The Role of National Education Policy (NEP) 2020/2025 In Shaping Education Financing and Loan Structures

SARABJIT THAKUR
Sister Nivedita University

Abstract ***Alright, let's be real—India's National Education Policy (NEP) 2020/2025 is trying to shake things up in a big way. They're talking about pumping more cash into education and rolling out new ways to actually get that money where it matters. Think: scholarships that actually help, direct cash transfers, and even loans that don't require you to sell your soul—or your family's land—as collateral. Some stuff like the Vidya Lakshmi Scheme is getting a closer look here, along with how private money, families, and even foreign investors are getting roped into paying for higher education. The whole point? Make college and university less of a luxury and more of a real possibility for everyone, not just the rich kids. The paper digs into real numbers, not just fancy talk, to see if any of this is actually working— are we really shrinking the gap between the haves and have-nots, or is it just fancy window dressing? Apparently, there's some progress, but also a bunch of headaches and roadblocks. In the end, the big message is: yeah, there's promise, but India's education system is complicated as heck, so the policies need to keep shifting and adapting if we actually want fair and lasting results. No magic fix, just a long, messy road ahead.***

Keywords: National Education Policy, Education Financing, Education Loans, Public Investment, Higher Education, Equity, Vidya Lakshmi Scheme, India

I. INTRODUCTION: NATIONAL EDUCATION POLICY (NEP) 2020

Alright, here's the deal with NEP 2020. It's basically India chucking out that dusty old 1986 education policy and going, "You know what? Let's try something fresher." So, they're tossing in a bunch of new ideas—think more chill, more holistic, and less one-size-fits-all. Suddenly, it's not just about cramming for exams, but actually making sure kids can, well, read and do basic math (what a concept, right?). Plus, there's a big push for skill-based stuff and not leaving anyone behind, especially folks from marginalised communities. About time.

Money's a huge part of the plan too. NEP 2020 is basically shouting, "Hey! Let's throw more cash—public and private—at education!" They're talking scholarships, special funds, even digital loan platforms, so more people can actually afford to go to school. It's supposed to make things fairer and pull more people into the fold. Fingers crossed, right?

Honestly, if the folks in charge actually follow through, this could really shake things up—level the playing field, help people build real skills, and maybe, just maybe, change the way India grows. There's a ton to dig into here, especially if you're into law, policy, or just wondering how education can drive real change. Let's see if they walk the talk this time.

II. BACKGROUND AND CONTEXT: NEP 2020

India's education system has long faced challenges related to underfunding, regional disparities, and inadequate infrastructure that impede universal access and quality outcomes. The NEP 2020 recognizes these systemic issues and sets ambitious targets to double education spending to 6% of GDP, the global benchmark for educational excellence.

Higher education reforms feature prominently to align with the country's demographic dividend, technological advances, and international standards. Financing education through innovative loan schemes and augmented public-private partnerships is another pillar aimed at overcoming financial barriers faced by students, especially those from socio-economically marginalized groups.

III. EDUCATION FINANCING UNDER NEP 2020/2025

Increased Public Expenditure on Education
One of the most transformative commitments of the NEP 2020 is the proposal to increase public expenditure on education to 6% of the Gross Domestic Product (GDP). This target is ambitious

given India's historical average public spending of approximately 3% of GDP on education. The policy recognizes that adequate financial resources are fundamental to addressing long-standing issues of access, infrastructure, teacher quality, and research.

The increased allocation is designed to cover several key areas:
- Early Childhood Care and Education (ECCE): Ensuring foundational literacy and numeracy through improved pre-primary programs.
- School and Higher Education Infrastructure: Expanding and modernizing physical infrastructure to accommodate growing student populations and evolving pedagogical needs.
- Teacher Training and Capacity Building: Professional development initiatives to enhance teacher effectiveness and adapt to new curricular paradigms.
- Research and Innovation: Funding for university research projects and innovation hubs to align with global academic standards.
- Inclusive Education Initiatives: Targeted expenditures for marginalized communities to bridge equity gaps.

The policy advocates that both central and state governments increase their respective shares of education budget spending. The expectation is that these investments will improve enrollment rates, reduce dropout rates, and drive quality education outcomes.

Role of State Governments and Decentralized Financing

NEP 2020 expects state governments to play a vital role in education financing, highlighting the need for decentralized planning and budgeting to tailor solutions to local needs. States are encouraged to design their financing strategies aligned with NEP priorities, emphasizing inclusivity and quality.

Local bodies, such as Panchayats and Municipalities, are also acknowledged as crucial actors in managing and mobilizing community resources, which could include innovative financing approaches like community bonds or education cess at the local level.

