



CENTRE
FOR CIVIL
SOCIETY

New Education Policy: Choice & Competition

PARTH J SHAH

LIBERTY
& SOCIETY
SERIES

2

LIBERTY & SOCIETY SERIES

Centre for Civil Society organises academic programs for students, professors, journalists, and NGO leaders all across India. At first, these courses were titled as Liberty & Society Seminars (LSS) for college students. CCS has since revised the program to focus more on public policy and its implications in India, renaming the program as ipolicy. These four-day residential courses engage students in vital issues of public policy, and in creating a new vision for India. They provide participants with a greater understanding of the larger world—society, economy, and culture—within a liberal framework, which emphasises limited government, individual rights, rule of law, free trade, and competitive markets.

Challenging conventional wisdom, coupled with the excitement of discovery provides participants a once in a lifetime experience. The success of these courses, in creating new thinkers and leaders brought forth the idea of publishing key lectures so that others could experience the intellectual adventure. The lectures are a synthesis of research studies and various arguments that are by nature polemical. This series seeks to make these stimulating lectures from various CCS programs available to a wider audience.

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Based on the lecture delivered by Parth J Shah at Liberty & Society Seminars and ipolicy courses since 2001.

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INTRODUCTION

The significance of education for economic growth and a progressive society is immense. Providing basic education to more than a billion people is a large and complex effort. So how is educating the Indian masses going to be made possible? What are the roles of the State, the Market and Civil Society?

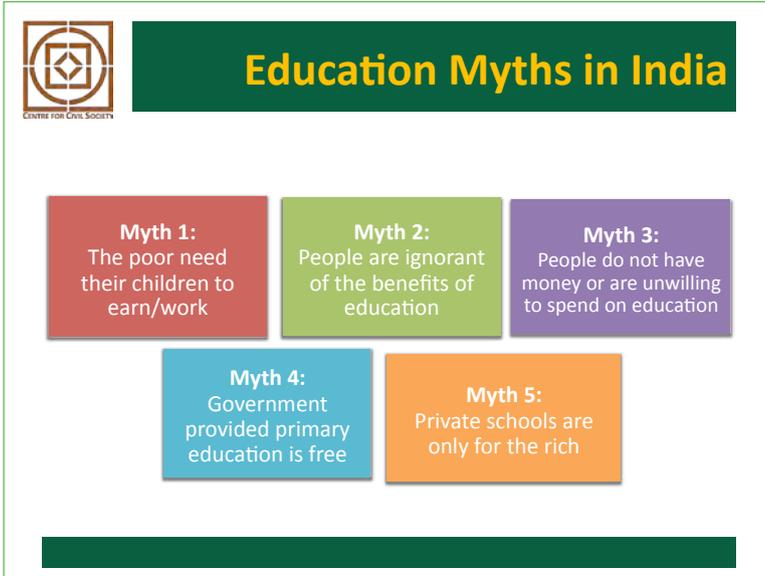
In this talk I address these questions and various problems surrounding schooling in India. I suggest public policy solutions that will address issues of quality, cost, access and diversity of schooling, with a particular concern for the needs of the poor.

A brief look at a few facts about the state of schooling in India will root our discussions in reality.

- One of four of the world's out-of-school children is in India.
- Three out of four students in elementary classes are from the government schools.
- Approximately half the children entering class I drop out before reaching class V, and two-thirds do so before reaching class VIII.
- 30% of Primary schools do not have permanent school buildings.
- 20% of Primary schools are single-teacher schools.
- 10% of Primary schools do not have a chalkboard.
- 25% of teachers were absent from school, and only about half were teaching, during unannounced visits to a nationally representative sample of government primary schools in India.
- Over 1.4 million teachers' posts are vacant in government schools.

I start our discussion by looking at a few myths, facts and conventional solutions regarding schooling in India. I then refer to the education systems in Kerala and West Bengal to make a case for private schooling and limited government control in education. I close with moving away from conventional solutions and offer policy reforms to assure quality education to all through more efficient use of public funds and deregulation and liberalisation of the education sector.

EDUCATION MYTHS AND FACTS IN INDIA



MYTH 1: The poor need their children to work and earn.

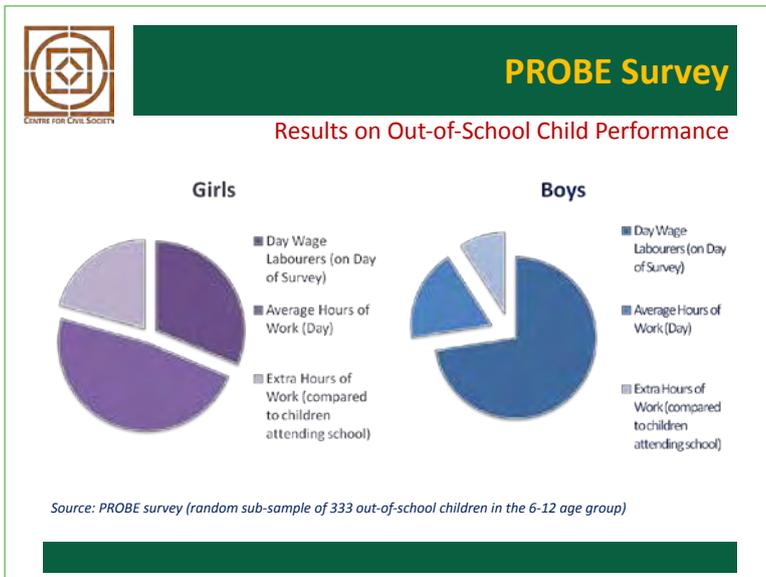
FACT 1: Only 5% of boys and 1% of girls engage in wage labour.

This myth is one of the most pernicious beliefs pervading the education establishment. Recent evidence seems to indicate that child labour numbers need to be examined in a particular context.

