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Who Pays for RTE?

Developing a framework to analyse the financial implications of RTE compliance by budget private schools in North East Delhi



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Abstract

The Right of Children to Free and Compulsory Education Act (hereafter RTE Act) received its assent from the President on 26 August 2009 and was later followed up by a notification released on 8 April 2010 by the Ministry of Human Resource Development (MhRD) titled 'The Right of Children to Free and Compulsory Education Rules 2010'. Both these documents outline a new framework under which existing and future schools (from class 1 to 8) have to comply to a set of standards (in terms of infrastructure and staff structure) as prescribed by the Act and followed up by any notifications from the state government –so as to gain a mandatory government recognition. This paper specifically analyses the financial aspect of complying with these norms for a selection of five budget private schools in the north-eastern district of New Delhi. Budget private schools as identified in this paper are schools that charge a monthly fee of less than Rs 500. The paper attempts to develop a framework under which the current financial position of these schools in terms of revenue and expenditure is ascertained, the relevant norms for the selected budget schools under the RTE identified and the expenditure to be incurred to meet these norms estimated. To determine the revenue and expenditure details of the schools, interviews were conducted with the owners and teachers of the schools and the collected data was crosschecked through interviews with parents and the children who study in these schools. Budget private schools run solely on their own finances and as a consequence of the RTE provisions they will be required to upgrade their school premises and revise their staff salary structure. This will lead not only to a one-time increase in fixed expenditure but also an increase in monthly variable cost. Coupled with the schools' limited ability to increase fees (as a result of low household incomes of the students) their economic viability becomes questionable. Hence, the paper analyses the impact of this increased expenditure on the fee structure and also estimates the potential increase in the monthly fees. The effects of this increase in monthly fees on enrolment have also been discussed. This paper does not, however, quantify such an effect and discusses it using only qualitative data in this respect. It is sincerely hoped that this study provides a good base to start with on which a study of a greater magnitude may be undertaken.

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Abbreviations

B.Ed.: Bachelors in Education

BPS: Budget Private Schools

CCS: Centre for Civil Society

DOE: Department of Education

DSEA: Delhi School Education Act

E.M.I.: Equated Monthly Instalment

E.T.E.: Elementary Teacher Education

M.Ed.: Masters in Education

NCTE: National Council for Teacher Education

PTM: Parent Teacher Meeting

PIL: Public Interest Litigation

RTE: Right to Education

Motivation

Providing quality education for the vast masses of the country in a bid to tap into its demographic dividend has always been a critical factor in driving education sector reforms—more so, in the recent times. The RTE Act offers to restructure the primary education sector and ensure that it conforms to a minimum standard of quality as prescribed by its norms. This is directed especially towards budget private schools that cater to a large number of children from the lower income¹ strata of the society. As stated before, the budget private schools² charge a very low monthly fee (less than Rs 500 per month), which is one of the reasons for their popularity with the poor. When the RTE was released it was anticipated that these schools would have to increase their monthly fees to defray the additional fixed and recurring expenditure that they would incur. This paper follows up on that general perception and quantifies the rise in monthly fees that had been anticipated.

One a personal level this particular paper was motivated as a result of the chance it gave me to explore an uncharted territory, as most owners of budget schools are unwilling to divulge the true details regarding their finances. The official financial records of such schools given to the local education officers show inflated figures (in terms of teacher pay, monthly salary and area) so as to prove that the schools are adhering to stipulated norms. In this scenario, primary methods are the only way to gauge the truth regarding financial details of the budget schools. This was another reason why I chose this topic as it also gave me the chance to find first hand why parents were willing to send their children to these schools. In addition, with relation to unrecognised schools, a Public Interest Litigation (PIL) had been filed demanding their closure under DSEA 1973 rules citing inadequate teaching standards in 2006. The Delhi High Court, eventually accepting the PIL in February 2008 demanded the closure of these schools, if unable to meet DSEA norms within six months. Eventually, however, no action was taken as it was realised that the government infrastructure was inadequate to provide for the students who would have to shift to government schools once these unrecognised³ schools closed. While this decision was eventually revoked with the enactment of the RTE, closure due to non-compliance of norms is real and binding, and the question of whether these schools will be able to meet these norms becomes even more pertinent. The same argument applies to recognised albeit budget private schools. The paper, thus, by estimating the rise in monthly fees for these schools attempts to indicate that the present RTE norms are unrealistic and need to be reformed if both the future of the budget schools and of the children enrolled in these schools is to be secured.

"The Right to Education Act will realize the dreams of many children across the nation. This demonstrates our national commitment to the education of our children and to the future of India."-Dr Manmohan Singh, Prime Minister of India, Annual Report of the Ministry of HRD

"...the notion that private schools are servicing the needs of a small minority of wealthy parents is misplaced....a low cost private sector has emerged to meet the demands of poor households."-Kevin Watkins, The OXFAM Education Report 2000

¹The approximate range of monthly salaries of households as found in this paper is Rs 3,000-6,000.

²The term private school means that it receives no funds from the government to operate and has to manage its own finances.

³An unrecognised school is not permitted to issue transfer certificates, which means the students of such schools are unable to get admission to higher classes in other schools. Such schools normally pay nearby recognised private schools a sum of money to issue transfer certificates for their children in the name of the recognised school—so that the children are able to secure admissions in the government schools in a higher class.

Introduction

It is only natural to assume that the children from the poorer sections of society have no option but to go to government schools as they are unable to pay the high fees of a private school. But it is an established fact now that low cost private schools do exist—offering education to the poor at a very low level of monthly fees. Despite the acceptance, studies on a national scale are unavailable. In fact most of the present studies have been by individual researchers and no official study has been taken specifically on this sector. It has now been suggested that fees would rise significantly if RTE norms are to be followed. This paper deals with the entire process of developing this argument in gradual steps. The Overview section provides a basic understanding of this sector. In particular, it describes the general characteristics of the budget schools that I have included in my study. The section on Applying the Norms discusses what norms are applicable on the budget private schools and how it will cause their expenditure to increase. Without giving too much figures it provides a bird's eye view on how and on what items the expenditure will be incurred. The next section deals with the methodology used in calculating the rise in monthly fees. Since computing such a rise in the monthly fees involves the usage of certain assumptions and procedures all these have been deliberated upon here. This section builds various models starting with the simpler ones and gradually relaxes some of the assumptions. In addition, it provides two different ways of increasing the monthly fees: one, where it is a flat increase across all classes and across all years and two, where it is gradually increased over the period during which the owner is trying to recover the cost of land and other fixed expenditure. Along with this it also devotes a section to the problems with financing investment for the budget schools. The section on Results and Analysis presents the findings of the entire study and also provides the rise in monthly fees using the models created in the previous section. The consequences of these findings are discussed in the next section and all the concluding remarks summarily presented. The extensions discuss the possibilities of future research on related topics or a larger scale study on the same subject. To provide more information on all the norms a copy of the RTE norms has been added in the Appendix. Similarly school-wise reports on the schools' finances have also been presented in a tabular form in the Appendix.

It should be noted that the real names of the schools or owners have not been mentioned anywhere in the paper to protect their identity on behalf of the owners' own request. Additionally, the actual locations of the schools, too, have not been mentioned. A primal reason for the secrecy is the simple fact that the official reports submitted by the owners show doctored details to prove that they are following all norms (Those applicable before the RTE). The owners also have to pay bribes, sometimes, to local inspection officers and so wish to conceal their identity.

Overview

Till the late 1990s the private education sector was firmly considered to be for the elite and middle classes until Prof James Tooley⁴ unearthed a section of schools (later termed as budget private schools) serving the poor in the slums of Hyderabad. The same findings were observed in New Delhi as well. Unfortunately, substantial data regarding the number and student enrolment of budget private schools is not available due to paucity of such nationwide surveys. Selective surveys and accounts are, however, available for certain regions.⁵

The region taken in this study, as stated, is the northeast district of Delhi. According to the provisional census data released for 2011, with a population of over 2 million it is the fourth largest district in terms of population and has the highest population density in Delhi. In terms of the proportion of population in the age group of 0-6 years it ranks third overall. In terms of literacy levels, however, it ranks last among all nine districts on both total and female literacy rates. Its total literacy rate is 82.8% as compared to an overall literacy rate of 86.34% for the NCT (National Capital Territory) of Delhi. In addition, this position is unchanged since the year 2001.

Across the country Prof Tooley estimates that around 350 thousand budget private schools exist. Finding estimates of enrolment in these schools will be even tougher as a number of these schools report incorrect enrolment rates to local education officers. The most recent study done on private school in the northeast part of Delhi was by Prof Tooley in 2005⁶ which found that about two-thirds of the schools in northeast Delhi are private unaided schools. Even now, as RC Jain (of the Delhi State Public Schools Management Association) revealed in an interview, the same result applies (although a quantitative study has not been done for 2011). In the same study the average year of starting the school was 1998; which confirms that these are not fly-by-the-night operators but are genuine businessmen seeking to fulfil a market demand.