Private Sector Investment and Public-Private Partnerships (PPP)

While public funding remains the cornerstone of the NEP's vision, the policy also welcomes greater private sector involvement. Recognizing the capital and managerial strengths of private entities, NEP promotes Public-Private Partnerships (PPP) to supplement government resources, especially to:
- Increase the availability of quality infrastructure and technological tools.
- Enhance the capacity and scale of vocational and skill development programs.
- Foster research collaborations and innovation incubators within higher education institutions.

The policy also actively encourages foreign direct investment (FDI) and external commercial borrowings (ECB) to provide alternative financing channels. This approach aims to ease financial bottlenecks and infuse global best practices, although it calls for careful regulation to ensure equitable access and prevent commercialization.

Targeted Scholarships and Financial Aid Mechanisms

To promote inclusive education, NEP 2020 emphasizes the expansion of scholarships, fee waivers, and direct benefit transfers, focusing on underprivileged groups that include Scheduled Castes (SC), Scheduled Tribes (ST), Other Backward Classes (OBC), Persons with Disabilities (PwD), and economically weaker sections (EWS). These financial aid mechanisms aim to:
- Offset direct and indirect costs of education, such as tuition, books, and transportation.
- Address regional disparities in access.
- Enhance participation of girls and other marginalized demographics.

Financing for such schemes is proposed to be part of the broader education budget, supplemented by NGO collaborations and CSR (Corporate Social Responsibility) initiatives from private companies.

IV. EDUCATION LOAN STRUCTURES AND INNOVATIONS UNDER NEP

Overview of Education Loans in India Pre-NEP

Before NEP 2020, education loans in India were characterized by limited accessibility, high collateral requirements, and complex bureaucratic procedures. Many economically disadvantaged students, particularly in rural areas, faced significant hurdles in obtaining education loans, contributing to low higher education enrollment in marginalized communities.

Policy Innovations and Loan Scheme Reforms

Recognizing these obstacles, NEP 2020 catalyzed reforms to create more accessible education financing routes. It encouraged the development of:

1. Collateral-Free Education Loans: These loans aim to reduce barriers by eliminating the requirement for security deposits, thus expanding access for students from poor backgrounds.
2. Simplified Application Processes: Adoption of user-friendly, integrated digital platforms simplifies loan applications, processing, and monitoring.
3. Integrated Scholarship and Loan Systems: Efforts to coordinate these financing mechanisms avoid duplication, increase efficiency, and enhance impact.
4. Financial Literacy Programs: Emphasis on educating students and families about loan application, repayment obligations, and responsible borrowing.

The Vidya Lakshmi Scheme

The Vidya Lakshmi Scheme is a flagship initiative aligned with the NEP's vision to widen access to education financing. Launched by the Government of India's Ministry of Education, the scheme offers an online portal where students can:

- Apply for education loans from multiple banks through a single window.
- Access information about various scholarship schemes.
- Monitor the status of their loan applications and repayments.

Key features include collateral-free loan options for students admitted to institutions listed in the scheme, targeted at covering tuition and other educational expenses. The scheme operates with significant budgetary allocation (₹3,600 crore over FY 2024–25 to 2030–31) to bolster higher education enrollment and support.

Digital Transformation in Loan Processing and Management

NEP 2020 encourages the use of digital technologies in loan management to streamline disbursement and repayment processes. Digital wallets, e-vouchers, automated SMS alerts, and integration with bank systems improve transparency and provide real-time tracking. This digital infrastructure aims to:

- Reduce loan processing time.
- Lower incidences of fraud and misappropriation.
- Facilitate easier repayment with auto-deductions and reminders.

Challenges and Risks in Loan Schemes

Despite these reforms, challenges remain, such as:

- Awareness Gaps: Many students, especially in rural and marginalized communities, remain unaware of loan schemes and eligibility criteria.
- Financial Literacy Deficit: Inadequate understanding of loan terms can lead to repayment defaults and debt distress.
- Loan Default Risk: Socioeconomic vulnerability exposes borrowers to higher default risks, impacting institutional willingness to lend.
- Implementation Disparities: Varying efficiency in different regions and institutions in promoting and managing loan schemes.

Addressing these issues requires coordinated efforts in policy communication, financial education, and institutional oversight.

