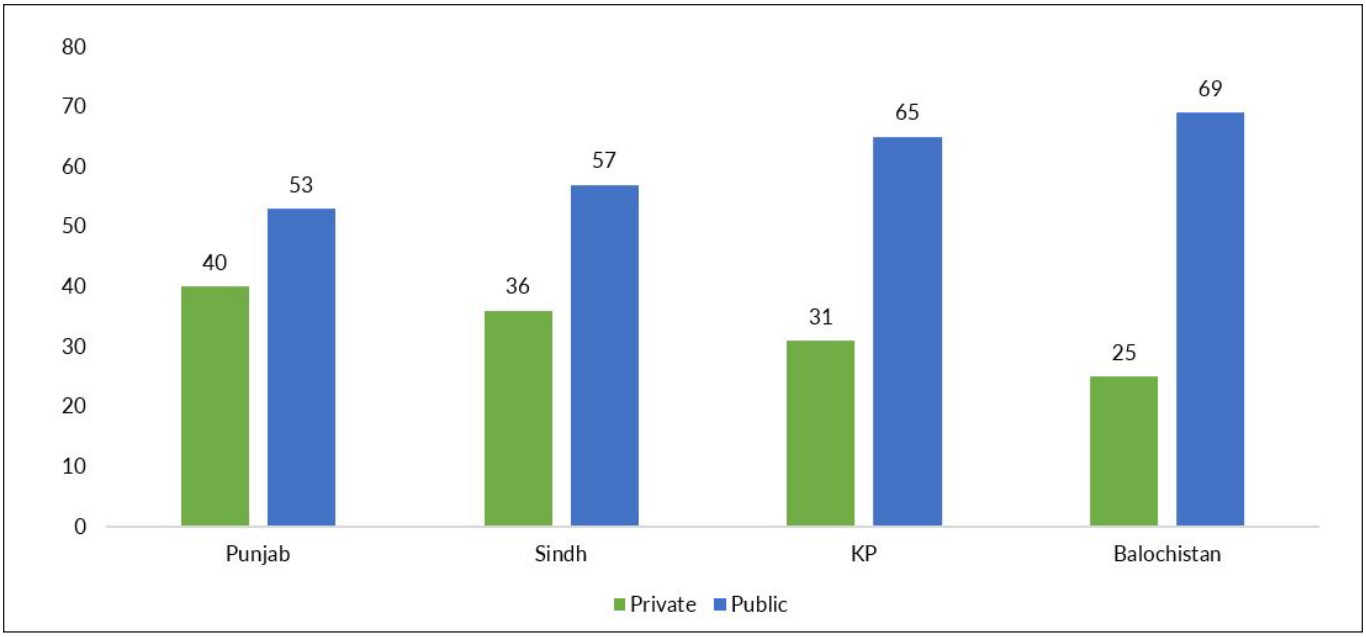


Source: HIES 2024–25.

The decline in education expenditure raises three questions. First, has the reduction been similar across income groups, or have poorer households faced greater constraints? Second, do rural households allocate less to education than urban households? Third, how do education expenditures vary across provinces?

A further consideration is whether households have increasingly relied on public education as a lower-cost alternative to private schooling. Figure 2 shows that a substantial proportion of children attend public schools, while a smaller share (6%-8%) attend madrassas and schools operated by NGOs or trusts.