General Overview of the Selected Schools

The sample selected for the study is taken from the northeast part of Delhi and includes both recognised and unrecognised schools. Stratification when studying budget schools is very important as the fee structure, enrolment and costs are highly influenced by the location, nearby competition and income levels of the parents. The sample taken for the study was, therefore, small as one needs to develop an understanding, at a micro scale, of this relatively unorganised sector before plunging into a larger study.

Two of the schools were established in 1982, one in 1992, one in 1996 and the last in 2006. Out of this four are recognised as primary schools while one runs as an unrecognised school⁷. While recognised only till class 5 School A runs till class 8. The average enrolment for the schools was 273 with highest being in school A (400) and least in school B (182). In terms of locality School D was located inside a slum while School A and B were in the same locality. School C was located in a Muslim dominated area; hence, it had the provision of teaching Urdu. This facility was not available in the nearby government

⁴James Tooley is currently a Professor of Education Policy at Newcastle University, where he directs the E. G. West Centre.

⁵For further information see Tooley (2005) 'Is private education good for the poor'. Shruti Joshi (2008) 'BPS in Hyderabad: A Reconnaissance Study'. Also read James Tooley's 'The Beautiful Tree', Penguin Viking publications.

⁶This study also looked at learning outcomes between private and government schools and found that unrecognised private schools students scored significantly higher in standardised tests.

⁷A detailed and tabular form of this data is presented in further sections. Individual accounts of the school are also given in the Appendix.

(Municipal Corporation of Delhi (MCD)) school. In this way, budget schools are better able to adapt to the needs of the locality than their government counterparts. All the schools that I surveyed were English medium. However, in subsequent talks with the teachers it was found that sometimes Hindi is used to teach subjects like math and science so that the students are able to understand the topics well.

The qualifications of the teachers were varied. In school A all the teachers had at least a bachelor's degree while some had an ETE and a BED. In school C all teachers had completed their graduation, some with a teaching degree and others still pursuing one. These schools often employ class 12 graduates as temporary teachers while they are still pursuing their graduation. A common reason that is given is that they are easier to mould and train to meet the schools requirements. The owners feel that older teachers find it difficult to adapt to local requirements and hence are less preferred. In an interview with Mohammed Anwar, CEO of Empathy Learning Systems⁸, he concurred with the views stated above and said that his schools in Hyderabad employ their self-designed training methods to equip the young recruits to perform effectively. In terms of qualifications only the people in the position of a principal were the ones with a postgraduate degree. The principal of School A also had a MEd degree.

As mentioned above the monthly fee of these schools is very less (below Rs 500). But what one has to see is that additional fees is also charged from the students which often does not find mention in the official records. Even during the interviews two of the schools' owners did not divulge these details and the information had to be gathered from the parents and the children who went to those schools. Other sources of revenue for these schools are: an annual charge, computer fees, picnics, exam fee and profits due to merchandise sale. Merchandise items include ties, belts, books, copies, fee cards and diary. Most schools manage to make a profit margin of 15-25% on these sales after considering transportation and handling costs. The collection of monthly fees is, however, a headache for the owners. While they manage to collect the fees in the initial months it becomes a problem in the later part of the year. Most owners, thus, when collecting the fees for exams later in the year demand any past arrears and threaten to debar the student from giving the exams if the arrear is not paid. Still the collection rate is never more than 90%. In addition, one should observe that since there are always some students who do not pay their fees the others are actually subsidising the defaulters' education. This is a phenomenon not limited to the budget schools of Delhi but of those all over India. Mohammed Anwar reveals that since the owners are almost always from the local community they understand the problems faced by the poorer students of the schools and so make this concession to them.

As will be shown in the later sections, staff salaries form a major portion of the schools' expenditure. This happens despite the fact that the teachers are seldom paid more than Rs 6,000 a month and this too is for only one school (School A). Most get salaries of around Rs 3,000 per month. Apart from this all schools employ at least one peon and a helper who look after the cleaning and administrative tasks. Only School A and C employed a principal. In fact most schools do not employ a principal and the owner alone forms the management of the school. So unlike more affluent private schools, the school owner is actively involved in the teaching process in the school. The utilities (electricity, water and telephone) that they pay for is all on a commercial basis and they receive no rebates on this; which they otherwise should by virtue of being a school. Repairs also form a sizeable chunk of the expenditure. Looking at the finances of these schools, in the later sections, one will realise that to manage a profit requires one to keep staff salaries low and collection rates of the monthly fees high. This is a major reason why school

⁸Empathy Learning Systems Private Limited (ELS Pvt. Ltd) is a company chain that provide services for low cost private schools in India. Mohammed Anwar also runs a chain of low cost private schools under the banner MA Ideal Schools.

owners are protesting the substantial teacher salary increase under the DSEA and the land norms requirements which demand additional expenditure.

Applying the Norms

The RTE Act provides the overarching framework under which all the norms and procedures under which schools (till class eight) are to operate are provided. This section rather than simply stating⁹ the various norms and procedures established under the Act focuses on what and how these norms will produce a need for additional expenditure on the part of the budget private schools. It is important to keep in mind that one of the most important provisions that the Act is based on is that it makes government recognition for all schools mandatory. This is applicable to all current schools who obtained recognition under earlier rules and norms (with the Delhi School Education Act 1973 as the base legislation). As stated in earlier sections, granting of government recognition is subject to the fulfilment of a series of norms as listed in the Schedule¹⁰ (Read with Section 19 and 25) of the RTE Act 2009. The Act also gives power to the state government to provide additional rules and notifications to implement the RTE Act. However, till yet, the Delhi state government has only come up with the Model Rules under the RTE. Under these documents the state has given multiple bodies the responsibility to issue norms. For infrastructural norms two bodies—the MCD and the DOE provides the norms for primary and upper primary respectively—in conformity with the Delhi Master Plan 2021. For teacher qualification the Delhi government has appointed the NCTE, while the Delhi Model Rules, the DSEA 1973 and the Sixth Pay Commission assigns norms for teacher salaries. With regards to teaching standards and pupil to teacher ratios the RTE Act and the Delhi Model Rules under the RTE collectively provide the norms. It is with respect to the fulfilment of these norms that additional expenditure is to be incurred.

Infrastructural Norms

The primary requirement for recognition is that the total land area for a primary school must be at least 800 sq. metres and for an upper primary school must be at least 1000 sq. metres. The earlier requirement for a primary school (till 2007) was 200 sq. metres. These norms are provided in the Delhi Master Plan 2021. In this respect, four of the five schools in my survey obtained a recognition based on the earlier norm. Thus a major component of their required expenditure is to fulfil land requirements. Most of these schools are built on an area of 200 to 300 sq. metres. The stated requirements are inclusive of the playground requirement which has to be provided as per the RTE Act. To have an indication of the expenditure to be incurred on land alone we can take a look at the property rates prevailing currently in Delhi. In this study the lowest rate used is Rs 40,000 per sq. metre and the highest Rs 60,000 per sq. metre. Certain areas of the northeast zone have land rates as high as Rs 100 thousand per sq. metre.

Teacher Standards and Salary

The NCTE has been appointed by the Delhi state to assign minimum qualifications required to be a teacher in a primary and upper primary school. A notification dated 25 August 2010 specifies in detail all these qualifications. A vital provision is that teachers will now have to pass a Teacher Eligibility Test to be able to teach in schools (subject to certain relaxations as stated in the notification). In addition, the RTE specifies a pupil to teacher ratio of not more than 40:1 for primary and less than 35:1 for upper primary. For the five schools in my sample two will have to employ more teachers to maintain the said ratio. The DSEA also prescribes a salary equivalent to that of a government teacher which under the Sixth Pay Commission would be around Rs 23,346 (from Rs 12,843) for an entry level teacher and Rs

⁹For greater detail on other norms and their effects read Singh (2009) Right to Education and Right to Educate CCS.

¹⁰The Schedule is included in the Appendix

28,881 (from Rs 17,513) for those with more than 10 years of experience. This along with the land requirements are the most difficult norms to follow as they will require a quantum jump in expenditure, both fixed and recurring.

Along with the above, the private unaided schools are also required to admit and teach 25% students from economically weaker sections (EWS) in the lowest class of their school—the money for which will be provided by the government. Under this system the money given by the government per EWS child will be equal to the per child expenditure incurred by it in its own schools or the per child expenditure¹¹ of the schools itself—whichever is less. No notification has, however, been made by the local government on the procedure of payment of these reimbursements to the budget private schools in northeast Delhi. Along with this, the owners fear that the money given to them for these children would be too low to compensate for the expenditure they make on the child. This is, however, only speculative and we will have to wait till a notification is made in this regard.