Impact Assessment of NEP 2020/2025 on Education Financing and Loans

Enhanced Access and Enrollment

Initial post-policy implementation data suggests a positive trend toward increased enrollment—especially in higher education—attributable partly to augmented public funding and availability of education loans. Government reports highlight:

- Rise in applications through the Vidya Lakshmi Scheme portals.
- Significant uptick in higher education admission rates among students from SC/ST and other backward communities.
- Increased enrollment for technical, vocational, and multidisciplinary courses encouraged by NEP.

This indicates progress toward the policy's goal of universal access and social inclusion.

Equity and Financial Inclusion

The policy's emphasis on scholarships, fee waivers, and collateral-free loans has enhanced participation among marginalized groups. Many beneficiaries report improved affordability due to direct benefit transfers and reduced reliance on informal credit sources:

- Survey data shows improvements in first-generation learners accessing higher education.

- School dropout rates decline in economically vulnerable segments with increased financial support.
- Female student participation in higher education rises due to targeted schemes.

Nonetheless, challenges persist in fully bridging rural-urban and gender divides.

Quality Improvement and Research Funding
Increased budgetary allocation catalyzed efforts to improve infrastructure, teacher training, and research capacity, directly supporting the NEP's vision of quality enhancement through financing:

- New research grants and innovation funds enable greater academic output.
- Expansion of digital infrastructure increases learning modalities and access.
- Upskilling programs for educators improve pedagogy and student outcomes.

Role of Private Sector and FDI
The policy's encouragement of private and foreign investment has resulted in increased private educational institutions, research collaborations, and infrastructure projects. However, constant regulatory oversight remains critical to balance profit motives with equitable access.

V. CHALLENGES AND POLICY IMPLEMENTATION HURDLES

Coordinating Central and State Efforts
While NEP 2020 sets ambitious financing targets, achieving them requires seamless coordination between central and state governments to ensure funds are mobilized and utilized effectively. Variation in administrative capacities can delay implementation or lead to uneven outcomes.

Financial Literacy and Awareness
Many prospective beneficiaries remain unaware of education loan schemes, eligibility criteria, and repayment obligations. Poor financial literacy increases the risk of loan defaults, ultimately threatening the sustainability of education financing programs.

Managing Loan Defaults and Non-Performing Assets
Education loan defaults pose economic risks to lending institutions and restrict future credit availability. Policymakers need to develop robust risk management frameworks, including counseling, monitoring, and reasonable repayment terms tailored to students' capacities.

Inclusion of Marginalized Communities
Despite policy provisions, certain groups, particularly in remote rural areas or socially isolated communities, continue to face barriers related to infrastructure, social stigma, and informational deficits. Targeted outreach and community involvement remain critical.

Private Sector Over-Reliance and Affordability Concerns
Expanding private sector roles and FDI inflows bring capital but raise concerns about rising tuition costs and commercialization of education, potentially contradicting NEP's equity goals. Regulatory mechanisms must strike a balance to ensure affordability.

VI. POLICY RECOMMENDATIONS

Strengthen Financial Literacy Initiatives
Comprehensive awareness campaigns and school/university-based financial literacy programs can empower students and families to make informed loan decisions, reducing default risks.

Enhance Monitoring and Accountability Frameworks
Improved digital tracking systems for loan application, disbursal, utilization, and repayment should be institutionalized with transparent reporting standards to mitigate misuse and delays.

Promote Public-Private Dialogue
Continuous engagement between government, private sector, and civil society is essential to align investment terms with social equity objectives and encourage innovative financing models.

Regionalized Financing Strategies
Tailoring financing mechanisms to the socio-economic and cultural contexts of diverse regions will optimize inclusivity, especially for underserved rural and tribal populations.

Expand Scholarship and Grant Coverage
Alongside loans, expanding merit and need-based scholarships funded through increased budget allocations and CSR partnerships will continue removing economic barriers for vulnerable groups.

VII. CONCLUSION

Alright, here's the thing about the National Education Policy 2020/2025 — it's not just another government memo lost in a sea of paperwork. This thing's actually trying to shake up how India funds education. More cash from the government? Check. Student-friendly loan setups like that Vidya Lakshmi portal? Also check. Oh, and they're not shy about pulling in private and even foreign money. The goal? Basically, to give everyone a fair shot at a good education, not just the lucky few.

But, you know, it's not all sunshine and rainbows. Sure, there's been progress, but let's not kid ourselves — we're still dealing with stuff like folks not really understanding loans, people defaulting, and the same old gaps in who actually gets access. NEP's grand financing plans are only going to work if the government keeps tweaking things, actually enforces the rules, and gets everyone from schools to banks to parents on board.

