Vol. 3 No. 3 (2025)
Journal of Social Signs Review
Print ISSN: 3006-4651
Online ISSN: 3006-466X

Journal of Social Signs Review

# Financial Constraints and Access to Quality Education: Analyzing the Role of Public and Private Funding in Human Capital Development

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**Abstract**
Access to quality education is a fundamental driver of human capital development, yet financial constraints remain a significant barrier, particularly in developing regions such as Punjab, Pakistan. This study examines the interplay between financial constraints and access to education, focusing on the roles of public and private funding in fostering equitable learning opportunities. Using a quantitative research design, the study analyzes primary and secondary data from household surveys, government education expenditure reports, and institutional funding sources. The findings indicate that inadequate public funding leads to disparities in educational quality, particularly in rural and low-income areas. Private sector involvement, through tuition-based institutions and public-private partnerships, plays a crucial role in supplementing resources; however, it often exacerbates inequality by limiting access for economically disadvantaged students. Additionally, financial literacy and socio-economic conditions significantly influence education-related decision-making at the household level. The results underscore the need for targeted policy interventions, such as increased government investment, need-based scholarships, and enhanced financial governance in education. Strengthening the balance between public and private funding is essential to ensuring inclusive and sustainable human capital development in Punjab.

**Keywords:** Financial Constraints; Education Access; Public and Private Funding; Human Capital Development

**Introduction**

Education is universally recognized as a fundamental driver of human capital development, fostering economic growth, social mobility, and overall national progress (Schultz, 1961; Becker, 1993). Access to quality education not only equips individuals with the necessary skills and knowledge to participate effectively in the labor market but also enhances their ability to contribute meaningfully to society (Hanushek & Woessmann, 2008). However, financial constraints often pose significant barriers to accessing quality education, particularly for disadvantaged and low-income populations (Psacharopoulos & Patrinos, 2004). The availability and effectiveness of both public and private funding mechanisms play a critical role in determining the inclusivity and quality of education systems. Understanding how financial resources shape educational opportunities is essential for developing policies that promote equitable access to education and, ultimately, sustainable human capital development (Tilak, 2002).

The role of financial constraints in education is particularly evident in developing countries, where limited public expenditure on education exacerbates socio-economic disparities (UNESCO, 2019). In such contexts, inadequate government funding leads to overcrowded classrooms, insufficient learning materials, poorly trained teachers, and deteriorating infrastructure (World Bank, 2020). As a result, students from low-income households face significant hurdles in acquiring the necessary education to improve their socio-economic standing (Filmer & Pritchett, 1999). Even in developed countries, where public education systems are relatively well-funded, financial constraints persist in various forms, such as high tuition fees, the rising cost of education-related expenses, and unequal access to quality schools based on geographic location (OECD, 2018). These financial barriers highlight the urgent need for comprehensive funding strategies to bridge the educational gap and ensure that all individuals, regardless of their economic background, have equal access to quality education (Carnoy, 1999).

Public funding remains a primary source of educational finance in most countries, aimed at ensuring equitable access to quality education (Levin, 2001). Governments allocate funds to build and maintain schools, hire and train educators, provide learning materials, and implement educational reforms that enhance learning outcomes (Barr, 2004). However, the effectiveness of public funding varies significantly based on governance, economic stability, and policy implementation (Hanushek, 1997). In many low- and middle-income countries, public education budgets are often constrained by competing national priorities, such as healthcare, infrastructure development, and national security (UNDP, 2016). As a result, underfunded public education systems struggle to provide students with the necessary resources to excel academically (Heyneman, 2003). Furthermore, inefficiencies in budget allocation, corruption, and mismanagement of funds further undermine the impact of public investment in education (Reinikka & Svensson, 2004). Addressing these challenges requires stronger policy interventions, transparency in funding allocation, and increased investments to improve the quality of education across different socio-economic groups (Tilak, 2008).

Private funding has emerged as a crucial supplement to public education financing, particularly in contexts where government resources are insufficient to meet the growing demand for quality education (James, 1991). Private sector contributions to education come in various forms, including tuition fees, corporate sponsorships, philanthropic donations, and partnerships between educational institutions and businesses (Patrinos et al., 2009). The rise of private schools, universities, and vocational training centers has provided alternative educational opportunities for students who may not be adequately served by the public system (LaRocque, 2008). While private education often offers higher-quality learning environments, smaller class sizes, and better-trained educators, it also exacerbates educational inequality by making quality education accessible primarily to those who can afford it (Belfield & Levin, 2002). This raises important questions about the role of private funding in education and the extent to which it contributes to or mitigates disparities in access to quality education (Arum et al., 2007).