¹¹According to the RTE Act the definition of per child expenditure is the total recurring expenditure borne by the appropriate government divided by the total number of students enrolled in these schools.

Developing a Framework

While developing a framework to ascertain the financial position and to measure the changes in fee structure for budget private schools, one has to keep in mind that although the schools come under the same sector there exist individual characteristics which have to be kept in mind while doing any measurements, and any subsequent data arrived at should be read while keeping in mind the locality in which the school exist. For instance, if the school is very old (say established in the 80's) then it seldom pays bribes to the local officers as the school, over time, has been able to establish contacts which lessen its burden. A school established relatively recently, however, still has to pay substantial bribes. Existence of another budget school nearby also has an effect on the enrolment and collection rates of monthly fees for the school. However, it should be noted that the general characteristics of the schools' financial position remain constant over different schools.¹²

The further section will provide, in a step wise manner, a general framework on how to ascertain the current financial position of a budget school and how to use that position as a base to calculate the impact of RTE compliance on the schools finances. To make matters simpler we will first deal with only the revenue side first and later the expenditure side. In the final sub-section we will combine the two to get our desired results.

The section, will, alongside keep on providing the methods suitable for data collection and the inconsistencies that they may carry.¹³

Revenue

After a school has been selected one has to first ascertain basic information regarding the total enrolment in each class and the fees being charged from the students. In budget private schools the revenue generated from the students is not only in the form of monthly fees. The schools charge a number of other fees which may be taken at the start of the year or during the year. To clarify, the revenue is composed of two kinds:

1. Monthly Fee
2. Annual Collection

Monthly Fee, quite simply, is the amount paid by each child per month as tuition charges. This form the biggest component in the schools' income. It is on the basis of this fee that a school is labelled as a budget school.

The annual collection segment is composed of a variety of revenue items and may vary from school to school. However, generally the following items comprise of the annual collections:

1. Annual Charges/Admission or Re-admission fees
2. Exam Charges
3. Computer Fees
4. Picnic/Celebration Charges
5. Profits on the sale of merchandise like books, copies, ties, belts and fee card.

¹²For instance as the next section explains that monthly fees form the greatest component in the total income and staff salaries form the greatest chunk of the total recurring expenditure of any budget school.

¹³For this paper all the details regarding the accuracy of the data have been detailed in the Appendix along with the revenue and expenditure tables.

When collecting information regarding the fees and other charges it is advisable to cross-check with parents and students of the school by examining their fee cards. Since most of the students of budget schools are from neighbouring regions it is easier to check for any inconsistencies that the figures reported by the owners may have. Again, these inconsistencies creep in because of the owners' reluctance to divulge these details. Such problems are comparatively lesser in regions like Hyderabad where there exist stronger ties between the civil society and budget school owners¹⁴. It should also be kept in mind that certain schools take the monthly fees for all 12 months while some take it only for the 10 months that a school operates. Along with this two other factors need to be kept in mind: one, the collection of monthly fees is never 100% and two, the owners always make a profit on the sale of merchandise items. Both these figures (regarding the average collection rate and profit margin) have to be obtained from the owner and accounted for.

Now that we have all the required details it is a simple matter of adding them up to arrive at the total annual income of the school. However, I shall represent the income in the form of a simple equation, as it will facilitate in estimating the increase in monthly fees later. The income 'Y' (for one year) thus may be represented as:

$$Y = A + c[M]$$

(1) Here,

'A' is the total income from all the sources mentioned under the annual collections in the previous page;

'c' is the collection rate of the monthly fees. It will be a number between 0 to 1.

'M' is the annual total monthly fees if all the students of the school paid the entire fees charged from them.

So in the above equation,

$$= \sum_{i=1}^d np_i l_i$$

Here,

'd' is the total number of classes in a school and 'n' is the no. of months for which fees is paid.

Pi is the number of students in class i.

Li is the monthly fees for class i.

This formula is needed because the monthly fees for all the classes differ and increase from the lowest to the highest classes in gradations.

¹⁴This is mostly because Hyderabad was the first place where researchers like Tooley established ties with budget school owners and since then a lot of work and research has been done on that sector there.

Now that we have established the revenue position of the school we need to create simple equations that we can use to compute the rise in monthly fees (once we establish the expenditure position as well). It should be realised that we are increasing only the monthly fees in order to meet additional expenditure. One might argue that other fees can be increased too so as to meet the additional expenditure. However, this is not very realistic. Monthly fees form an overwhelming portion of the schools' total revenue and any increase in expenditure of this magnitude can be met only by increasing the monthly fees.

Before we create the said equations a little clarification is required. The expenditure to be borne by the school owner under the RTE is both fixed (on land) and recurring (on teacher pay). Thus, first the owner will want to recover the cost of the land that he has incurred over a certain period of time. This may be from 10-15 years. However, even after the cost of the land has been recovered the owner will continue to incur an increased recurring expenditure (as compared to current recurring expenditure). Thus the increase in monthly fees will be of two kinds: one, for that period when the owner is trying to recover the fixed cost (this includes the increased recurring expenditure also) and two, for the subsequent periods when he only has to pay the increased recurring expenditure. *Building the Equations: the Initial Period*

We will build two different equations for the initial period (when the owner is trying to recover the cost of the land). One of these will be for a simple and flat increase per child per month for the entire time period over which the cost is being recovered; the other is a graded increase where the increase in the fee is carried gradually at a fixed rate over the period when he is trying to recover the fixed cost. Thus in the second case the rise will be lower than the flat increase in the initial years but subsequently rises above the flat increase once in the later years. In either case we will assume that the other fees and enrolment does not change and the collection rate and profit margins remain the same¹⁵. In addition, we assume that the increase takes place from the start of a new academic year rather than from the middle of a year. Also the rise has been distributed equally over all the students rather than any one section of students.

Let us take 'x' to be the increase required per child per month over 'n' number of years to pay for the cost of the land. Let 's' be the number of students in a school and 't' be the number of months for which the fee is paid. Hence the total income required over a period of 'n' years to pay off the fixed cost incurred and the increased recurring costs is given by Y_1 .

$$Y_1 = n[A + c(M + stx)]$$

(2) For the other revenue equation when the rise is gradually increased at a fixed rate we have to take a value for that increase. The value in this paper is 10%. Thus the increase in monthly fees will gradually rise by a value of 10% each year. The only reason to have this method is that an owner might feel that a gradual increase would seem better to the parents than a drastic one time increase.

Let us assume that the increase in the first year is 'x' per child per month. Let 's' be the number of students in a school and 't' be the number of months for which the fee is paid. Let 'n' be the number of years over which the fixed cost is being recovered. Thus the rise in monthly fee over 'n' years will be in a series like this: $x, 1.1x, 1.21x, 1.331x \dots (1.1)^{n-1}x$.

¹⁵ This is a reasonable assumption as the collection rate does not change very frequently. The enrolment has been taken to be constant as these schools currently operate at capacity and the aim right now is to merely fulfil RTE norms rather than expand operations.

So, the equation formed depicting total income required over the course of 'n' years to pay off the fixed costs is Y_3 .

$$Y_3 = n[A + cM] + \{1 + 1.1 + (1.1)^2 + \dots + (1.1)^{n-1}\}cstx$$

(3) Building the Equation: the Later Period. After the initial costs have been paid the schools still need to continue paying the increased recurring costs. Let us take x_1 to be the rise required to pay for this expenditure. Also, let 's' be the number of students in a school. We will not require any time period because now only recurring expenditure has to be paid for. The total revenue, thus, required in a year is Y_4 .

$$Y_4 = A + c[M + stx]$$

(4) It should again be noted that in all the equations above the variables are known to us except 'x' – whose value can be calculated once the expenditure side of the accounts is dealt with. We should also remember that even after we have taken the expenditure side, the value of 'x' will differ if we take a break even analysis or an original profit analysis.¹⁶

Expenditure

While measuring the expenditure the owners' figures are the only source of information. In this case the most one can do is to ask schools with similar enrolment or size their expenditure details and then estimate the accuracy of the data. The expenditure items are more varied than revenue items. Moreover, since there are fewer ways to recheck the data, only average figures are available currently. For a more accurate data set the expenditure over a few years would have to be recorded and then averages taken. But since the owners have been in this business for a number of years they are able to estimate this average. Again, there may be slight variations in the expenditure list across budget private school but broadly they remain the same. As mentioned before, staff salaries form the biggest expenditure item. The recurring expenditure of a budget school may be broken down into the following heads:

1. Management Salaries
2. Teaching Staff Salaries
3. Non-Teaching Staff Salaries
4. Utilities (electricity, water, telephone)
5. Repairs
6. Festivals
7. Advertisements
8. Taxes
9. Bribes
10. Miscellaneous (stationary, office equipments)

Now that the annual recurring expenditure has been charted we simply need to add to arrive at a final figure. Let us label this annual figure as 'R'.