The Probe Report on Basic Education in India, (1999) gives insight of how public schools serve low-income families in four Indian states, Bihar, Madhya Pradesh, Uttar Pradesh and Rajasthan. Among the out-of-school children in the age group of six to 12 in the four selected states, only 5% of boys and 1% of girls engage in wage labour. The median work hours are 3.3 for boys and 4.8 for girls, the average being four hours per day. Meanwhile, children in this age group who work and attend school serve an average of two hours per day at their respective employment. Thus, if children attending school work on average a similar number of hours to their non-school-going counterparts, it is entirely plausible that parents keep their children out of

school for reasons intrinsic to the school itself. The Probe Report concludes that only a minority of children are full-time labourers. Moreover, the report claims there could be a flaw in presuming that high-child labour is a cause of low enrolment. In many cases poor quality schooling leads to low enrolment and/or high dropout rates. Low teacher incentives, lack of English medium instruction, lack of vocational education and inaccessibility of schools are some of the problems with the current educational system, leading to disillusionment and an unwillingness of parents to invest in it for their children.

In many cases poor quality schooling leads to low enrolment and/or high dropout rates.



MYTH 2: People from economically weaker sections (EWS) of society are ignorant of the benefits of education.

FACT 2: Even illiterate people cannot be fooled into spending their money on mediocre or non-existent schooling.

Surveys on child non-enrolment reveal that more than one-third of parents are “not interested” in education. This finding is used to incorrectly conclude that the poor and the illiterate do not really understand the importance of education and therefore cannot be relied upon to educate their children. This misconception often leads people to claim that the government must intervene to safeguard the interests of children, especially from poor and disadvantaged backgrounds.

Field researchers, however, have recently expressed that it is access and quality of education, rather than a willingness to educate, that are determining parental choices. The Probe Report finds that almost 90% of EWS parents are keen to send their children to school. The report also corrects the assumption on gender preference, stating that the bias to educate a boy over a girl is overstated. Poor quality of infrastructure (buildings, furniture and supplies), lack of teacher accountability and deplorable concern for learning outcomes in government schools reduces parents’ inclination to send their children to a public school. Investing in education, from the parent’s perspective, is not worthwhile or efficient.



Probe Study Outcomes

Inactive teachers were found engaged in a variety of pastimes such as sipping tea, reading comics or eating peanuts.

In only 53% of government schools, a minimum standard of teaching is conducted. In the remaining schools, teachers have a lacklustre attitude towards teaching:

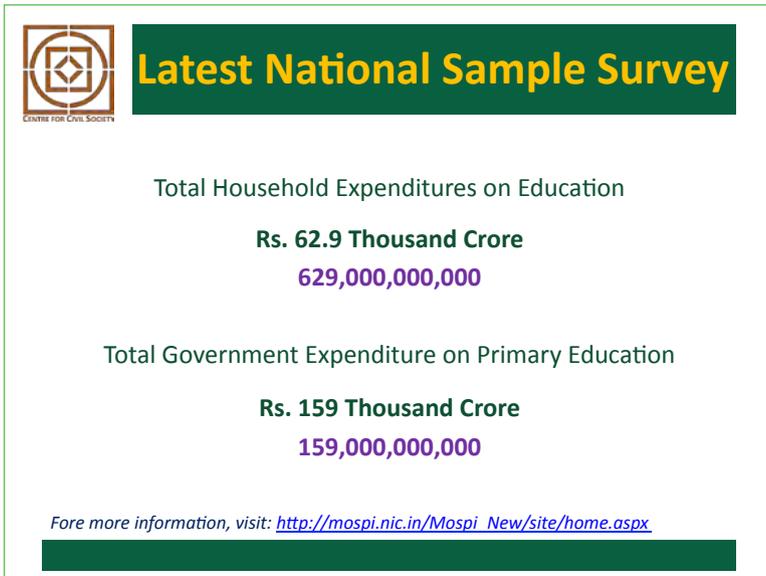
- Teachers keeping a school closed for months at a time
- Head-teacher displaying signs of inebriation in school
- Head-teacher asking students to do domestic chores, including looking after infants;
- Teachers sleeping at school
- Head-teacher attending school once a week

When these drawbacks are rectified, generally due to the initiative of some individual teacher, principal or bureaucrat, enrolments improve dramatically. Systemic improvements, however, are yet to take place on a large-scale.

MYTH 3: People don't have the money or are unwilling to spend on education.

FACT 3: Total Household Expenditure on Education has increased to Rs 62.9 thousand crore.

The NSSO studies suggest the Total Household Expenditure on Education was Rs. 62.9 thousand crore. Government expenditure on the other hand was Rs.159 thousand crore.



Personal spending on primary education is not just by the rich and the middle class in urban areas. In 1995-96, the bottom expenditure class in rural areas spent Rs. 0.90 per capita, which increased to Rs. 1.88 in 2005-06.

MYTH 4: Basic education provided by the government is free.

FACT 4: Indirect costs of basic schooling are still borne by parents.

The previous discussion clearly indicates that people, including the rural poor, spend a great deal of money on basic education for their children. A detailed analysis of the NCAER and NSSO studies brought Professor J.B.G. Tilak of NIEPA (1996, p. 363) to the following conclusions:



Free Primary Education?

“How Free is ‘Free’ Primary Education in India?”

Households spend large sums of money on acquiring primary education; a sizable number of students do not receive primary education free, in contrast to the claims made by the government; a large number of students pay tuition fee, examination fee and other fees even in government primary schools in India.

- Professor JBG Tilak

Economic and Political Weekly, 3 & 10 February 1996

MYTH 5: Private Schools are only for the rich.

FACT 5: The fastest growing segment in education is of low-fee or budget private schools where the poor send their children.

Do private education institutions service the poor? Many are clouded by the assumption that all private schools are elite institutions providing services and benefits only to the rich.

Over the years, studies have identified hundreds of thousands of low-fee budget private schools in India that are addressing the education needs of the poor, sometimes at fees as low as Rs. 75 per month.

James Tooley's study in Hyderabad, titled *Is Private Education Good for the Poor?*, highlights three realities: (i) majority of poor parents choose private unaided schools for their children; (ii) there is higher achievement in private unaided than government schools, and (iii) more teaching is taking place in private schools as compared to government schools.