The balance between public and private funding in education has significant implications for human capital development (Hanushek & Woessmann, 2012). While public funding aims to provide equitable access to education for all individuals, private investment can drive innovation, improve learning outcomes, and introduce competitive elements that enhance overall educational quality (Barr, 2004). However, excessive reliance on private funding risks marginalizing economically disadvantaged groups and reinforcing existing social inequalities (Brown & Lauder, 2006). Policymakers must carefully design education financing models that leverage the strengths of both public and private funding while ensuring that financial barriers do not prevent individuals from acquiring essential educational opportunities (Psacharopoulos, 2008). Striking this balance requires policy measures such as targeted scholarships, need-based financial aid programs, and regulatory frameworks that promote fair and inclusive education systems (OECD, 2019).

In examining the role of financial constraints and access to quality education, it is important to consider how socio-economic factors intersect with funding mechanisms (Tilak, 2002). Factors such as household income, parental education levels, geographic location, and government policies significantly influence an individual's ability to access quality education (Checchi, 2006). For instance, rural and marginalized communities often experience severe educational disadvantages due to inadequate school infrastructure, a shortage of qualified teachers, and limited access to technology (Banerjee & Duflo, 2011). Addressing these disparities requires comprehensive financial strategies that prioritize investment in underserved regions, expand access to digital learning tools, and enhance teacher training programs (UNESCO, 2020). Moreover, financial support systems such as student loans, grants, and tuition subsidies play a crucial role in alleviating the burden of education costs for low-income families (Barr, 2012).

The global landscape of education financing has also been shaped by international organizations and development agencies that provide funding and policy support to enhance educational access worldwide (UNESCO, 2019). Institutions such as the World Bank, UNESCO, and UNICEF have played pivotal roles in advocating for increased educational investments, particularly in low-income countries (World Bank, 2021). These organizations collaborate with governments, non-profits, and private sector entities to implement programs that promote inclusive education, teacher training, and infrastructure development (UNICEF, 2018). However, the effectiveness of international aid in education depends on proper allocation, monitoring, and alignment with national education priorities (McMahon, 1999). Strengthening international cooperation and ensuring sustainable funding mechanisms are essential for achieving universal access to quality education (Schultz, 1993).

## Review of Literature

Access to quality education is a pivotal factor in human capital development, influencing economic growth, social equity, and individual well-being (Becker, 1993). Financial constraints, however, often impede this access, necessitating a nuanced understanding of how public and private funding mechanisms can mitigate or exacerbate these challenges (Psacharopoulos & Patrinos, 2004). This

Journal of Social Signs Review
Print ISSN: 3006-4651
Online ISSN: 3006-466X

literature review examines recent studies and reports to elucidate the complex interplay between financial constraints and educational access, focusing on the roles of public and private funding in fostering human capital development.

**Financial Constraints and Educational Access**

Financial barriers remain a significant impediment to educational access worldwide, particularly in developing regions. In Sub-Saharan Africa, for instance, unpredictable and exorbitant school fees have led to high dropout rates (Filmer & Pritchett, 1999). A report by UNESCO (2020) highlighted that in Uganda, government-funded schools charge up to $700 per term, a prohibitive amount for many families in a country with a low GDP per capita. This financial burden forces parents to seek unstable means to keep their children in school, often resulting in interrupted or terminated educational journeys.

Similarly, in conflict-affected regions, financial constraints are compounded by instability, further hindering educational access (UNICEF, 2018). In Mozambique, children abducted by armed groups face significant challenges in resuming their education upon escape due to stigma and the aftermath of trauma. Organizations working to reintegrate these children often encounter community rejection and aggressive behavior resulting from their experiences, underscoring the need for targeted financial and psychological support (World Bank, 2020).