¹⁶Put simply, the original profit analysis makes the proposition that even after the increase in expenditure the owner will want the rise in monthly fee to be such that he still makes his original profit.

Next, we proceed to determine the new recurring expenditure to be incurred under the RTE norms. To do so one has to keep the earlier sections in mind and examine what other norms are applicable to the budget school and how it would increase expenditure. The most common would be teacher number and salary. In addition, we might need to revisit the expenditure on taxes and bribes. Since the school is now RTE compliant it is safe to assume that the owner does not pay any bribes. Also, the depreciation or cost to maintain the fixed expenditure has been included under repairs and the average cost for replacement of small inventory items is included in the miscellaneous costs. So finally, let us label the new recurring expenditure as ' R_1 '

Next we have to see the new fixed expenditure that has to be incurred. In this the major item would be land. However, it is possible that the school has to invest in a library or learning and teacher aids too. While estimating the value of land so as to compute total land cost, it is essential that we cross check the figure with local property dealers and shopkeepers who will have a better idea of the value. Even so, the land value that will be arrived at will be, admittedly, an approximate value only. However, here, it is essential that one should not overestimate the value of land as it will lead to an overestimation¹⁷ of the rise in monthly fees. Let us label the amount of the entire one time expenditure as 'P'.

It may be seen that we have not talked about how the amount will be arranged by the owner (for the one time fixed expenditure). This is irrelevant to our current analysis since we are simply computing the rise in monthly fees. Still, it is possible that the amount will be borrowed¹⁸ from the bank. In this scenario the interest rate will be taken into consideration in one of the models in the further sections. Finally we have built both the revenue and expenditure side of the finances for a budget private school and also build equations to aid us in the estimation of the rise in monthly fees. The next section will link the two together and build various models through which the rise in monthly fees can be calculated. The models differ in the way the rise is calculated (whether a flat increase or a gradual one) and in other assumptions.

But before we proceed it is important that we estimate the current profit of the school as well. This will be of vital importance when we discuss the original profit analysis. Put simply, the current profit 'L' is given by:

$$L = [A + c(M)] - [R]$$

(5) Here, all the symbols have their usual meaning. The profit so found is the annual profit. It befits, here, to share an additional piece of information. None of the schools that I went to had professionally audited accounts. Most of them had a receipt book in which the daily revenue and expenditure was recorded and at the end of the month a profit (or loss) figure would be arrived at. This is a trend consistent with many budget schools; which is why it gets so difficult (along with the owners' reluctance to share details) to arrive at perfectly accurate figures.

Building the Models

This section develops various models to estimate the increase in monthly fees. Along with each model I have also discussed the advantages and disadvantages of using that model. It should be realised that

¹⁷In case two or more numbers are available a simple average can be taken.

¹⁸There are a lot of problems for budget schools while seeking formal finance options. These have been discussed in the latter sections.

certain assumptions have to be taken so as to simplify and understand the procedure—all such assumptions and their necessity have been discussed simultaneously.

One variable that becomes important over the years is inflation. However that variable has not been accounted for in the analysis because the different expenditure items respond differently to inflation. Plus the inflation rate itself keeps on changing. In this scenario it will not be correct to simply assume an inflation rate. Thus the important thing to keep in mind is that when we compute an increase in the monthly fees it is most accurate for the first year as inflation would not have changed the expenditure much; however in subsequent years the accuracy will decline. Therefore, the paper focuses on the most immediate impact of the rise in monthly fees only (the period for which the figures are most accurate). Therein lies the usability of these numbers.

Model 1

This is the simplest model through which the rise can be calculated. It gives a flat increase in the monthly fees per child per month over the period when the owner is trying to recover the fixed cost. The most important assumption that we take is that no interest has to be paid on the sum that is being invested to buy the land. I realize that this may be regarded as a highly unrealistic assumption. But this model does have its advantages. It is easy to work with and provides us with the minimum threshold increase in the monthly fees. In other words, the rise will never be less than this figure. So if we were to also impute an interest on the sum borrowed, the rise would only be greater and not less. The threshold value gives us a very good idea of the kind of increase that should be anticipated upon RTE compliance. Moreover as stated before the schools have very little access to formal finance. In this case, what kind of loan a school owner takes and how much interest he pays will differ. This will lead to differing rises in monthly fees. Still, such a model is discussed in the later sections.

Now, to compute rise under this model we take equation (2) and the figures for the new recurring expenditure 'R₁' and fixed expenditure 'P'. The owner also has to decide a period over which he intends to recover his fixed costs. Let that period be of 'n' years. Now we have two options: a breakeven analysis and an original profit analysis.

For a breakeven analysis the equation formed is:

$$n[A + c(M + stx)] - [nR_1 + P] = 0$$

(6) Solving the equation for 'x' we get the increase in monthly fees. So if the original range of monthly fees is Rs h₁ - h₂; then the new range becomes Rs h₁+x - h₂+x.

For an original profit analysis the equation formed is:

$$n[A + c(M + stx)] - [nR_1 + P] = nL$$

(7) Solving for 'x' gives us the increase in monthly fees. Clearly this increase will be greater than the one found in the earlier model.

For the period after the fixed cost has been recovered we will use equation (4) to arrive at an increase. The new recurring expenditure is R₁. Hence, the equation for breakeven is:

$$[A + c(M + stx)] - [R_1] = 0$$

(8) And for the original profit analysis it is:

$$[A + c(M + stx)] - [R_1] = L$$

(9) Solving for 'x' in both cases gives us the increase. It should be noted that for any school which does not have to incur any fixed expenditure but has to only increase the recurring expenditure then equations (8) and (9) are the only ones to use.

Model 2

This model is almost similar to the one used above in terms of expenditure used and the assumptions being taken. The only difference is that during the period that the owner is trying to pay the cost of the land, the rise in the monthly fees will be gradually increased over the period. We use equation (3) to form the breakeven equation as:

$$[n[A + cM] + \{1 + 1.1 + (1.1)^2 + \dots + (1.1)^{n-1}\}cstx] - [nR_1 + P] = 0$$

(10) From this the rise in monthly fees over the years will be: $x, 1.1x, 1.21x, \dots, (1.1)^{n-1}x$.

There is, however, a problem with such a method. When we are spreading our fixed cost equally over a period of 'n' years and using a gradual rise method like this one, then in the initial years the increase in fees might not be so much that the owner is able to pay back that year's fixed cost amount. So to make up for the gap he will have to pool in some amount from the past earning. As the years go by the monthly fees will begin to rise and in the later period the annual collection will exceed the amount required to pay those years fixed costs. Even though this is a break even analysis for the last years, he will make some operating profit so as to offset the operating loss in the initial years.

For the period after the fixed cost has been recovered there will only be one figure depicting the rise in fees. For this the same method as in Model 1 is to be used.

Model 3

This model relaxes the assumption on zero interest on the sum being borrowed to fund the fixed expenditure. The difficulty as stated above is again that an owner has different options on what financial instrument to use to pay for the expenditure on land and other items. Loans to buy land for commercial uses are usually on a floating basis, which further complicates matters. In addition, in some loans the repayment periods starts with some lag while in others it starts immediately. In any case (as interviews with the owners revealed) budget school owners will not get such a loan and usually have to apply for a personal loan at high interest rates to fund their investments. This is mostly because many banks consider such ventures to be risky and thus deny loans of a huge value. Another option is local chit funds from which money can be borrowed or from local lenders. The problem with all these sources is that the amount of money that is borrowed can seldom be more than Rs 10 million. On the other hand the money required by schools to buy land to fulfil land norms only can go up to as much as Rs 30-40 million. In the light of these problems the validity of the model may be questionable. But in this paper we are only trying to figure out the increase in monthly and not how the schools arrange for that money.

Assuming that a flat interest rate of 'i' % has to be paid on the total amount borrowed (equal to the total fixed expenditure 'P'). Using an EMI calculator one can calculate the monthly payments over a period of

'n' years. Similarly we can get an annual payment figure. Let this be P_1 . Taking this we can calculate the flat rise in monthly fees required to fund the annual payments and the increased recurring expenditure for the time period over which the loan is to be repaid. Further along we can also measure the rise required after the loan has been repaid. Again to calculate this increase the method followed in Model 1 should be employed. We assume that the instalments are paid without any time lag.

