

Higher Education in India's 2026 Budget

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The Indian government has increased the budgetary allocation for higher education by 11 percent in its 2026 budget. However, it is initiatives like the creation of a high-powered Education-to-Employment and Enterprise Standing Committee that might actually help India address one of its biggest challenges: high levels of youth unemployment arising from the persistent mismatch between education and skills of the young population with labor-market requirements.

According to the economist Vivek Kaul, as quoted in *Newsland* magazine, “Most of the problems facing the Indian economy today lie outside the reach of a budget.” The same holds true for the role of the budget in India's higher education. Those familiar with India's higher education landscape would also agree with Kaul's observations on the economy: “These are problems of institutions, governance and political priorities—areas where progress is slow, uncertain and often invisible.”

Once we acknowledge that the union budget has a smaller role in higher education than we might want to believe, we can review India's 2026 budget in a more realistic manner. However, there are aspects of the budget that introduce some elements of hope. In particular, the proposal in the 2026 budget to create a high-powered Education-to-Employment and Enterprise Standing Committee shows potential to finally address what is and has been arguably one of the country's main challenges: high levels of youth unemployment, arising from the persistent mismatch between education and skills of the young population with labor-market requirements.

The current situation is not tenable. India needs to better utilize the advantages of its young population to achieve higher rates of economic growth, and this is something the government seems to recognize more clearly than it did before. To put things in proper perspective, India's young population, defined as those in the 15–29 age group, is the largest in the world at 367 million and accounts for one-third of the country's working-age population.

The Challenge of Educated Unemployment

The National Education Policy 2020 recommended that the gross enrollment ratio for the 18–23 age group should be raised from 28 to 50 percent. The Indian government, too, would like more young people to attend college. However, the dampener here is that the employment prospects for college graduates are not encouraging. Educated unemployment numbers are high, and this has been a structural problem for many decades.

The *State of Working India* reports, published annually by Azim Premji University, highlight the scope of the problem. First, as

the 2026 report notes, the job prospects of college graduates remain grim. Graduate unemployment within the 15–29 age group is 40 percent for the 15–25 age group and 20 percent for the 25–29 age group. Second, the wage gap between graduates and nongraduates has shrunk. Third, among those graduates who find jobs, salaries are stagnant. For example, it has been reported that entry-level salaries in the IT sector have stagnated for the past decade and a half. Finally, it is not surprising that the share of young men in higher education fell from 38 percent in 2017 to 34 percent in 2024.

In sum, the path from college education to employment is uncertain, even more so after considering the growing cost of college education (estimated to be increasing at 10–15 percent annually) and the average-to-mediocre quality of education at most colleges.

The 2026 budget recognizes that the transition from education to employment is a major challenge for the country and needs to be addressed. As outlined in the budget itself, “The Union Budget 2026-27 is for creating human capital for Viksit Bharat (Developed India). It primarily focuses on augmenting skills for Yuva Shakti (Youth Power) via multiple announcements highlighting on education, skilling and providing livelihood opportunities for the youth.” Clearly, the government would like to do more and better in terms of skilling, education, and employment opportunities for India's young people.

This is at least partially reflected in the budgetary allocation for higher education, which increased by 11 percent in 2026—from INR500.8 billion (approximately US\$6.1 billion) in the previous year to INR557.3 billion (around US\$6.6 billion). Yet this increase, though not insignificant, is not expected to make much of a difference to the life chances of 367 million young Indians.

Education-to-Employment and Enterprise Standing Committee

In contrast, the 2026 budget has proposed the creation of a high-powered Education-to-Employment and Enterprise Standing Committee which will focus on the services sector. As finance minister Nirmala Sitharaman put it when presenting the initiative, “The committee will prioritise areas to optimise the

potential for growth, employment and exports. The panel will also assess the impact of emerging technologies, including artificial intelligence (AI), on jobs and skill requirements, and propose measures thereof.”

The growth of employment in the service sector is seen to be the core driver of Viksit Bharat due to the failure of the manufacturing sector to generate sufficient numbers of jobs. The expectation is that a renewed focus on services is what is needed for job growth; this can be done by offering and improving the required kinds of education and skills in the context of emerging new technologies, including AI.

The aim of the new Committee will be to try and resolve a familiar problem in India’s labor market: the skills–jobs mismatch. The government’s Economic Survey 2024-25 found that only 8 percent of graduates were employed in roles aligned with their qualifications, while nearly 50 percent were working in “elementary” or “semi-skilled” jobs that did not require their level of education. The survey underlined the need for reforms in education and skill development policies to align them more closely with labor-market requirements. The 2026 budget is therefore in step with the findings and recommendations of the survey.

One part of the solution, of course, is to better align the curricula at higher education institutions and various training and skilling institutions with industry needs. Everyone agrees that colleges and universities carry on with outdated curricula. But even with the right kind of curricula, the institutions have to do much better at teaching and imparting skills to students. This is a formidable challenge.

Finally, while it is acknowledged that AI will impact jobs, it is anybody’s guess by how much and in what ways. Niti Aayog, the government’s planning body, estimates that AI could eliminate close to three million IT and customer service jobs by 2031. This is ‘known unknown’ territory and makes the task of devising solutions more complicated.

Conclusion

There are other initiatives in the 2026 budget that take aim at addressing youth unemployment. For example, the government has announced a pilot scheme for upskilling 10,000 guides in 20 iconic tourist sites through standardized, high-quality training courses.

Another major initiative to address both youth unemployment and economic development is the establishment of five university townships in the vicinity of major industrial logistics centers. According to minister Sitharaman, “These planned academic zones will host multiple universities, colleges, research institutions, skill centres, and residential complexes.” Building such university townships, it is believed, will help integrate higher education institutions of various kinds with industries, as residential complexes provide further support, so that these townships become the growth engines of the nation.

The various budget initiatives of the government require proper planning and execution, neither of which is easily guaranteed. Nonetheless, the Indian government needs to be credited with recognizing the challenges ahead, especially with respect to youth unemployment, and trying to undertake measures to address them.

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