Private Schools for the Poor

Federation of Private Schools Management Hyderabad

- 500 Schools
- 40% Student Body Recognised
- **60% Student Body Unrecognised**
- School Fees from Rs. 50 to Rs. 150 per Student per Month
- Scholarships Provision for the Poor: 15-20% of Seats

Private schools for the economically weaker sections (budget private schools) may not capture our imagination as top-end private schools but these low-cost quality alternatives to poor quality government schools are thriving across the country, in rural and urban areas.

Some of the myths and incorrect notions I am discussing, and others that you may be familiar with, are largely an outcome of outdated statistics and biased data analysis. These not only obscure the real facts, but also distract attention from the real obstacles that prevent quality education for everyone. It is extremely important to understand these myths and the ground realities in India so that we direct our attention to the real problems that affect the suppliers (education institutions) and demanders (principally students and parents) of education. Misguided solutions will not only delay achievement of our goals but also waste scarce resources.

Let us now examine some of the commonly proposed solutions for education delivery that have derived from these myths.

CONVENTIONAL SOLUTIONS TO EDUCATION IN INDIA

Solution 1: Introduce free and compulsory elementary education

Proponents of free education claim that free and compulsory education would make it mandatory for parents to send their children to school and for the government to make schools available in all parts of India. But above all, the argument is that it would signal society's sincere commitment to basic education for all.

The most important questions for us are:

1. Is such a law necessary to achieve universal education?
2. How would the free and compulsory education law be enforced?
3. Would the government take the onus on deciding where a student would be admitted?
4. Would failure of the government in properly enforcing the law result in its dismissal?
5. Would the dismissal apply to the state as well as the central government?
6. Who would bear the burden of arbitrary enforcement?
7. If private schools are supposed to comply, would their seat-sharing be funded?
8. If it is an unfunded mandate, what are its consequences on private schooling institutions?

Free and compulsory education will effectively create opportunities for more commissions, national and international seminars, and pious declarations. It would not address the real problems facing India's education problems—three being quality of learning and teaching, accountability of funds, and student/teacher performance.

The 93rd Amendment Bill (passed as the 86th Amendment to the Constitution) makes education a fundamental right for those aged six to 14.

Let us consider a few other Fundamental Rights, which will help us build a case against this Fundamental Right.



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Fundamental Right Against Exploitation

Article 23:

Prohibition of traffic in human beings and forced labour—Traffic in human beings and *beggar* and other similar forms of forced labour are prohibited.



Article 24:

Prohibition of employment of children in factories—No child below the age of fourteen years shall be employed to work in any factory or mine or engaged in any other hazardous employment.



Image on top right is by Youth Ki Awaaz.
Image on bottom right is by Shail Raghuvanshi.

Articles 23 and 24 of the Constitution guarantee a Fundamental Right Against Exploitation. Still, we must assess how effectively these rights are protected by the government. It is important to note that these Articles do not impose any positive obligation on the government. The government has been given a very basic responsibility, which is to prevent certain activities, namely, forced labour and employment of children in hazardous jobs. The government is not responsible for providing alternative means of survival to those who are forced into labour (beggars for example) or to children who are employed in hazardous jobs. The articles mandate only prevention, not provision. Despite this limited mandate, the government has failed in living up to the promise of Articles 23 and 24.

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The proponents of the Fundamental Right to Education stipulate that the government would be required to provide necessary schooling facilities.

Is the government that cannot enforce Articles 23 and 24 capable of meeting the demands of the Fundamental Right to Education? Given the inability of the poor to access legal redress, how would paper rights translate to achievable rights? Are there policy solutions available other than depending on the government to concretise our rights?

Solution 2: Increase government spending to 6% of GDP



Expenditure and Quality?

There is little evidence of a positive relationship between per student expenditures and enrolments of students from the bottom 40% of family income....

This lack of a general effect is not surprising, as there is huge literature that supports the proposition that, while additional spending has the potential to raise school quality, there is no necessary connection between school quality and school spending.



Deon Filmer and Lant Pritchett, "Educational Enrolment and Attainment in India: Household Wealth, Gender, Village and State Effects," *Journal of Educational Planning and Administration*, April 1999, p. 159 (based on the data for 1992-93)

Photo by India Today Online, "India's Quality of Education Still Poor, Says World Bank."

Doubling government expenditure on education is bound to have some positive impact. The question is whether the impact will be proportionate to an increase in spending.

Many countries that achieved high literacy rates in the post-war era have rarely spent a figure close to 6% of their GDP. South Korea has spent approximately 3.2%; Japan spends around 3.8% and China 2.6%. International evidence suggests that it is not how much the government

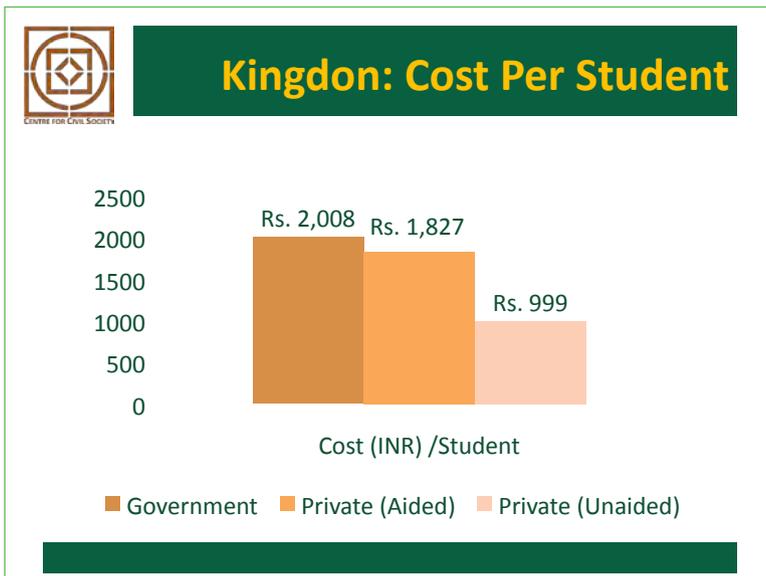
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Sajitha Bashir’s research paper on Government Expenditure on Elementary Education in the Nineties gives insight on the spending patterns of state governments. Bashir states, “the most striking characteristic of [State Plan] expenditure in all states is the negligible amount spent on teacher training and learning materials and there seems to have been no change in this aspect over the decade.” Her point is extended to question the large share of funds allocated to incentivise improved attendance and “whether they would not be better spent on quality improvement measures.” The annual expenditure on instructional/ learning materials per child is in the range of Rs. 15–Rs. 30. This brings us into line with a government department’s incentive to measure schooling outcomes in terms of enrolment and attendance figures, rather than learning outcomes which are not immediately measurable and subject to little enquiry.