For the initial period for a breakeven analysis we will use a reformed version of equation (8). The new equation will be:

$$[A + c(M + stx)] - [R_1 + P_1] = 0$$

(11) The value of 'x' found through this equation will be only for the first 'n' years when the loan is being repaid. Again, for the time period after that the procedure explained in Model 1 should be employed.

Understanding the Data

In the previous sections I have already talked about the problems that may occur while collecting data for such a study. Plus the sources of data and its cross-checking are different for different schools. For the schools included in this study, I have discussed the problems of the data of individual schools in the appendix with the revenue and expenditure tables. As mentioned above the data has not taken into account the inflation that may occur over the years. In addition, all other costs are considered to be constant over the years. This was a necessary requirement as trends for the increase in other costs like repairs and utilities are not available for budget schools. This paper intends to be a starting point for someone who wishes to do a more detailed study on the finances of budget schools and the financial implications of the RTE. Keeping that in mind it was necessary to make the models in this paper as simple as possible so that an initial picture emerges on the finances of the budget school and the implications of the RTE. The next section will deal with all the aspects regarding the schools' finances.

Results and Analysis

The section is divided into three main sub-sections. First we will deal with the initial findings which are basically general observations on the functioning of the school. Along with this a note has been added on the behaviour of profit margins (as a percentage of total revenue) with changes in enrolment as observed by Mohammed Anwar for his own chain of budget schools. The second section charts out the composition of revenue and expenditure for the selected schools while the final part shows the computed rise in monthly fees.

Initial Findings

As mentioned before, most owners prefer to keep younger teachers as their teaching staff. The problem with this is that this causes the retention rate to decrease. Many of the teachers leave after one or two years, usually because of getting married. But, this has an advantage as the owners are able to keep salaries low. Another reason why the salaries are low is because of the ample supply of teachers and students (pursuing a BEd degree). Most budget schools are located close to each other and they try to outbid each other to attract better talent. But the salaries are still extremely low as compared to that of more affluent private schools. The teachers are also strictly held accountable for the performance of the children. This is strictly monitored by the owner or principal and by the parents. School B's owner mentioned that he had had to fire many teachers purely because the parents and children were unsatisfied. Along with the usual teaching jobs the teachers are expected to help with any work during celebrations. In addition, they are sometimes asked to go to nearby localities to get more students enrolled in the school. However, this does not happen very frequently and mostly in cases where the teachers are from within the community.

With respect to collection rates they vary from school to school. In my study the highest collection rate was for School A of about 92.5% while the lowest used was 80% due to being located in the slums. As has been said before, most of the owners make this concession to their students rather than simply expelling them out of the school—which they can if a student does not pay the fees.

Enrolment is highly sensitive to changes in monthly fees and nominal changes of Rs 10-20 over consecutive years is also met with some resistance from the parents. It also has an adverse affect on the collection rate of monthly fees. Most owners have to use various tactics to ensure that the students pay their fees eventually. A commonly used technique is to threaten to debar the student from giving the exams if the arrears are not paid. Financing options have already been discussed in the earlier sections—hence they will not be repeated.

During the preparation of the paper I had the opportunity to meet Mohammed Anwar (who, as mentioned, runs a chain of budget schools in Hyderabad). While talking about the trends of profit margins as enrolment changes he shared his own experiences on this subject. He explained that profit margins (as a percentage of total income) increase as enrolment rises till 400, thereafter till about 750 to 800 it begins to decline and after 800 starts rising again, and this time rises more than that before an enrolment of 400. The reason provided for this is that usually when a school is constructed it is done so for the capacity of around 400. So when a school wants to expand capacity the owner will have to invest in creating rooms and buying other necessary items but the enrolment takes time to pick up and the huge investment due to increase in capacity leads to a lowering of profit margins. But after 800 the revenue stream gets larger and profit margins again pick up. It should be kept in mind, however, that this is not a conclusion that this paper draws but rather a personal experience of Mohammed Anwar. It

is included only to provide an example and some basic idea on how profit margins work in the budget private school sector. The next sub-section will deal with the composition of revenue and expenditure of the selected schools.

Composition of Revenue/Expenditure

The revenue composition of the budget schools is strikingly similar in a number of ways. Every school levies different kinds of fees. Monthly fees form the highest chunk and all schools make a profit on merchandise sale. This chart also shows why it is so important to keep the collection rate high. This is simply because it is the major portion of the schools' revenue. Also the difference in profits on merchandise sale is often because of a difference in profit margins. Schools who can minimise the transportation costs on these items manage to garner more income from this source.

Figure 1

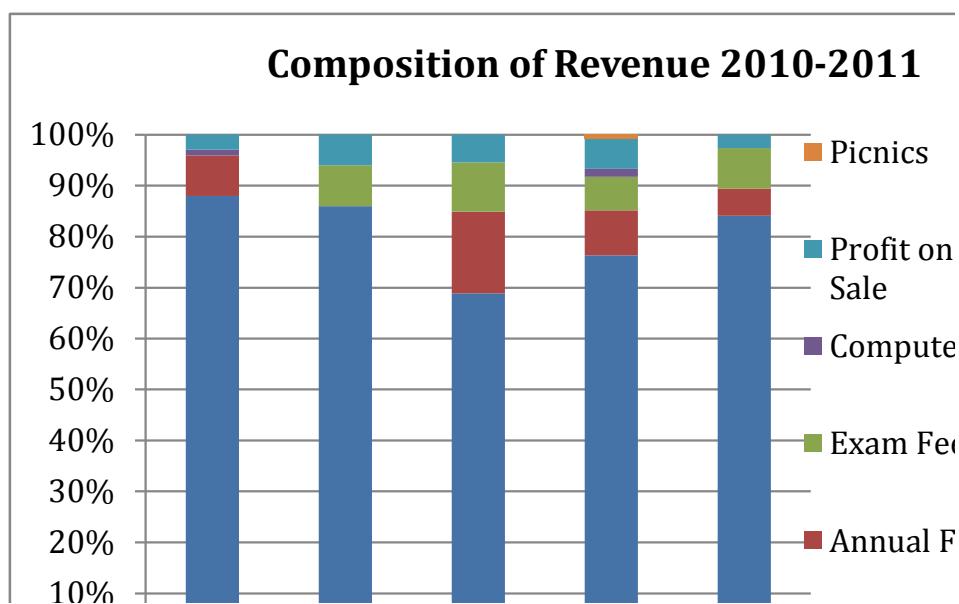
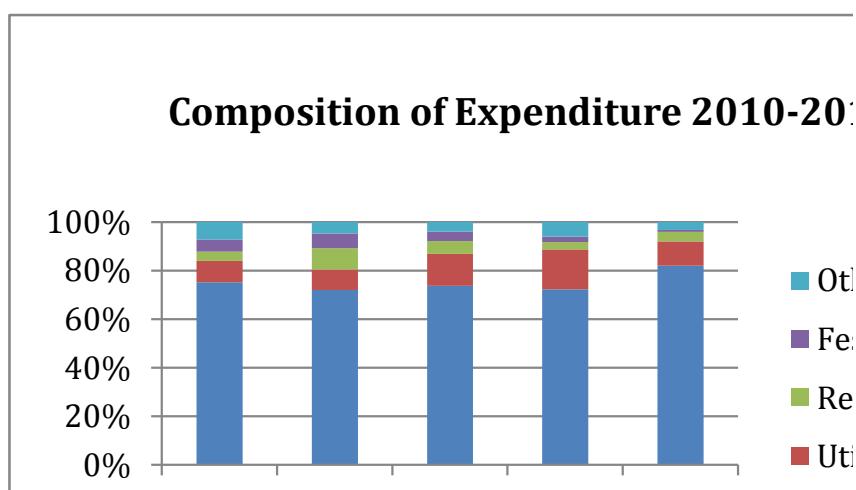


Figure 2



The expenditure side is, clearly, more varied. The staff salaries, here, are composed of three kinds: management, teaching and non-teaching. Some schools, however, like School A, D and E do not employ a principal or any such management staff. But every school does have some form of non-teaching staff—

they just vary in numbers. For school B the item of 'Festival' also includes expenditure on scholarships. In fact, this was the only school that actively gave money in the form of prizes to its students for good academic performance. The expenditure under the head 'festivals' also include the bonuses that the school paid to its staff on account of the festive season like Diwali. The figures under 'Repairs' include the expenditure on general maintenance of the school building while the one under 'others' includes all the miscellaneous expenditure including expenditure on any taxes paid. Not all schools pay taxes, however. Only School A paid some form of tax (house). Also, the figure under utilities includes general expenditure on things like electricity and water consumption and telephone charges. The next section outlines the rise in monthly fees expected upon RTE compliance.

Rise in Monthly Fees

The first table below provides the increase in monthly fees using the Model 1—developed in an earlier section. The rise has been reflected by mentioning the range rather than average fees. The data for individual schools should be read in conjunction with the individual accounts provided in the appendix. All the figures stated are in rupees. The initial period taken here is of ten years.