Figure 2. Children Currently Attending School by type of School

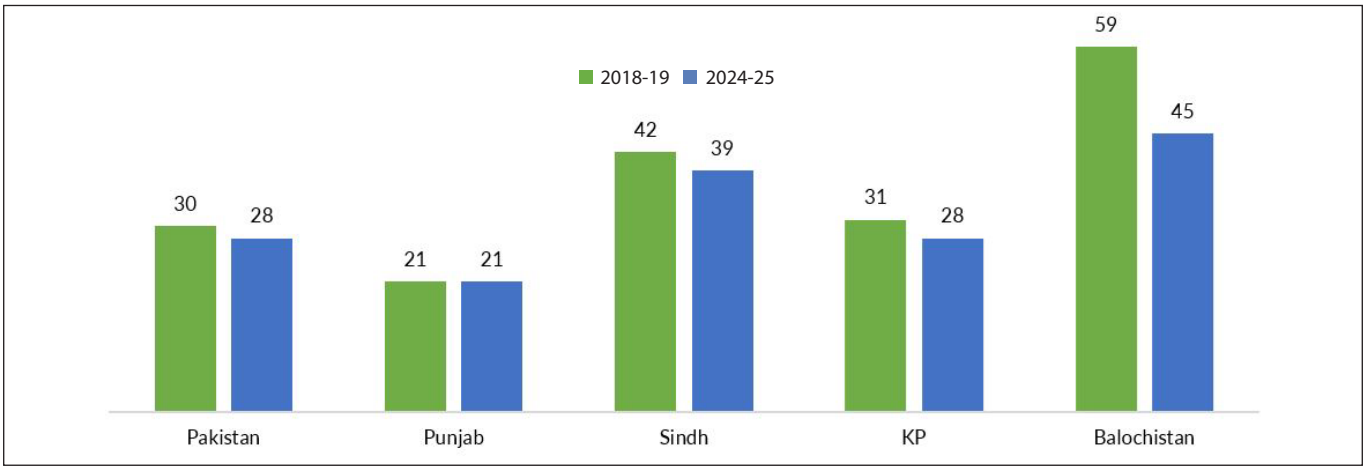


Source: Based on HIES, (2024-25)

The decline in household education expenditure could potentially reflect lower educational participation. However, the evidence does not support this explanation. Figure 3 shows that the proportion of children aged 5–16 who are out of school declined between 2018–19 and 2024–25. At the national level, the share fell from 30 percent to 28 percent.

Thus, the decline in household education expenditure occurred alongside a modest improvement in school participation. This makes it important to examine whether public expenditure has also changed over the same period.

Figure 3. Out of School Children age (5-16) Years



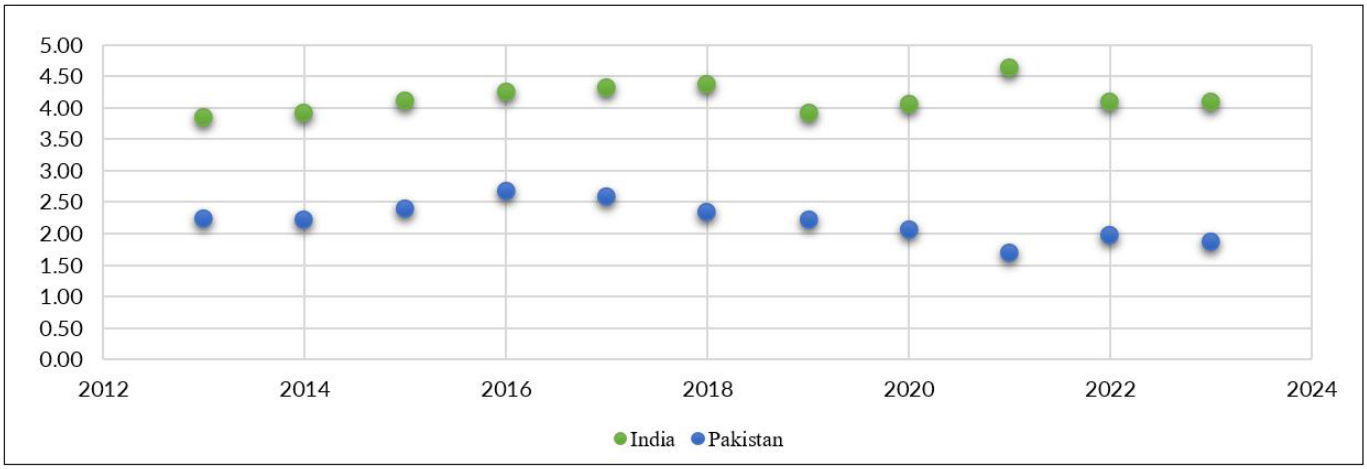
Source: HIES (2024-25)

3. Public Expenditure on Education

Government expenditure on education as a share of GDP and total government expenditure is widely used to assess the priority governments assign to education relative to other sectors and competing public spending needs. It includes spending by federal, provincial, and local governments on items such as salaries, teaching and learning materials, administration, school infrastructure, and maintenance.