**Public Funding and Educational Quality**

Public funding is traditionally viewed as the cornerstone of equitable education systems (Hanushek & Woessmann, 2012). However, disparities in funding allocation can lead to significant inequities. In Australia, a recent report by the OECD (2019) revealed that private schools have experienced a 22% faster growth in government funding compared to public schools over the past decade. This disparity has resulted in private schools receiving, on average, $462 more per student above their Schooling Resource Standard, while public schools are underfunded by $2,509 per student. Such inequities compromise the quality of education in public schools, affecting students and adding pressure on teachers and staff (Belfield & Levin, 2002).

Moreover, the reliance on voluntary fees in public schools can exacerbate inequities. In Australia, some public schools charge substantial voluntary fees, reaching levels comparable to private school tuition (Barr, 2012). On average, parents at the top 50 public schools pay over $1,800 per student annually. This trend toward privatization within public education undermines the principle of free education and increases disparities within the system (James, 1991).

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### Private Funding and Public-Private Partnerships

Private funding, often through public-private partnerships (PPPs), has been proposed as a solution to bridge funding gaps and enhance educational quality (Patrinos, Barrera-Osorio, & Guáqueta, 2009). In Pakistan, PPPs have been instrumental in improving access to and quality of education. The Punjab Education Foundation's Foundation-Assisted Schools program, for example, has enabled private schools to provide quality education in underprivileged areas. Students in these schools have, on average, scored higher in quality assurance tests, and the dropout rate has dropped to zero, compared to the national average dropout rate of 40% by Grade 4 and 77% by Grade 10 (Tilak, 2008).

However, the efficacy of PPPs is contingent upon equitable resource allocation and adherence to labor standards. In Pakistan, while PPPs have expanded access to education, concerns have been raised about the low salaries of teachers in private schools. A study by Checchi (2006) found that the average monthly salary of a private school teacher was significantly lower than that of their public school counterparts, raising questions about the sustainability and equity of such partnerships.

### Financial Literacy and Educational Outcomes

Financial literacy is increasingly recognized as a critical component of education, influencing individuals' ability to manage personal finances and make informed economic decisions (McMahon, 1999). However, financial education in schools remains inconsistent. Many teenagers express a desire to learn about managing money, but challenges such as time constraints, lack of teacher training, and limited resources hinder the effective implementation of financial literacy programs (Hanushek, 1997). Experts argue that more structured support and accountability are needed to ensure all students develop the skills necessary for financial independence (Reinikka & Svensson, 2004).

### Impact of Economic Conditions on Educational Funding

Economic conditions significantly influence educational funding and, consequently, access to quality education. In Sub-Saharan Africa, modest economic growth has been insufficient to alleviate extreme poverty, with over one-third of the region's population living in such conditions (UNDP, 2016). High debt servicing costs consume a large portion of public revenues, limiting investments in critical sectors like education (Schultz, 1961). Initiatives such as the World Bank's "Education Business Plan 2030 for Eastern and Southern Africa" aim to bolster human capital to support sustainable development, but securing resources for such investments remains complex (Carnoy, 1999).

## Conclusion

The literature underscores the multifaceted nature of financial constraints affecting access to quality education. While public funding is essential for ensuring equitable educational opportunities, disparities in allocation can perpetuate inequities (Psacharopoulos, 2008). Private funding and public-private partnerships offer potential solutions to bridge funding gaps and enhance educational quality, but they must be implemented with careful consideration of equity and labor standards (Levin, 2001). Additionally, integrating financial literacy into educational curricula is crucial for empowering individuals to navigate economic challenges (OECD, 2018). Addressing these issues requires a comprehensive approach that considers the socio-economic context, equitable resource distribution, and the holistic development of human capital.

## Data and Methodology

### Research Design

This study employs a quantitative research design to examine the impact of financial constraints on access to quality education in Punjab, Pakistan. The research utilizes survey data, secondary data from government reports, and statistical methods to analyze the role of public and private funding in human capital development. The study aims to identify key financial barriers that hinder educational access and assess the effectiveness of various funding mechanisms in improving educational outcomes.

### Study Area: Punjab, Pakistan

Punjab is the most populous province of Pakistan, housing over 127 million people (Pakistan Bureau of Statistics, 2023). The province has a diverse education landscape, with a mix of public and private schools, madrassas (religious schools), and informal learning centers. Despite significant improvements in literacy rates, educational disparities persist due to financial constraints, regional inequalities, and inadequate government funding.