Table 1: The rise in fees using Model 1

Serial No.	Old Range (per month)	New Range (Break Even) Initial Period	New Range (Original Profit) Initial Period	New Range (Break Even) Later Period	New Range (Original Profit) Later Period
School A	350-450	2061-2161	2255-2355	779-879	973-1073
School B	200-410	2458-2668	2555-2765	755-965	852-1068
School C	145-215	2145-2215	2217-2287	811-881	883-953
School D	120-220	1383-1483	1491-1591	602-702	711-811
School E	250-330	1686-1766	1774-1854	555-635	644-724

It is obvious that the increase is enormous. We must keep in mind that this too is only the threshold value as we discussed while developing the models in the earlier sections.

Further, we will add the interest component to our calculation to make the model more realistic. However, it is clear that the increase in monthly fees, if we also add an interest component will lead to an even greater increase in monthly fees. While calculating the increase here, we are assuming an interest rate of 15% which is the average interest rate prevailing for personal loans presently. Also the repayment period is assumed to start immediately and is taken to be 15 years. It is important to make distinction between the earlier table and the current one. The earlier model assumed that the money invested was the owners' (without going over whether the owner actually has that kind of money or not) and this model assumes that a loan has been taken for the investment.

Table 2: The rise in monthly fees using Model 3

Serial No.	Old Range (per month)	New Range (Break Even) Initial Period	New Range (Original Profit) Initial Period	New Range (Break Even) Later Period	New Range (Original Profit) Later Period
School A	350-450	2931-3031	3124-3224	779-879	973-1073
School B	200-410	3615-3825	3713-3923	755-965	852-1068
School C	145-215	3051-3121	3123-3193	811-881	883-953
School D	120-220	1913-2013	2021-2121	602-702	711-811
School E	250-330	2454-2534	2542-2622	555-635	644-724

Here the initial period would be when the owner is still paying the instalments and the later period is when he has to pay only the increased recurring expenditure. Notice that this figure will be the same as that in the earlier table.

It should be clear now that the increase will truly be enormous. Now that we have charted the rise in monthly fee the obvious step is to reflect on how it may impact the enrolment and in consequence the economic viability of these budget schools. The correct method would of course be a quantitative analysis. However, this paper does not deal with any such method nor has this relation been charted before for budget private schools. Thus we will try and analyse it using the minimum data we have available, making a qualitative case for the debilitating effect of this rise on the fate of budget school in future. To do so we will first study the current average expenditure done by parents on monthly fees alone (as a percentage of total household income). Alongside, we will compare the expenditure on monthly fees after the monthly fees have been increased to implement the RTE—and then compare. The figures provided in the table are the average expenditure by a family on only monthly fees (disregarding other fees) currently and after the RTE is implemented by the schools and the monthly fee raised. The average incomes of the parents whose children go to these schools are provided in the appendix. In case the range for average incomes is mentioned, then a simple arithmetic mean is taken of the upper and lower values. It is important to keep in mind that the rise in monthly fees considered here is according to the figures arrived through Model 1. The aim here is to show how unrealistically the expenditure share would rise and to do so figures of Model 1 are sufficient as they provide a base value. Since we are concerned with the most immediate impact we will use the new monthly fee for the initial period using a break even analysis. Using figures from other models would only increase the share as the absolute rise in monthly fee would be greater than that in Model 1.

Table 3: Change in expenditure (%) on monthly fees by a household (for 1 month) for schools pre and post RTE Compliance.

Serial	Current Average Expenditure (%)	Average Expenditure (%) after RTE
School A	6.15	32.47
School B	7.62	64.07
School C	4.50	54.50
School D	4.20	35.82
School E	5.20	31.38

A casual glance suffices to conclude that to expect a family to sustain such a drastic change in the proportion of expenditure on monthly fees is unrealistic—least of all by the poorer families. In such a scenario the parents would prefer to send their children to nearby MCD schools rather than try and continue to teach them in the same schools. While the parents want to educate their children in private school they are not capable of sustaining such a huge expenditure on their low incomes. To get an idea of how much these parents are willing to bear an increase I asked a set of 15 parents spread across all the schools on whether they would send their children to these budget schools if the monthly fee suddenly doubled. The unanimous answer was in the negative. They said they would be left with no choice but to send their children to the nearby government schools. Even the owners concurred with this view that even a doubling of monthly fees would leave to a drastic drop in enrolment. In the face of these findings it is unrealistic to say that these parents, from the poorer sections of society (the target group for the budget schools), would want to continue with the budget schools. In such an event, if the enrolment was to drop in the school then fees would have to be increased even more as the payment would still have to be made despite there being lesser number of students to spread one's costs over. This may lead to an even greater drop in enrolment till the point when the school becomes economically unviable to run. The schools, thus, are expected to shut shop in the face of such an increase in monthly fees.

We have already discussed how difficult it will be for the schools to implement the RTE, financially. It is necessary, now, that we dwell for some time on the other problems that make RTE compliance unrealistic. When we talk about fulfilling land norms it is natural to ask whether additional land is available for the schools to buy. Most schools are constructed in residential place with very little free land available. So it no longer is a question of whether the schools have the money to buy land but rather a question of whether there is land for the schools to buy. In light of this fact the schools will have to cease operations. Even if they want to continue they will have to start a school in a completely different place. All the schools included in the study are schools which have no available land to buy in the vicinity. This creates a problem for the schools right there—not only are the land prices high but there is no land available to buy in the vicinity. Closure will be the only option left for the schools.

Even for those who have the land and are able to invest in making their schools RTE compliant, it can be argued that they can use this opportunity to expand operations and create space for more students and

thus prepare the ground to operate at a higher scale (which will help them in achieving a higher level of profit later). This may be possible. But with the increase in monthly fees the earlier target group of these schools will cease to come (as is obvious from the analysis above). The schools will have to start serving the relatively well-off, rather than the poorer sections for whom the school was started in the first place. In short, it would lead to a reduction in the choice of schools available for the poor to send their children to—as the erstwhile budget schools would go out of their reach. It is clear now that serving the poor and being RTE compliant are incompatible with each other—at least for the selected schools. One has to be sacrificed to achieve the other (at least under present conditions).

It is hoped that the government will come about these issues and take a step that ensures that the choices available to the poor are not reduced. Personally, I feel the government will have to amend the RTE to cater to these problems that have arisen. However, it is an entirely different matter on whether it is possible or how it will be achieved.

Concluding Remarks

By now it is clear that the expenditure that budget schools are looking at in order to implement the RTE is enormous. The resulting rise in monthly fee even more so. As is evident by the results above, the sudden rise in monthly fees will prove to be a death-knell for the budget schools as enrolment rates would crash immediately. It has to be kept in mind that all budget schools are situated very close to government schools and parents would simply shift their children to the latter rather than pay such huge fees. In this case the question that arises is whether government schools are capable of accommodating all the students from budget school (if they decide to leave because of the high fees). It should be kept in mind that under the provisions of the RTE, the government is obliged to provide education to all the students in case the schools they currently study in close due to non-compliance of RTE norms. Taking Prof Tooley's estimate of around 350 thousand budget school and an extremely conservative estimate of the average enrolment being 200 would translate into a total strength of 70 million students which is a huge number¹⁹. If one closely looks at the RTE Act it would appear that the drafters have focussed too much on framing recognition norms rather than formulating ways to increase the quality of education and access to it. If the RTE Act and the subsequent notifications under it (outlining the norms) are not amended, and followed strictly, its results will be the closing down of the budget private schools. Thus, the RTE Act rather than creating greater choice for the parents is actually restricting it as the poor now have no option but to send their children to government schools.

The RTE also creates greater scope for local education officers to engage in rent seeking since the schools owners might still want to operate even if it means paying a higher bribe. This is more so for those who have no other source of income. On this particular issue two of the school owners that I interviewed stated that they would simply hand over the responsibility to the government to operate their schools since they realize the difficulty they will face if they try to comply with the RTE norms. However, with the government moving slow over carrying out the provisions of the RTE and the budget school associations providing stiff resistance to government actions, the budget schools are still going about their daily business.

It is obvious that budget private schools will find the future tough if the present norms continue. What will be of interest is whether the government recognises and accepts the outrage that followed after the norms were released . Budget schools operate to fulfil a market demand and pay market determined salaries, and provide an education that the parents are satisfied with. If they had not done this the schools would have closed down on their own. The parents by sending their children to these schools are making a conscious decision to get their children educated in these schools rather than in the nearby MCD schools (where they will have to pay nothing at all). The government has to take cognizance of this fact and adapt to the situation accordingly.