To view how government spending is not directly linked to quality schooling, we can refer to Geeta Gandhi Kingdon’s study conducted in Uttar Pradesh in February 1996.

Her analysis reveals that based on the total costs and cost per achievement incurred, performance of a student in a private unaided school (PUA) is higher than a private aided (PA) or the government school.





Kingdon: Cost Per Achievement (Rs.)

	Government School	Private Aided School	Private Unaided School
Cost per Math Point	175	181	78
Cost per Reading Point	146	133	72
Cost per Achievement Point	80	77	28



Kingdon's Conclusion



“PUA schools are unambiguously and substantially more cost-effective and internally efficient than Government and Private Aided schools”

Solution 3: A Common School System

The Common School System (CSS) was recommended in 1964 by the Kothari Commission, which perceived education inequality as unfair to students. The system envisages the following:

1. All decisions regarding education will be determined and implemented by the state.
2. All children in a particular area will have to attend the allotted neighbourhood school.

The rationale for the system runs like this: The Common School System provides a government school in each neighbourhood that all children of that neighbourhood are to attend. The educated parents whose children attend the neighbourhood school now have an interest in the wellbeing of the school, therefore keeping the quality up for the interest of their child's learning. In a sound neighbourhood school, rich and poor students both get good education, thus equalising differences of class and caste.”

The CSS recommended as a panacea to the ills of schooling in India betrays a paucity of thinking beyond the initial consequences and does not take into account the final consequences. Most countries that incorporated CSS are now rethinking and disregarding it in favour of newer models. The CSS model restricted parental choice of schooling which then led to segregation by neighbourhoods in the U.S. Lack of parental choice resulted in a large number of families shifting to one or two common neighbourhoods within a district that offered better schooling for their children. Those belonging to wealthier families had the option to reside in a neighbourhood near a good school and exercise their right to school choice, while others were not so lucky and had to pick a public school that did not offer the sought quality of teaching. Thus, the purpose of CSS was defeated. The CSS makes a crucial error in understanding how good schooling is delivered—it glosses over self-interest and accountability. Simply ensuring a government school in every neighbourhood (even if that were possible) was not enough to ensure quality learning.

The lesson of offering school choice to parents became understood and sparked successful models of education provision in various states across the country that remain based on decentralisation and parental school choice.

A TALE OF TWO STATES

Kerala has the highest literacy rate in the nation, above 90%. Its education success is largely due to its unique model for state spending compared to other states in India. For the purpose of this lecture, I will draw comparisons to the State of West Bengal, which had a similar popularly elected Marxist government.

Ideologically the governments of both states are equally committed to basic education and literacy. The following slide highlights some of the crucial differences in the educational structure and the nature of government spending on education in the two states.



State Performance in Education

	West Bengal	Kerala
Elementary Education Compulsory	Yes	No
Share of Education in State Budget	26%	25%
Fee-Free Primary Education	84%	48%
Free Textbooks & Stationary	60%	2%
Income Spent on Primary Education (Lowest Income Quintile)	2.5%	3.6%

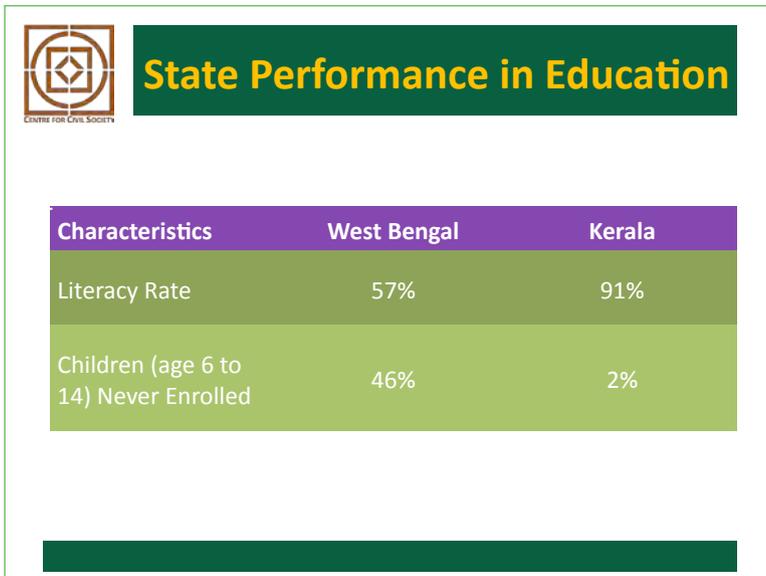
Kerala is among a few states in India that has not made elementary education compulsory by law. Both West Bengal and Kerala spend almost an equal fraction of their total budget on education (about 25%). In West Bengal, 84% of rural children do not pay any fee for primary education, while that statistic is significantly lower in Kerala, with 48%. 60% of rural primary school children get free textbooks and supplies in West Bengal, while 2% in Kerala receive free learning material. This means, an overwhelming majority of rural families willingly spend their earnings

on learning materials to educate their children. Households with less than Rs. 3,000 in annual per capita income spend 2.5% of the income on elementary education in West Bengal, but in Kerala it increases at 3.6%. The poor in Kerala spend the highest fraction of their income on their children's basic education compared to the poor in any other state in the country.

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Given these facts—more children get free education and supplies in West Bengal and the poor are asked to spend more of their own money in Kerala—one would expect that West Bengal would have a much higher literacy rate than Kerala. The outcomes, however, speak otherwise.

The slide below illustrates the impact on state literacy rates and child enrolment given the differences mentioned above.



Kerala and West Bengal: An Unfair Comparison?