Figure 4 compares government education expenditure as a share of GDP in Pakistan and India between 2013 and 2023. Pakistan consistently spent less on education than India during the period, with the gap becoming more pronounced after 2020.

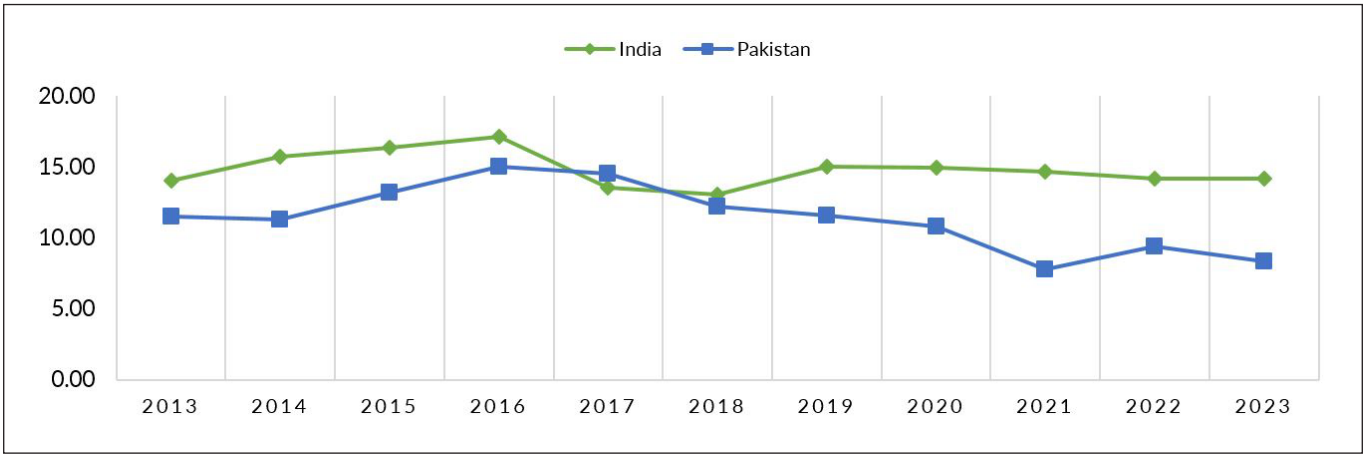
Figure 4. Government Education Spending as a share of GDP (Pak vs India)



Source: UNESCO Institute for Statistics (2025)

Pakistan's education allocation increased from approximately 11% of total government expenditure in 2013 to 15% in 2016, but subsequently declined, reaching about 8% in 2021, with only a modest recovery in 2022 before declining again in 2023. In contrast, India's allocation rose from approximately 14% in 2013 to 17% in 2016, before declining and stabilizing at around 14–15%. Thus, while both countries experienced a decline after 2016, India consistently maintained a higher share of government expenditure on education. These levels also fall short of the UNESCO and SDG 4 benchmark of allocating 4–6% of GDP or 15–20% of total public expenditure to education.

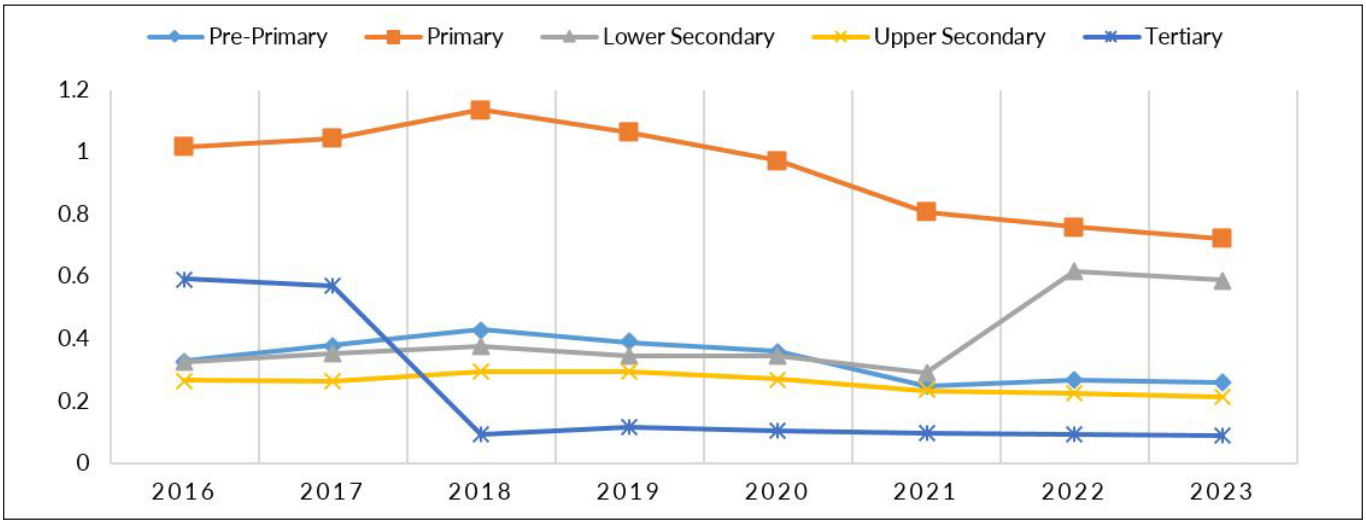
Figure 5. Government Spending on Education as a Share of Total Government Expenditure