Extensions and Future Scope

This paper in its final sections examines the affect that the rise in monthly fee would have on enrolment in budget private school. However, it only makes a qualitative argument rather than quantifying the result. As can be gathered by now, monthly fee forms a vital part in the parents' decision as to which school they should send their children to. Even if the budget school is providing good education the parents might want to send their children to government schools if the former increase their fees by too great a margin. It will be of value to quantify the relation and provide a clearer picture regarding the role of monthly fee in enrolment numbers.

Also, as discussed in the previous section, government schools may not have the infrastructure to provide for the education of the large number of students from budget schools who, once evicted from the latter would have no other place to go. In this case it will be meaningful to calculate the amount of additional students that government schools can accommodate over the next couple of years.

Additionally, more models regarding the procedure to calculate the rise in monthly fees can be created that take into account not only inflation but also changes in enrolment. This will provide clearer indications towards the end we seek. However, it needs to be realised that unless school owners open up towards civil society the paucity of data will continue to provide us with a blurred picture of this sector. Even the government has to wake up to the reality of budget schools and aid individual researchers in exploring more on the nature of these schools. This is happening in Hyderabad right now—by virtue of being the first city that James Tooley discovered. But it needs to happen at a larger scale to get data that is more accurate and usable.

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Appendix

1. A copy of the Schedule in the RTE Act (to be read with Section 19 and 25 of the RTE Act 2009).

THE SCHEDULE
(See sections 19 and 25)

NORMS AND STANDARDS FOR A SCHOOL

Sl. No.	Item	Norms and Standards	
1.	Number of teachers:		
	(a) For first class to fifth class	Admitted children	Number of teachers
		Up to Sixty	Two
		Between sixty-one to ninety	Three
		Between Ninety-one to one hundred and twenty	Four
		Between One hundred and twenty-one to two hundred	Five
		Above One hundred and fifty children	Five plus one Head-teacher
		Above Two hundred children	Pupil-Teacher Ratio (excluding Head-teacher) shall not exceed forty.
	(b) For sixth class to eighth class	(1) At least one teacher per class so that there shall be at least one teacher each for— (i) Science and Mathematics; (ii) Social Studies; (iii) Languages. (2) At least one teacher for every thirty-five children. (3) Where admission of children is above one hundred— (i) a full time head-teacher; (ii) part time instructors for— (A) Art Education; (B) Health and Physical Education; (C) Work Education.	
2.	Building	All-weather building consisting of— (i) at least one class-room for every teacher and an office-cum-store-cum-Head teacher's room; (ii) barrier-free access; (iii) separate toilets for boys and girls; (iv) safe and adequate drinking water facility to all children; (v) a kitchen where mid-day meal is cooked in the school; (vi) Playground;	

	(vii) arrangements for securing the school building by boundary wall or fencing.
3. Minimum number of working days/instructional hours in an academic year	(i) two hundred working days for first class to fifth class; (ii) two hundred and twenty working days for sixth class to eighth class; (iii) eight hundred instructional hours per academic year for first class to fifth class; (iv) one thousand instructional hours per academic year for sixth class to eighth class.
4. Minimum number of working hours per week for the teacher	forty-five teaching plus preparation hours.
5. Teaching learning equipment	Shall be provided to each class as required.
6. Library	There shall be a library in each school providing newspaper, magazines and books on all subjects, including story-books.
7. Play material, games and sports equipment	Shall be provided to each class as required.

2. Salary of Teachers Post Sixth Pay Commission

Fresh Primary/Upper Primary Level Teacher

Item	Old Scale	New Scale
Basic Pay	4500	9300
Dearness Pension	2250	4200
Dearness Allowance	3173	2160
House Rent Allowance	2025	4050
Provident Fund	780	780
TA	40	1856
Miscellaneous	75	1000
<u>Total</u>	12843	23346

Teacher with 10 years of experience

Item	Old Scale	New Item	New Scale
Basic Pay	6250	Basic Pay + Grade Pay	17292

Dearness Pension	3125	---	---
Dearness Allowance	4406	Dearness Allowance	2766
House Rent Allowance	2812	House Rent Allowance	5187
Provident Fund	780	Provident Fund	780
TA	100	TA	1856
Miscellaneous	40	CE	1000
<u>Total</u>	17513	<u>Total</u>	28881

Serial Number	Item	Description	Figure (Rs)
1	Annual Fees	Rs 300 per child	1,20,000
2	Tuition Fees	Range of 350-450	13,31,445
3	Exam Fees	---	0
4	Computer Fees	Rs 50 /child/year	17,100
5	Profit on merchandise sale	At a margin of 15%	44,853
6	Total		15,13,398

3. Individual Records of Schools

School A

General Description The school was established in the year 2006. While recognised by the MCD as a primary school it has an upper primary section. In all the school has 400 students. The owner employs a principal for assistance in running the school. Upon asking him the reason for running the school he maintained it was to serve the local community. Interestingly an MCD school, which provides free education, is situated in the same locality. But his school has been running at full capacity for the last three years. The school has adequate sanitation and drinking water facilities. With regards to teaching he is personally involved in recruiting and monitoring the performance of the teachers. A common method is to randomly select students from different classes and ask them questions regarding their current topic of study.

As for the average household salaries (Rs 5,000-8,000) for the neighbouring region four households, two shopkeepers and the owner were asked to provide an estimate range and an average was taken.

Income Statement (April 2010–March 2011)

The revenue details of this school are fairly accurate. The data regarding annual charges, tuition and exam fees were cross-checked from two teachers and 4 neighbouring households. The data on profit margin was taken only from the owner as there was no other accurate way of cross-checking it. The collection rate (c) for this school was 92.5%. This was based on the information provided by the owner that out of the 400 students there are always 30 students who do not pay the monthly fees. The fee and salaries in this school have been computed on a 10 month basis. The computer fee is only taken from the students of class 1 to 8.

Expenditure Statement (April 2010–March 2011)

The data on staff salaries was taken from the owner and cross-checked from the principal and one teacher. The data on bribes was provided by the owner only and there was no way to cross check it. The expenditure under miscellaneous items was taken from the owner only and was not cross-checked due to the lack of such sources (to cross-check).

Change in Expenditure Structure to Comply with the RTE Norms

Serial Number	Item	Description	Figure (Rs)
1	Management Salary	For 1 @7,000/month	70,000
2	Teaching Staff	For 8 (range 4000-6000)	4,00,000
3	Non-Teaching Staff	For 6 (range 1500-3000)	1,30,000
4	Utilities	Includes power, water, phone	70,000
5	Repairs	---	30,000
6	Festivals	Includes staff bonuses	20,000
7	Advertisements	Both print and electronic	20,000
8	Taxes	House Tax	8,000
9	Bribes	@5000 for 4 visits	20,000
10	Miscellaneous	Stationary, office equipments	30,000
11	Total		7,98,000

The value of land was estimated by taking an average of the figures provided by two school owner, two shopkeepers and four households. As for the figure for the library the estimate was given by the owner itself and was crosschecked only with a neighbouring school owner. This data, admittedly, will differ as to how big a library one wants to build. The tax value and the new expenditure on festivals was again provided for by the owner only. In this the expenditure on land and library is treated as fixed while the expenditure on the other items is recurring.

Item of changed expenditure	Description	Old	New
Land	Buying 790 m ²	0	4,74,00,000
Library	For buying books/shelves	0	40,000
Staff Salary	Only Teacher salaries have increased	6,00,000	26,88,060
Bribes	---	20,000	0
Festivals	Adjusted for increase in teacher number	20,000	24,000
Tax	House Tax	8,000	38,000

School B

General Description The school was established in 1996 as a playschool. By 2002 it started functioning as an unrecognised primary school. It currently has 182 students. Recognition for the school was denied twice. In the earlier attempt when the recognition process was in its final phase the education officer changed and the new officer demanded a bribe amount that the owner could not afford to pay. In the second attempt he could not satisfy the land norms because of which he again could not get recognition. As a result, to issue transfer certificates for its students it employs the services of a nearby recognised school. The school possessed all the necessary teaching aids and learning equipment and the owner even had cameras installed in the school so that the teaching process could be monitored. The school also has a reward scheme under which competitions are held in the class periodically and the winner given cash prizes. It should be noted that School B and A are in the same locality –situated close to a MCD school.

The average salary of the household was found to be Rs 3000-5000. While this school is situated close to School A the children who come to this school are relatively poor than the students from School A. The data for this was provided by the owner and cross-checked by two different households.