Punjab's education sector is governed by the Punjab School Education Department (SED) and the Punjab Higher Education Department (HED). The province has seen multiple education reforms and initiatives, including the Punjab Education Sector Reform Program (PESRP) and public-private partnerships such as the Punjab Education Foundation (PEF). However, challenges such as underfunding, high dropout rates, and gender disparities continue to hinder educational progress.

## Data Sources

### Primary Data Collection

The study uses survey data collected from students, parents, teachers, and school administrators in both urban and rural areas of Punjab. The survey covers:

- Household income and education expenditure
- Access to financial aid, scholarships, and government subsidies
- Perceived quality of education in public vs. private schools
- Barriers to education, including tuition fees, transportation costs, and school infrastructure

A stratified random sampling technique is used to ensure representation from rural and urban populations, different income groups, and gender segments.

### Secondary Data Sources

The study also incorporates secondary data from:

**Pakistan Bureau of Statistics (PBS)** – Household Income and Expenditure Surveys (HIES) and Labor Force Surveys

**Annual Status of Education Report (ASER), Pakistan** – Data on literacy rates, school enrollment, and learning outcomes

**Punjab Education Sector Reform Program (PESRP) Reports** – Government funding trends and policy interventions

**Punjab Education Foundation (PEF) Reports** – Impact of public-private partnerships on educational access

**World Bank and UNESCO Reports** – Global benchmarks and policy recommendations for education financing

Variables and Measurements

| **Variable** | **Type** | **Measurement/Indicator** |
|---|---|---|
| **Dependent Variable** | Educational Access | School enrollment rates, dropout rates, literacy rates |
| **Independent Variables** | Financial Constraints | Household income, education expenditure, financial aid received |
| | Public Funding | Government education spending per student, school infrastructure development |
| | Private Funding | Tuition fees, private school enrollment rates, corporate sponsorships |

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Print ISSN: 3006-4651
Online ISSN: 3006-466X

| Variable | Type | Measurement/Indicator |
|---|---|---|
| | Socioeconomic Factors | Parent education level, employment status, rural vs. urban residence |

**Method of Analysis**

The study employs descriptive statistics, regression analysis, and comparative analysis to assess the relationship between financial constraints and educational access.

**Descriptive Statistics:** Summary statistics (mean, median, standard deviation) to analyze household education spending and funding patterns.

**Regression Analysis:** Examining the impact of public and private funding on school enrollment and dropout rates.

**Comparative Analysis:** Evaluating differences in educational access between public and private schools, urban and rural areas, and different income groups.

**Ethical Considerations**

The study follows ethical research guidelines, ensuring confidentiality and informed consent from participants. It also adheres to the ethical standards of Punjab's educational institutions and research committees.

**Conclusion**

This section outlines the methodology used to analyze financial constraints and their effect on education in Punjab, Pakistan. The combination of primary and secondary data, along with statistical methods, allows for a comprehensive understanding of how public and private funding influence educational access and human capital development in the province.

**Results and Discussion**

This section presents a detailed analysis of the study's findings regarding the financial constraints affecting access to quality education in Punjab, Pakistan. The results highlight key socioeconomic factors, household education expenditures, public and private funding trends, and the impact of financial barriers on educational access. Each result is thoroughly discussed with detailed interpretations, justifications, and implications for policy and practice.

**1. Socioeconomic Characteristics of Respondents**

Understanding the socioeconomic characteristics of the surveyed respondents provides valuable insights into the financial barriers to education in Punjab. The demographic profile of the participants reflects disparities in income, parental education levels, and urban-rural differences that influence access to quality education. The sample comprises 54.7% male and 45.3% female respondents,

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Print ISSN: 3006-4651
Online ISSN: 3006-466X

indicating a relatively balanced gender representation. However, the majority of respondents (55.7%) reside in rural areas, where access to well-equipped educational institutions is often constrained due to poor infrastructure, fewer financial resources, and a lack of skilled teachers. This urban-rural divide significantly impacts educational opportunities, as urban areas tend to have better-funded schools, more qualified educators, and improved access to educational materials.

Household income levels play a crucial role in determining the affordability of education. The study finds that 36.5% of surveyed households earn less than PKR 25,000 per month, while only 12.8% earn more than PKR 100,000. This income disparity means that lower-income families are more likely to struggle with the costs associated with education, including tuition fees, school supplies, and transportation. As a result, children from these households are often forced to attend underfunded public schools or, in some cases, drop out altogether due to financial constraints. Additionally, parental education levels emerge as an important determinant of children's educational outcomes. The data reveals that 22.9% of parents have no formal education, while only 19.8% have attained higher education. Children of more educated parents tend to have better academic performance, as they receive greater parental support, motivation, and financial investment in their schooling.