Source: UNESCO Institute for Statistics (2025).

The composition of public education expenditure also varies by level of education. Figure 6 shows government education expenditure as a share of GDP across different levels of education between 2016 and 2023.

Figure 6. Government Spending at Different Level of Education as share of GDP



Source: UNESCO Institute for Statistics (2025).

Primary education consistently accounted for the largest share of public education expenditure, reaching approximately 1.1 percent of GDP in 2018 before declining to around 0.7 percent in 2023. Spending on pre-primary and upper-secondary education remained relatively low throughout the period. Lower-secondary education expenditure increased after 2021, reaching approximately 0.6 percent of GDP in 2022 and remaining close to that level in 2023. Tertiary education expenditure declined substantially after 2017, reaching approximately 0.1 percent of GDP from 2018 onward.

4. Education Expenditure Across Regions and Income Groups

To examine differences in household education spending, households are divided into five consumption-based quintiles. Households are ranked according to per capita consumption and grouped into five equal-sized groups. The first quintile represents the poorest 20 percent of households, while the fifth represents the richest 20 percent.

Table 1 presents household education expenditure as a percentage of total household expenditure across income quintiles, regions, and provinces.



Table 1. Distribution of household Education Expenditures (%) across Regions and Income Groups

Region		Quintiles				
		1st	2nd	3rd	4th	5th
Pakistan		0.55	1.05	1.56	2.12	3.71
	Urban	0.82	1.36	1.88	2.51	3.97
	Rural	0.48	0.90	1.36	1.79	3.24
Punjab		0.60	1.13	1.63	2.26	4.08
	Urban	0.89	1.57	2.11	2.82	4.73
	Rural	0.52	0.90	1.30	1.78	3.10
Sindh		0.42	0.89	1.31	1.67	2.47
	Urban	0.55	1.10	1.36	1.80	2.58
	Rural	0.38	0.70	1.24	1.40	1.54
KP		0.58	1.05	1.71	2.26	4.93
	Urban	1.12	1.18	2.25	3.20	5.89
	Rural	0.52	1.04	1.63	2.05	4.47
Balochistan		0.62	0.94	1.27	1.94	3.29
	Urban	1.13	1.15	1.84	2.40	3.34
	Rural	0.46	0.88	0.96	1.66	3.22