Income Statement (April 2010–March 2011)

<u>Serial Number</u>	<u>Item</u>	<u>Description</u>	<u>Figure</u>
1	Annual Fees	---	0
2	Tuition Fees	Range of 200-410	3,89,520
3	Exam Fees	Rs 200/child/year	36,400
4	Computer Fees	---	0
5	Profit on merchandise sale	At a margin of 25%	27,350
6	Total		4,53,270

The figures on tuition fees and exam fees were crosschecked from two households. The owner provided the profit margin. The collection rate is taken to be 90% and the fees and salaries are calculated on a 10-month basis.

Expenditure Statement (April 2010 – March 2011)

The data was mainly provided by the owner only and cross-checked from one teacher. The scholarship amount is a very approximate figure and varies a lot over the years. The advertisement expenditure too is an approximate figure with data available only from the owner.

Change in Expenditure Structure to Comply with the RTE Norms

Item of changed expenditure	Description	Old (Rs)	New (Rs)
Land	Buying 465 m ²	0	2,79,00,000
Staff Salary	Only Teacher salaries have increased	2,04,000	12,71,300

The value of land was given by the owner two neighbouring shopkeepers and cross-checked from the owner of school A too. Here the expenditure on land is treated as fixed while the other item is recurring.

School C

General Description: This school was established in 1993 and is, like the schools above, run under a registered society. The school gained recognition under the U.P. board in 2003 as a primary school. The school also has a playschool section. In all it has a total of 225 students from nursery to class fifth. It is situated in a Muslim majority area and hence has the facility teaching the Urdu language –something that the nearby local MCD School does not have. It is close to other BPS schools as well, thus, faces a fair amount of competition. Interestingly, the owner is also a property dealer and runs a proper shop in the same area.

The average salary of the households was estimated to be between Rs 3000-5000 per month. The data on this was provided by the owner and three households.

Income Statement (April 2010 – March 2011)

Serial Number	Item	Description	Figure
1	Annual Fees	Rs 500/child. Collection rate 75%	84,375
2	Tuition Fees	Range of 145-215	3,62,115
3	Exam Fees	Rs 225/child/year	50,625
4	Computer Fees	---	0
5	Profit on merchandise sale	At a margin of 20%	28,711
6	Total		5,25,826

With regards to the collection rate of the monthly fees the owner gave a figure of 90%. Again this is an approximate figure. In addition, the school had difficulty in getting the full annual fees also and the collection rate for that was 75%. The data on the fees structure was obtained primarily from the owner only and crosschecked with two parents. The fees and salaries have been computed on a 10-month basis.

Serial Number	Item	Description	Figure
1	Management Salary	For 1 @3,500/month	35,000
2	Teaching Staff	For 10 (@2000/month)	2,00,000
3	Non-Teaching Staff	For 2 (@1500&3000/month)	45,000
4	Utilities	Includes power,water,phone	50,000
5	Repairs	---	20,000
6	Festivals	Includes staff bonuses	15,000

7	Advertisements	Both print and electronic	0
8	Taxes	---	0
9	Bribes	---	0
10	Miscellaneous	Stationary, office equipments	15,000
11	Total	---	3,80,000

Expenditure Statement (April 2010 – March 2011)

The data on staff salaries was crosschecked with only one teacher. The data on other items has been taken from the owner only.

Change in Expenditure Structure to Comply with the RTE Norms

Item of changed expenditure	Description	Old (Rs)	New (Rs)
Land	To buy 674 m ²	0	2,69,60,000
Library	For buying books/shelves	0	40,000
Staff Salary	Only Teacher salaries have increased	2,80,000	17,74,220

The data on the value of land and library are approximate figures taken from the owner itself. The owner himself dealt in the sale and purchase of property. The range quoted by him was Rs 40,000-60,000. The lower end was taken to avoid overestimating the rise in monthly fees. Here the expenditure on land and library is treated as fixed while the other item is recurring.

School D

General Description This school is one of the oldest schools included in this study. It was established in 1980 and got recognition in 1989. With 270 students in all, it is MCD recognised till class fifth but has a playschool section as well. This school is located right in the middle of a slum close to another budget school and a government school nearby. The school has both -a computer lab and a library. However, after interviewing four households that lived next door it was found that books are seldom issued to the students and the computers too are sparingly used. The owner also resides in a portion of the school along with his family—who are also actively involved in running the school (they take care of odd jobs like helping during the admission season). The owner seemed to have good relations with the local education officers and hence claimed he paid no bribes at all. Apart from the school the owner also owns a small shop selling electronic items.

The collection rate in this school was on the lower end (80%), primarily because it was situated right inside a slum area. The average household monthly salary as estimated was in the range of Rs 3000-5000. The data was estimated by interviewing five households.

Income Statement (April 2010 – March 2011)

Serial Number	Item	Description	Figure (Rs)
1	Annual Fees	Rs 200 per child	54,000
2	Tuition Fees	Range of 120-220	4,68,864
3	Exam Fees	Rs 150/child/year	40,500
4	Computer Fees	Rs 50/child/year	9,750
5	Profit on merchandise sale	At a margin of 15%	36,063
6	Picnic Charges	Actual is Rs 27,000 Collection rate is about 18%	5,000
7	<u>Total</u>		6,14,177

The data from the owner was cross-checked with the 5 parents who were living very close by to the school. The computer fee is taken only from the students of class 1-5. The picnic fee that is charged is seldom given. As stated the recovery rate is only about 18%. One reason was that the parents complain that the money is not optimally used and so desist from giving money for this purpose. The fee and the salaries have been computed on a 12 month basis.

Expenditure Statement (April 2010 – March 2011)

<u>Serial Number</u>	<u>Item</u>	<u>Description</u>	<u>Figure</u>
1	Management Salary	---	0
2	Teaching Staff	For 7 (2@2000, 5@2500)	1,98,000
3	Non-Teaching Staff	For 2 (1@1500, 1@2000)	42,000
4	Utilities	Includes power, water, phone	55,000
5	Repairs	---	10,000
6	Festivals	---	7500
7	Advertisements	---	0
8	Taxes	---	0
9	Bribes	---	0
10	Miscellaneous	Stationary, office equipments	20,000
11	<u>Total</u>		3,32,500

The data on the salaries and other items were all taken from the owner only. The data on teacher salaries was cross checked from one of the parents who were acquainted with one of the teachers who taught in the school.

Change in Expenditure Structure to Comply with the RTE Norms

Item of changed expenditure	Description	Old	New
Land	To buy 674 m ²	0	2,02,20,000
Staff Salary	Only Teacher salaries have increased	2,40,000	17,70,912

The data on land value was taken from the owner only as he had some idea of the prevailing rates because he operated a shop himself. Here the expenditure on land is treated as fixed while the other item is recurring.

School E

General Description The school was established in 1982 and got a MCD recognition in 1983. It currently has 290 students from nursery to class fifth. The owner, here too, is actively involved in the teaching process and holds regular PTM meetings to keep parents up to date with the performance of the child at school. The school has all the necessary learning equipment like globes, charts and so on. While the school is close to an MCD school the owner said that parents prefer to send their children to his school as not only does the school pay greater emphasis to teaching in English but the teachers too take a greater interest in teaching the students as compared to their government school counterparts.

The collection rate for the monthly fees in this school was found to be 90%. In addition, the average monthly household income of the parents was Rs 4000-7000.

<u>Serial Number</u>	<u>Item</u>	<u>Description</u>	<u>Figure</u>
1	Management Salary	---	0
2	Teaching Staff	For 10 (@4500/month)	5,40,000
3	Non-Teaching Staff	For 6 (range 1500-3000)	72,000
4	Utilities	Includes power, water, phone	75,000
5	Repairs	---	30,000
6	Festivals	No staff bonuses	5,000
7	Advertisements	---	0
8	Taxes	---	0
9	Bribes	---	0
10	Miscellaneous	Stationary, office equipments	25,000
10	<u>Total</u>	---	7,47,000

Income Statement (April 2010 – March 2011)

<u>Serial Number</u>	<u>Item</u>	<u>Description</u>	<u>Figure</u>
1	Annual Fees	Rs 200 per child	58,000
2	Tuition Fees	Range is 250-330	9,21,240
3	Exam Fees	Rs 300 per child	87,000
4	Computer Fees	---	0

5	Profit on merchandise sale	At a margin of 15%	28,976
6	<u>Total</u>		10,95,216

The data on the fees structure was provided by the owner only. The fees and the salaries are both calculated on a 12 month basis.

Expenditure Statement (April 2010 – March 2011)

The salaries have been calculated on a 12 month basis unlike some of the other schools where it was done on a 10 month one. The money spent on the festivals does not include any staff bonuses.

Change in Expenditure Structure to Comply with the RTE Norms

Item of changed expenditure	Description	Old	New
Land	To buy 590 m ²	0	35400000
Staff Salary	Only Teacher salaries have increased	612000	1914912

The value for the land was obtained only from the owner. Here the expenditure on land is treated as fixed while the other item is recurring.