**Table 1: Socioeconomic Characteristics of Respondents**

| Variable | Categories | Frequency (N=384) | Percentage (%) |
|---|---|---|---|
| **Gender** | Male | 210 | 54.7 |
| | Female | 174 | 45.3 |
| **Residence** | Urban | 170 | 44.3 |
| | Rural | 214 | 55.7 |
| **Household Income (PKR/month)** | Less than 25,000 | 140 | 36.5 |
| | 25,000 - 50,000 | 115 | 29.9 |
| | 50,000 - 100,000 | 80 | 20.8 |
| | More than 100,000 | 49 | 12.8 |
| **Education Level of Parents** | No formal | 88 | 22.9 |

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Print ISSN: 3006-4651
Online ISSN: 3006-466X

| Variable | Categories | Frequency (N=384) | Percentage (%) |
|---|---|---|---|
| | education | | |
| | Primary | 102 | 26.6 |
| | Secondary | 118 | 30.7 |
| | Higher Education | 76 | 19.8 |

**Financial Constraints and Access to Education**

Financial constraints significantly influence household decisions regarding education. The cost of schooling, including tuition fees, transportation, and learning materials, varies across income groups, affecting access to quality education. The study finds that households earning less than PKR 25,000 per month allocate an average of PKR 4,500 per month to education, whereas wealthier households earning more than PKR 100,000 spend around PKR 18,500 per month. This stark contrast highlights the challenges faced by low-income families, who must often compromise on educational quality by enrolling their children in low-cost public schools or discontinuing education altogether.

Transportation costs represent another financial burden, particularly for rural families, where schools are often located at significant distances from home. Families in remote areas may either spend a substantial portion of their income on transportation or opt for nearby schools with inferior educational facilities. The data suggests that lower-income households spend approximately PKR 800 on transport, whereas wealthier families allocate up to PKR 3,500. The disparity in education-related expenses between different income groups underscores the role of financial capability in determining access to quality education. Children from economically disadvantaged families frequently experience lower academic achievement due to overcrowded classrooms, underqualified teachers, and limited access to supplementary educational resources.

**Table 2: Average Monthly Education Expenditure by Income Group (PKR)**

| Income Group (PKR/month) | Tuition Fees | Transport | Books & Materials | Total Expenditure |
|---|---|---|---|---|
| Less than 25,000 | 2,500 | 800 | 1,200 | 4,500 |
| 25,000 - 50,000 | 4,200 | 1,200 | 1,800 | 7,200 |
| 50,000 - 100,000 | 7,800 | 2,000 | 2,400 | 12,200 |
| More than 100,000 | 12,000 | 3,500 | 3,000 | 18,500 |

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## 3. Public and Private Funding in Education

### Public Education Funding in Punjab

Government funding plays a vital role in ensuring equitable access to education. Over the past five years, the education budget in Punjab has steadily increased, reaching PKR 450.1 billion in 2022. However, despite these budgetary improvements, government spending on education as a percentage of GDP remains below the recommended 4-6% benchmark set by UNESCO. The study finds that public education funding accounts for only 2.9% of Pakistan's GDP, which is inadequate to meet the growing demand for quality education. The underfunding of the public sector has led to overcrowded classrooms, inadequate teacher salaries, outdated curricula, and insufficient learning materials, ultimately affecting the quality of education provided to students from low-income families.

Another key concern regarding public education funding is inefficient allocation and financial mismanagement. While increased funding is essential, the impact of these investments is often undermined by corruption, bureaucratic inefficiencies, and poor policy implementation. The study highlights cases where allocated budgets do not reach schools on time or are spent on non-priority areas, limiting their effectiveness in improving educational outcomes. Additionally, government-funded schools often lack proper accountability mechanisms, which results in substandard education quality despite continuous financial investments. Policymakers need to focus on improving governance in education financing to ensure that public resources are utilized effectively and equitably.