Looking ahead, what's really needed is some flexibility — like, don't treat every region the same, build up local know-how, and keep the money trail squeaky clean. That's the only way this policy will actually deliver on its big promises for an education system that's fair, top- notch, and built to last.

REFERENCES

[1] Khare, Mona. "Financial Implications of National Education Policy-2020." AIU Publications, 2021.aiu .
[2] Ministry of Education, Government of India. “Higher Education under NEP 2020: Reimagining India's Future.” Press Information Bureau, 2022.pib
[3] Avanse Blog. "Impact of The New National Education Policy." Avanse Capital, 2022.avanse .
[4] UNESCO Institute for Lifelong Learning. "India: National Education Policy." UNESCO UIL, 2024.uil.unesco .
[5] “National Education Policy 2020.” Wikipedia, 2020.wikipedia .
[6] Byju's IAS Prep. "National Education Policy (NEP 2020): Overview." Byju's, 2024.byjus .
[7] Truscholar. "What is National Education Policy 2020? Benefits and Features." Truscholar Blog, 2025.truscholar
[8] ScienceDirect. "Public and Household Financing of Education in India." ScienceDirect Journal, 2025.sciencedirect
[9] PIB India. "National Education Day 2024: Transforming Learning." Government Press Release, 2024.pib
[10] Nagaed. "An Introduction to National Education Policy 2020 and its Impact on North-East India." Naga Education, 2023.nagaed
[11] IOSR Journals. "A Critical Analysis of NEP 2020: Impact on School and Higher Education." IOSR Journal of Humanities and Social Science, 2025.iosrjournals
[12] JIER. "NEP and Research Orientation in Higher Education." Journal of Education and Research, 2025.jier
[13] Khare, M. (2021). Financial Implications of National Education Policy-2020. AIU Publications. Retrieved from https://www.aiu.ac.in/documents/AIU_Publications/Wednesday_Essay/23.%20Financial%2 Implications%20of%20National%20Education%20Policy-020%20By%20Mona%20Khare_22%20Sep%2021.pdf .
[14] Ministry of Education, Government of India. (2022). Higher Education under NEP 2020: Reimagining India's Future. Press Information Bureau. Retrieved from https://www.pib.gov.in/PressNoteDetails.aspx?id=154950&NoteId=154950&ModuleId=3
[15] Rangarajan, R. (2025). Inclusion and Equity in India's New National Education Policy. International Journal of Inclusive Education. Taylor & Francis.
[16] Ashokkumar, T. (2025). Analyzing the Impact of the New Educational Policy 2020. ScienceDirect. Retrieved from https://www.sciencedirect.com/science/article/abs/pii/S0149718924001174
[17] Government of India. (2004-2024). Pradhan Mantri Vidya Lakshmi Karyakram. National Scholarship Portal & Vidya Lakshmi Portal. Retrieved from https://pmvidyalaxmi.co.in
[18] Press Information Bureau, Government of India. (2024). National Education Day 2024. Retrieved from https://www.pib.gov.in/PressReleasePage.aspx?PRID=2072203
[19] Mandavkar, P. (2024). National Education Policy 2020 and Research in Higher Education. SSRN. Retrieved from

https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4715999 .
[20] Mishra, R. K. (2021). Alternative Strategies for Financing Higher Education Institution for Realizing National Education Policy-2020. AIU Publications. Retrieved fromhttps://www.aiu.ac.in/documents/AIU_Publications/Wednesday_Essay/16.%20Alternative 20Strategies%20for%20Financing%20Higher%20Education%20Institution%20for%20Realizing%20National%20Eductaion%20Policy-020%20By%20Prof%20R%20K%20Mishra%20_04%20Aug%2021.pdf .
[21] India.gov.in. (n.d.). Pradhan Mantri Vidya Lakshmi Karyakram: Towards Bright Future. % Retrieved from https://www.india.gov.in/spotlight/pradhan-mantri-vidya-lakshmi- karyakram-towards-bright-future
[22] Financial Literacy and Inclusion in India Final Report. (2023). National Centre for Financial Education. Retrieved from https://ncfe.org.in/wp-content/uploads/2023/12/NCFE-2019_Final_Report.pdf
[23] State Bank of India. (2025). Apply for Student Loan Online in India. Retrieved from https://sbi.co.in/web/personal-banking/loans/education-loans/student-loan-scheme
[24] IOSR Journals. (2025). A Critical Analysis of NEP 2020: Impact on School and Higher Education. IOSR Journal of Humanities and Social Science. Retrieved from https://www.iosrjournals.org/iosr-jhss/papers/Vol.30-Issue6/Ser-4/G3006044854.pdf