Kerala undoubtedly had a head start: there have been strong education movements in the state prior to India’s independence in 1947. It then initially seems unfair to compare the two states in terms of their educational performance. A second look is required to see that comparing the two states at a single point in time does not control or reflect the variations state performance and education outcome over time. Kerala’s current spending on education is almost the same as West Bengal, but since Kerala had a head start, current literacy rates are likely to be different.

Nonetheless, it is instructive to examine the distribution of their education spending. Kerala and West Bengal have chosen to spend their education budget rather differently. The difference in the nature of their spending is the real purpose of this comparison.



Education Spending Distribution of State Funds

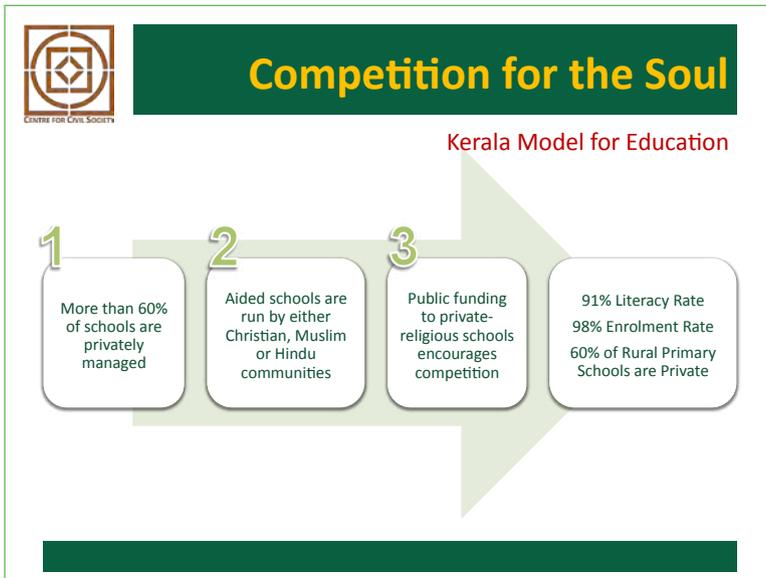
Characteristics	West Bengal	Kerala
Private (Aided) Primary Schools	11%	60%
Free Primary Education in Government Schools	84%	48%
Free Primary Education in Private Schools	15%	48%
Grant of Scholarship	0.5%	10%
Transport Subsidy	2.3%	5.4%

It is surprising that in Kerala, a state that at once was thoroughly Marxist, 60% of the primary schools are private compared to only 11% in West Bengal. The proportion of private primary schools in Kerala is the highest in the country; the second highest is Meghalaya at 21%, and the national average

is a gloomy 5%. The government of Kerala also pays expenses of almost half of the students enrolled in private primary schools. The number for West Bengal is 15% which is the third highest in the country (Tamil Nadu is at 20%); the national average is again about 5%.

Kerala has the highest proportion of private primary schools and also subsidises the highest proportion of students in private schools. Both these facts give the citizens of Kerala wider effective choice in selecting primary schools for their children.

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Kerala uses public funds to encourage competition among schools. To avoid transportation costs, most parents generally send their children to the nearest school. The resulting “geographical clustering” of schools in a high populated neighbourhood reduces competition among schools as each school creates a captured student base. To address this issue and induce competition amongst education providers, the state subsidised

transportation costs to make it easier for parents and children to transit from one neighbourhood to another, providing parents opportunity to choose the best school, irrespective of the distance. As parents were no longer limited in school choice, competition increased among schools to offer the best services and conditions for prospective students. The provision of direct scholarship to students in Kerala has also led to the same result. With the scholarship money, students can go to any school of their choice. Among all the states in the country, the highest proportion of children to receive transportation subsidies and direct scholarships reside in Kerala (refer to slide on Distribution of State Funds.)

Referring to our state comparison on how the two governments spend their education budget proves that Kerala practices market principles by offering choice to parents and promotes competition among schools. The Kerala model of education—of choice and competition—is unique in the country, as it focuses not only on how much a state spends on education, but how it spends public funds. Ensuring efficient use of public funds has largely contributed to the efficiency and effectiveness of its education system, and the state becoming a model state for student performance.

The status of higher education in these two states is also worth comparing. State universities in West Bengal receive 91% of their budget from the government. In Kerala it is only 54%, while the remaining amount is generated by fees, donations,

Kerala requires its universities to raise almost half of their budget from the students and communities they serve. This fosters accountability and more attention to the needs of those who help finance state universities.

endowments and other sources. Kerala requires its universities to raise almost half of their budget from the students and communities they serve. This fosters accountability and more attention to the needs of those who help finance state universities. This is one of the important reasons that Kerala performs better also in higher education than many other states in the union.



Source and Allocation of Funds

	Central University	State University
Percent of budget from the Government	90%	50%
Percent of University Budget spent on Administration	41%	18%
Percent of University budget spent on Academic Programmes	33%	55%

In Kerala, the government has increased its investment in education, as have the parents, especially the economically poor. The poor in the state spend about 3.6% of their annual per capita income on elementary education—the highest proportion in the country.

Contrary to conventional wisdom, government spending is not a substitute for private spending. Both seem to grow together and are complementary. Parents' financial commitment to their children's education is a crucial component of quality education. Moreover, as empirical evidence suggests, schools and universities that depend on non-government funds manage their finances more responsibly and are more attentive and responsive to the needs of their students.

Now I will highlight three major problems in the education sector in India and follow with sharing specific policy solutions to address some of the challenges we have discussed.

REFORMS TO BRING CHOICE AND COMPETITION TO EDUCATION

I offer four specific reforms to achieve quality education for all, or guarantee every child—rich or poor—the right to education of choice.

Abolish licensing



Reform 1: Competitive Education Market

Abolish the license-permit raj in Education

- Allow free entry and exit to both suppliers and demanders of education.
- Permit for-profit education institutions.
- Pass private university bill.
- Encourage edupreneurs by loans, venture capital funds.
- Do not give subsidised land.

Supporters of centralised education grossly underestimate the stifling effects of the license-permit raj. Licensing has the same effect in education as it has on the economy. The government limits competition and arrogates the power to determine how many and what type of schools can serve the educational needs of the people.

The need for liberalisation in education is no mere rhetoric. An examination of the Delhi School Education Act (1973) illustrates just how much control the state has in the field of education.