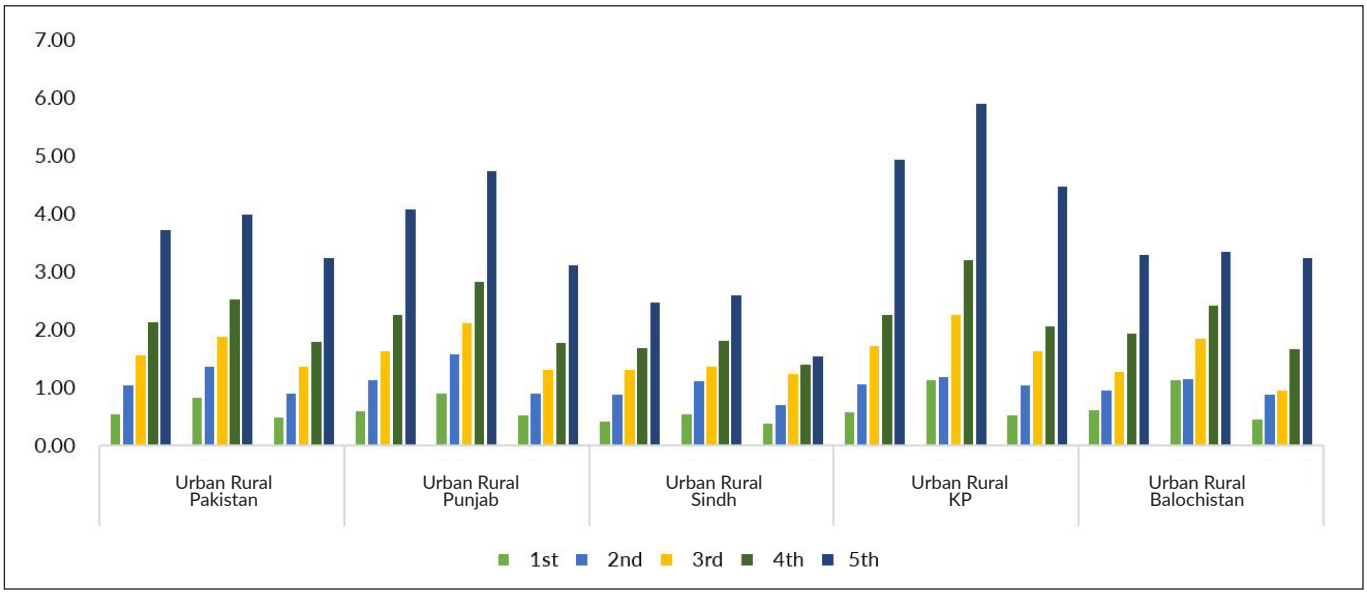
Source: Calculated from HIES 2024–25.

The data show a clear positive relationship between household welfare and the share of expenditure allocated to education. At the national level, education expenditure rises from 0.55 percent among households in the poorest quintile to 3.71 percent among those in the richest quintile. Urban households generally allocate a larger share of expenditure to education than rural households.

Provincial differences are also substantial. In Khyber Pakhtunkhwa, education expenditure reaches 5.89 percent among the richest urban households, the highest figure reported in the table. In contrast, the lowest expenditure is recorded among the poorest rural households in Sindh, at 0.38 percent. Punjab broadly follows the national pattern, while Balochistan shows relatively low expenditure among lower-income rural households and substantially higher expenditure among richer households.

Overall, education expenditure is strongly associated with household welfare and location. Poorer households, particularly those in rural areas, allocate a substantially smaller share of their expenditure to education than richer and urban households.

Figure 7. Rural–Urban Household Education Expenditure by Income Quintile



Source: Calculated from HIES 2024–25.

Figure 7 reinforces the pattern observed in Table 1. The share of expenditure devoted to education generally increases with household welfare across regions and provinces. The urban–rural gap is also evident, with urban households generally allocating a larger share of expenditure to education. Differences in household resources and access to educational institutions may contribute to this pattern.

5. Policy Implications and Final Remarks

The evidence points to a persistent financing challenge at both the household and government levels. Household education expenditure has declined as a share of consumption since 2018–19, while public expenditure on education remains low relative to GDP and total government spending. At the same time, school participation has improved modestly, suggesting that declining household expenditure cannot be explained simply by lower participation.

The distribution of household expenditure further highlights significant inequality. Education spending increases consistently with household welfare and is generally lower among rural households. The differences across provinces are also substantial, with particularly low expenditure among poorer rural households in Sindh and Balochistan.

These findings have two important policy implications. First, increasing and protecting public investment in education is necessary to support human capital formation. Second, greater attention should be given to lower-income households, rural populations, and underserved regions, where household capacity to finance education is most limited.

Expanding access to affordable and quality public education can help reduce the financial burden on households. However, increased access should be accompanied by adequate public financing to ensure that expansion does not come at the expense of educational quality.

The central policy challenge is therefore not only to increase education spending, but also to improve its distribution and effectiveness. Greater and better-targeted public investment can help reduce disparities in educational opportunities and strengthen the contribution of education to Pakistan's long-term human capital development.