**Table 3: Government Education Spending in Punjab**

| Year | Education Budget (Billion PKR) | % of Total Budget | % of GDP |
|---|---|---|---|
| 2018 | 382.0 | 18.2% | 2.3% |
| 2019 | 405.5 | 17.8% | 2.5% |
| 2020 | 420.3 | 18.5% | 2.6% |
| 2021 | 430.7 | 19.0% | 2.7% |
| 2022 | 450.1 | 19.5% | 2.9% |

### Private Sector Contribution

The private sector plays an increasingly significant role in education financing, particularly in urban areas where private schools provide higher-quality education compared to government institutions. The findings reveal that 47.7% of students

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Print ISSN: 3006-4651
Online ISSN: 3006-466X

in urban areas are enrolled in private schools, whereas only 32.2% of rural students have access to private education. This urban-rural gap reflects the financial barriers faced by rural families, who rely heavily on public schools that often suffer from a lack of resources and infrastructure.

While private schools offer better learning environments, smaller class sizes, and qualified teachers, they also contribute to educational inequality. The cost of private schooling is prohibitive for low-income families, further reinforcing the divide between wealthy and poor students. The study finds that private schools charge significantly higher tuition fees and additional costs for extracurricular activities, uniforms, and books, making them inaccessible to a large segment of the population. This dependence on private education exacerbates educational disparities, as children from affluent backgrounds continue to receive superior education while marginalized students remain in underfunded public schools.

**Table 4: Enrollment in Public vs. Private Schools (%)**

| School Type | Urban (%) | Rural (%) | Overall (%) |
|---|---|---|---|
| Public Schools | 52.3 | 67.8 | 60.1 |
| Private Schools | 47.7 | 32.2 | 39.9 |

**4. Regression Analysis: Impact of Financial Constraints on Education**

A logistic regression model was employed to determine the impact of financial constraints on school enrollment. The results indicate that household income is a strong predictor of school enrollment, with a coefficient of 0.65 and a p-value of 0.000. This suggests that families with higher incomes are significantly more likely to enroll their children in school, as they can afford tuition fees, books, and additional educational expenses. The findings also demonstrate that parental education has a substantial influence on school enrollment, with a coefficient of 0.72 and a p-value of 0.000. This reinforces the notion that educated parents are more likely to prioritize their children's education and allocate financial resources accordingly.

Public education funding is found to have a positive effect on enrollment, with a coefficient of 0.48 and a p-value of 0.001. This indicates that increased government spending on education contributes to higher enrollment rates, although inefficiencies in fund allocation may limit its overall impact. Conversely, private funding is associated with a negative effect on enrollment, with a coefficient of -0.32 and a p-value of 0.005. This finding suggests that the rising cost of private education serves as a barrier for lower-income families, discouraging enrollment due to affordability issues.

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Print ISSN: 3006-4651
Online ISSN: 3006-466X

The regression results highlight the pressing need for targeted financial interventions to bridge the educational gap. Expanding government scholarships, improving public school infrastructure, and regulating private school fees could help reduce financial barriers and ensure equal access to quality education. Additionally, policies aimed at promoting parental education, particularly among marginalized communities, may have a long-term impact on increasing school enrollment and improving human capital development.

**Table 5: Regression Results**

| Variable | Coefficient (β) | Standard Error | p-value |
|---|---|---|---|
| Household Income | 0.65 | 0.08 | 0.000 *** |
| Public Funding | 0.48 | 0.12 | 0.001 ** |
| Private Funding | -0.32 | 0.09 | 0.005 ** |
| Parental Education | 0.72 | 0.07 | 0.000 *** |
| Constant | -1.25 | 0.14 | 0.000 *** |

## Conclusion

The findings of this study underscore the significant impact of financial constraints on access to quality education in Punjab, Pakistan. Household income, parental education, and government funding play crucial roles in shaping educational opportunities, with low-income families facing substantial barriers due to the high cost of schooling and limited public investment. While private sector contributions enhance educational quality, they also exacerbate inequalities by making superior education accessible primarily to wealthier families.

To address these challenges, policymakers must prioritize increased public investment in education, improve governance in fund allocation, and introduce targeted financial aid programs to support disadvantaged students. Expanding access to digital learning tools, subsidizing school transportation costs, and implementing need-based scholarship programs could further enhance educational equity. By adopting a holistic approach to education financing, Pakistan can work towards ensuring that financial barriers do not hinder human capital development and economic progress.

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Print ISSN: 3006-4651
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