Delhi School Education Act, 1973

The school must obtain an “Essentiality Certificate” by establishing its existence serves the public interest. The Administrator decides by taking into account “the number and categories of recognised schools already functioning in that locality, and general desirability of the school with reference to the suitability and sufficiency of the existing schools in the locality and the probable effect on them.” (our emphasis)

To review the recognition certificate, visit www.india.gov.in

Rule 44 of the Delhi School Act (1973) requires intimation in writing to the Administrator of his or their intention to establish a school detailing the management system, funds on hand, teachers and staff and infrastructure of the building. The school must obtain an “Essentiality Certificate,” verifying that its existence serves the public interest. In this environment, the capture theory of regulation predicts permanent artificial scarcity of schools due to the arbitrary discretion of the Administrator. The theory suggests that existing businesses would take control of the licensing/regulatory agency thereby creating barriers to entry and reducing competition in the market.

In theory a school can operate without a license as an “unrecognised” school, but the students of that school are not eligible to appear for any board examinations. The barriers to entry are numerous and complex, discouraging the most honest and genuine educationists to serve the cause of education in the country.

According to Rule 45, opening a new school and adding new classes in an existing school both require prior permission. Rule 46 on the closing down of a school or any class in a school states that no managing committee shall close down a recognised school, not being an unaided minority school, or an existing class in such school without giving full justification and

without the prior approval of the Director, who shall, before giving such an approval, consult the Advisory Board. Rule 8 states that schools cannot fire any employee without permission and due process. Rule 139 implies admission using a transfer certificate is anti-student. Transfer certificates can only be used for recognised schools, restricting parental choice while not demanding responsibility from the school to inform parents about the schooling standards in that school.



Delhi School Education Act, 1973

Rule 8: Terms and Conditions of Service of Employees of Recognised Private Schools

Clause 2: Subject to any rule that may be made in this behalf, no employee of a recognised private school shall be dismissed, removed or reduced in rank nor shall his service be otherwise terminated except with the prior approval of the Director.

Rule 139: Admission on transfer certificate

No student who had previously attended any recognised school shall be admitted to any aided school unless he produces a transfer or School Leaving Certificate from the school which was last attended by him.

Given the strict controls on entry, expansion, closure, fee structure, and collection of donations, government funding to schools (termed grant-in-aid) is very minutely regulated. The following slide describe various heads under which a grant is given.



Delhi School Education Act, 1973

Chapter VI: Grant-in-Aid

Aid Shall be of two categories: Maintenance & Building

Maintenance grants shall be of two kinds:

Recurring
Maintenance
Grants

- Staff grant;
- Provident fund grant;
- Pension and retirement benefit grant;
- Medical benefit grant;
- Benefits specified in Chapter X;
- Grants for the purpose of books and journals which are essential for the library; and
- Grants for the acquisition of essential equipments of the school.

Non-Recurring
Maintenance
Grants

- Contingent grant;
- Rent grant;
- Depreciation grant for school;
- Hostel grant and depreciation hostel grant;
- Grant for equipment, furniture, games, sport materials and the like;
- Biennial or triennial grants for the purchase of books for the library and for setting up a book bank.

It would be better to remove all these barriers and give schools an open grant to decide how best to spend government funds to achieve quality education. Including these barriers, additional regulatory conditions around infrastructure and teaching salaries threaten the existence of budget private schools. A few roadblocks are shown in the slide below.



Private Schools for the Poor

Federation of Private Schools Management Hyderabad

- 500 Schools
- 40% Student Body Recognised
- 60% Student Body Unrecognised**
- School Fees from Rs. 50 to Rs. 150 per Student per Month
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Instead of de-motivating edupreneurs from offering innovative alternative education and assuming that private unaided education is not pro-poor, we need to ground our facts in reality. Removing these barriers and creating a more enabling education ecosystem for private institutions will increase choice and competition in the market and make schools more responsive to the needs of students and parents. There is little evidence that connects infrastructural regulations imposed on private schools by the government to improved student performance. Very few studies compare the performance of private and government schools. However, P. Duraisamy and T. P. Subramanian (1999) compare the working of public, private aided, and private unaided higher secondary schools in Chennai. Their study indicates that in English and Mathematics, students in private unaided schools performed the best and those in public schools the worst.



Marks by School Management, Chennai

(1994-95, Higher Secondary Level)

English	Public	Private	Private Unaided
All	47	61	77
Boys	48	62	77
Girls	47	59	77
Number of Students	351	602	595
Mathematics	Public	Private	Private Unaided
All	49	55	76
Boys	48	52	74
Girls	51	51	79
Number of Students	192	424	470

Source: P. Duraisamy and T. P. Subramanian (1999, p. 43)

In addition, to better performance levels, the management of private schools has historically been more efficient than public schools. Edison Schools, a private company in USA, partners with school districts, charter boards and states to raise student performance and academic outcomes. If we compare the budgets of public schools and Edison schools, we find that Edison Schools' profits are largely from their efficiency in administering schools. Contrast the government's 27% administrative expenditure with the 7% expenditure in Edison schools.



Edison vs. Government Schools

% of school budget

	Government Schools	Edison Schools
Devolved to school	70%	79%
Administration	27%	7%
Depreciation	3%	6%
Profit	0%	8%

Institutionalise accountability of government and private schools

Once education is liberalised and all existing institutions are given autonomy, they will begin to compete for students.



Reform 2: Independence to Compete

Autonomy and Accountability

- Grant autonomy to existing schools and colleges without reducing financial support.
- Link government grants with performance for all education institutions.
- Convert departments of education from producers to financiers and supervisors.
- Transfer management to local governments, communities, and NGOs

Decision-making powers in all areas of management will be handed down to schools, colleges and universities, that is, to parents, teachers and local administrators. It is critical to institutionalise accountability in managing finances as well as teaching and research to allow competitive forces to improve the overall experience of education.

Link school grants with school performance

To facilitate schooling effectiveness, government grants to all educational institutions must be linked with academic performance. For private unaided institutions, the link between revenues and performance already exists, as parents would not continue to purchase their services unless learning and teaching standards were met.

Currently, government grants to government as well as private academic institutions are largely automatic—based simply on the number of students and physical infrastructure of the past and assuming the growth in head count and need for maintenance and/or expansion of facilities. Linking government grants with performance will help realign self-interest and incentives of the institution with the needs of its students.

Depoliticise and decentralise syllabi, exams, and certification



Reform 3: Decentralise

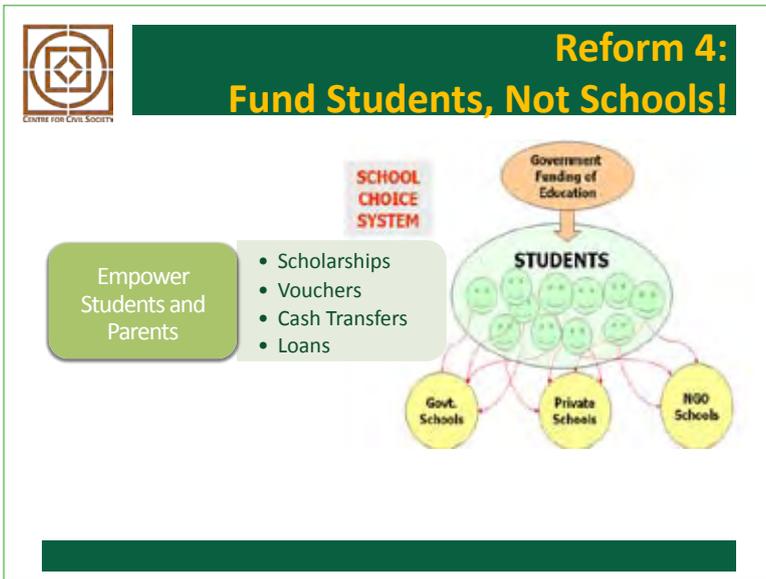
Syllabi, Exams
and Certification:
Depoliticise and
Decentralise

- Urban and rural students have different educational needs; localise learning material and medium of instruction.
- Teachers and schools should do evaluations. Common exams, on the line of SAT, can be done at the end of schooling.
- Help establish independent certification, accreditation, and examination agencies. Competition among evaluating agencies is good as it is in among suppliers of education.

Performance of diverse institutions cannot be accurately measured by any single, uniform method. We need as much experimentation in performance measurement as in development of curricula and teaching pedagogy. Just as monopolies in the provision of education are harmful; they are equally so in the assessment of education. Competing education institutions and assessing agencies further the cause of good education.

In place of the license-permit system, independent certification and accreditation agencies would help monitor the quality of education.

Fund Students, Not Schools

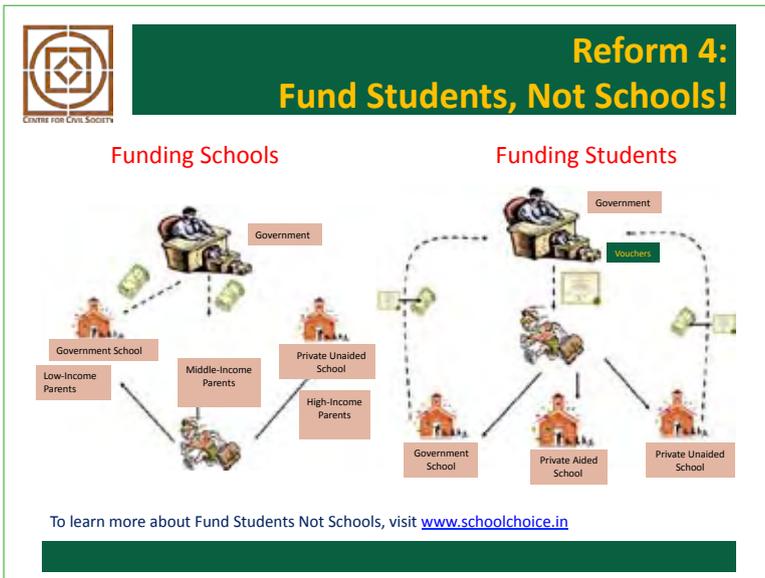


In the current system, government grants are given to schools, colleges and universities. For an education market to work as efficiently and equitably as possible, it is critical that the support is given directly to students and parents instead of the institutions. Free choices of empowered students and parents ought to determine the educational landscape.

An education voucher is a coupon offered by the government that covers the full or partial cost of education at the school of the student’s choice. The schools collect vouchers from students and present them to respective government body for the amount of money specified on the voucher.

The idea of education vouchers is to empower poor students to attend schools of their choice. Their choice in turn creates competition among schools to attract and retain students. Choice and competition working together provides universal access and higher quality of education to all.

In the present system, schools are accountable to the government. The voucher system makes schools accountable directly to students. If the student does not like the school, she can take her voucher to another school. Under the voucher system, money follows the student rather than the school unlike the present system.



There are many advantages to education vouchers. First, the student gets the purchasing power to choose a school. Second, private schools would be ready to admit poor students (the burden of providing education to the poor is not on the school but the government). Third, the government is able to help the student directly, instead of indirectly through financing and managing schools.

Best of both worlds!

Education vouchers combine core competencies of the private and public sectors:

- Efficiency and accountability of the private sector
- Equity and independent supervision of the public sector

Benefits of education vouchers

Choice for students: Today a poor student is not able to receive good education because it may be unaffordable or is stuck in a poor performing school due to lack of school choice. The voucher gives education credit and thereby mobility to change to any school that she feels would give her a good education.

Equality of opportunity: This scheme satisfies the constitutional provisions that require children be treated equally and equal education opportunity be provided to all irrespective of cash, caste or creed.

Incentives for schools to increase enrolment as well as quality: The revenue of a school should depend on the number of students it has—those paying directly and through vouchers. Each school should actively solicit students, including the poor (voucher) students. The resultant competition among schools will improve the quality of learning, infrastructure, and extra-curricular activities. To attract and retain students, schools need to offer various services that students and parents value—mid-day meals, transportation, supplementary

To attract and retain students, schools need to offer various services that students and parents value.

tutorials, after school care as a way to retain high enrolment and student attendance. More importantly, instead of a single mandated service like mid-day meals, each school should have the incentive to figure out the service that is most valuable to its students. In some cases, it could be mid-day meal, in others, free transportation or after-school care.

Concerns of corruption and leakage in any public system are warranted. However a well-designed voucher system will have less financial waste than the present system as it puts the money directly in the hands of those who benefit.

There are several ways to implement this idea; two most common are scholarships and vouchers. The education system of Chile is now almost completely based on vouchers. Voucher or quasi-voucher experiences in Colombia, Cote d'Ivoire, the Czech Republic and Bangladesh are regarded as successful. Several school districts and states in the United States have been experimenting with education vouchers, the most successful among them being the Florida A+ plan. Many countries, including those with high literacy rates are moving towards a voucher system to improve the quality of their education.



Voucher Experiment in USA

Florida A+ Plan (1999)

- Schools are graded A-F based on standardised test scores.
- Students in schools graded F for two out of four years are given \$4,000 vouchers to attend private schools.
- In 1999, about 134 families offered scholarships.
- Superintendent of one Tampa district said that all top administrators would take 5% pay cut if any school was given an F.
- **Result** Test score performances significantly rose especially in the lower grade schools.



The Cleveland Program

USA's first publicly funded voucher program

Voucher amount = 90% tuition fees, up to \$2,250

Low income students provided vouchers through lottery

Results of voucher experiences in various countries

There has been an increase in the quantitative indicators on all the following counts:

- Parental satisfaction
- Increase of test scores and learning outcomes of students
- Improved performance of public schools
- Increase in enrolment

Though the degree of improvement varies from case to case, there has been not a single case of decrease in parental satisfaction or educational standards after the introduction of a voucher scheme.

The voucher system is rather flexible, adaptable to specific conditions of a given country. It also permits freedom to institutions in managing their operational and administrative affairs. Through vouchers, institutions receive a fixed sum of money for educating students and are free to decide how to spend that money. Depending on local conditions, institutions can design appropriate schemes and programmes to achieve quality learning, retention and student enrolment and attendance. In some areas, institutions may be able to attract and retain students by providing mid-day meals and uniforms, in others, by offering a wider variety of extra-curricular activities, in still other areas, by arranging for remedial classes. Institutions are able to use voucher money to meet the needs of their students without any directives from the government. It is in their self-interest to discover and implement the most suitable schemes and programmes for their students.

Universal voucher system

In this system, governments provide vouchers of a specified sum to all individuals in a given age group. Individuals then find institutions that meet their needs and aspirations. Netherlands and Chile have such a system.

Incentive voucher system

Generally vouchers cover the actual cost of education but do not pay for the opportunity cost of or any extra incentives to acquire education.

We in India, say, want to give special emphasis to girl education. An incentive voucher system will not only cover the cost of education but also provide some money to girls in the specified age group/educational level.

An incentive voucher system will not only cover the cost of education but also provide some money to girls in the specified age group/educational level.

A larger amount of voucher can be given to these girls and a part of the amount can be given back to the girls as an incentive to enrol and attend school. The government could specify criteria (such as attendance, performance) that the girls need to meet to be reimbursed a portion of their expense.

Income-constrained voucher system

The government specifies a family income level above which students do not receive vouchers. It could be a single cut-off (say, no voucher for the family income above Rs. 30,000 per year), or it could be a graduated cut-off (60% of the standard voucher amount for the family income above Rs. 20,000 per year, 30% for above Rs. 30,000, and none above Rs. 40,000 per year).

When do vouchers work well?

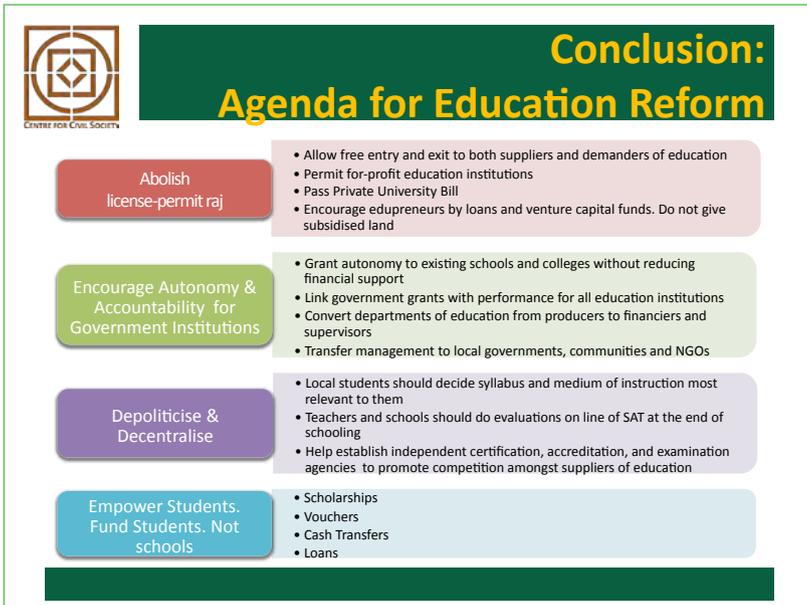
Vouchers work very well when the following conditions are fulfilled:

- Well-targeted population – Clear identification of voucher beneficiaries.
- Autonomy to schools to respond to student demands – Schools being free to choose their terms for admitting students, expanding classes or recruiting teachers.
- Choice of schools in the neighbourhood – The field area having an adequate number of schools to provide students with options for school choice.
- Informed choices by parents – Prevalence of multiple sources of information like media reports of schools, performance reports by Directorate of Education and word of mouth sharing of information to enable informed school choice.

CONCLUSION

Basic literacy is crucial for a globalising and economically progressive economy like India. Relying solely on the government to educate the vast and diverse population of India is a tall order. Education is too important to be left solely in the hands of government. It should be opened up to encourage choice and competition—to unleash the marvel of private initiative, imagination, and business.

Liberalising the education system by allowing free entry and exit, making all schools, colleges, and universities autonomous, and linking government grants to the performance of institutions are some first steps. Innovating ways to finance education for those who cannot afford it and encouraging self-regulation of this autonomous education system by promoting independent certification, accreditation and examination agencies are some others.



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