Liberalisation, Literacy & Economic Growth: Beyond The Visible

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IS EDUCATION A NORMAL GOOD?

In economics, as most of us know, normal goods are any goods for which demand increases when income increases. The term does not refer to the quality of the good, but only the quantitative demand for it. When income increases, we demand more luxuries and more of security, which is why these goods fall under the category of normal goods. Does the same principle hold true for education?

It is important to note here that when we speak of education, what we are focussing on is the collective demand of the economy for education not the demand of any individual/ household. Hence, to answer the question raised above, we will concentrate on the national demand for education (indicated by enrolments) and national income (indicated by GDP). Although a lot of factors other than income affect the demand for education in any economy, the impetus here is to find out whether a rise in the national earnings is followed by a corresponding rise in the enrolment figures in schools and if it is, how strong (or weak) is the relationship. Analysing data from the past is, arguably, the best way to go about answering these questions.

Let us take the case of India. From 1981, when the GDP figure (on PPP basis) was 675,882, the figure rose to 2,200,000 in 2000—a jump of over 225 percent in 20 years. But within the same period, the total enrolment figure[1] grew from 110.5 million to 184.20 million—a rise of 67 percent over this 20 year period. The correlation figure is as high as 0.95,[2] a good enough indicator that as incomes have ascended, so has the demand for school education.

In fact, statistics for almost all countries reflect this kind of a high bi-variate relationship. Such a trend at the macro-economic level can be best understood by focussing at the micro-level. It is natural to expect that when a family's income grows (irrespective of the economic level by which the family is characterised), the expenditure on education will go up. Obviously, if the family could not afford to pay for the education of all of its children previously, the rise in income enables it to get all the kids (or more) enrolled in school. Because of the fact that the importance of education has been emphasised at all levels of society, thanks to the efforts of various government and non-government organisations(and that is true for all countries), households tend to spend more on children's education with subsequent rise in income. Thus, when the macro-economic figures reflect such a strong relationship, it does not come as a surprise.

To conclude, education, like many other economic commodities, is a normal good and the expenditure on it varies directly with the income level of the economy. It will be important to keep this observation in mind when we delve into deeper aspects in the later part of this paper.

SEARCHING FOR "THE CAUSE" AND "THE EFFECT"[3]

Statistics from around the world indicate that prosperous nations are also highly educated ones. But is it safe to conclude that education leads to prosperity and that spending on schools and universities spills over into general well-being?

[1] Total enrolments include enrolments at the primary, upper primary and higher secondary levels for both the sexes.

[2] Pearson's coefficient of correlation

[3] Information for this section has been taken from *Does Education Matter?: Myths about Education and Economic Growth* by Alison Wolf

Allison Wolf, in his book, *Does Education Matter?* says that the short answer to the above question is no. According to him, the experience of the developing world actually makes it too clear that education cannot guarantee growth. A startling evidence is the Egyptian economy. Although between 1970 and mid-1990s, primary-school participation had risen to well over 90 percent and secondary participation from 32 to 75 percent, the per-capita income grew by an average of 2 percent per annum in the same period (1980-1995). Compare this with the case of South Korea where the per-capita income grew by over 7 percent a year from the 1960s to the 1998 crash. In that period, it also took primary education from near-universal to universal and secondary participation from a quarter to the whole of the cohort.

These two contrasting examples point to the fact that establishing a universal cause-and-effect relationship between education and growth is not an easy task. Adding to this confusion are a number of World Bank analyses which suggest that across the world's developing economies, there exists a negative relationship between education levels and growth. Thus, countries that have done the most to increase the education levels of their population have, on an average, grown less fast than those which have devoted fewer resources to education. The findings seem profoundly anti-intuitive, but what can be going on here.

When we speak of a cause-and-effect relationship, two possibilities arise. Either "*education causes growth*" or "*growth causes education levels to rise.*" Those who support the first possibility widely cite Korea's example. Korea, as we saw above, enjoys very high education levels and very high incomes. Development economists point out that because the Korean government spent massively on education on a consistent basis and ran a massive national literacy campaign, it never encountered a problem with skill shortages, which led to a fifty-year period of remarkable economic growth. This, of course, sounds impressive, but the question really is did education cause it? Was it even a critical factor?

To support this stance, one also has to find evidence that successful developed economies with poorer education policy, and lower spending on education, experienced relatively and significantly lower economic growth rates than otherwise comparable states. However, among the most successful economies, there is no clear link between growth and spending on education. That surges in growth do not consistently follow from surges in educational achievement is widely reflected from the statistics. For example, Hong Kong never had a successful educational planning system; neither did it spend very heavily on education. Still its growth rate has been comparable. Similar is the case with Switzerland where enrolment rates have always been way below average for the developed world. So, the argument that rise in spending on education is followed by rise in economic growth cannot be supported with convincing evidence. In fact, American economists Bils and Klenow have offered an explanation for this. They say that the basic argument of the "education leads to growth" school is that education increases productivity and this is why the educated have higher wages. However, it is quite possible that as workers become more experienced, and build up time on the job, they tend to earn more. So education does not even come into the picture.

That brings us to the second argument that "does growth lead to education?". In other words, do fast growing economies accelerate further increases in spending on education? Hong Kong children, if this scenario is right, may be pouring into higher education after the meteoric growth rate of their economy and indeed because of it. They are doing so in order to compete for jobs in an economy which has attracted a large number of professional jobs and thus increasingly uses credentials for hiring. Also, since growth has resulted in incomes

going up, prosperous parents can now afford long schooling, indeed encourage it and push their kids for getting into the best schools and best universities. Also, with the economy growing, private participation increases and because private players demand a lot more professional and educational skills, demand for education tends to rise. That poses another question in front of us, "Does a structural shift in the economy alter the demand for education?"

GAUGING THE STRUCTURAL IMPACT

If we compare the labour-force in 1900 with that in 2000, it is obvious that there has been a huge change in the sort of jobs that people do. Take for example, the statistics of UK. From 1950 to 1998, the percentage of people employed in agriculture has gone down from 5.5 to 1.7. Contrast this with those employed in services where the percentage has gone up from 45.6 to 71.7 . Similarly, the percentage of people employed in managerial/ professional/ technical jobs has risen from 29.1 in 1984 to 36.6 in 1998.[i] And it is easy to argue that this kind of trend is visible worldwide, although the absolute numbers may differ from country to country. That the occupational structures are inclining more towards services and managerial/ professional jobs is a universal truth.

The question, however, is that does such a shift in the occupational structure affect our educational structure in any way. Yes, it does. Take for example, the number of universities/ institutions in our country offering professional courses like BBA, BCA and managerial practices. Not only private universities, but a sizeable number of state universities are also offering such courses to fulfil the demand for them. And why only courses, a look at the institutions that are imparting education to our kids reflects the trend. Market-oriented universities like Amity and Rai are not only surviving, they are flourishing.

Such a structural impact can be explained on account of two factors. First, when our economy began to open up in the mid-1990s, private players started entering our industries. They created new jobs in the economy, the specifications of which demanded certain professional/ technical skills from those applying for such jobs. Because such skills were rarely demanded previously, universities and institutions at once realised that there is a market in the making for courses that impart such skills. Secondly, a large number of old jobs started demanding such levels of education from their holders which were not required in the past. The result is that jobs which 20 years ago were done by people who had left school at sixteen or eighteen now go only to people with college/ university degrees in specific fields. The obvious impact was that unlike before, people, after completing their schools, looked for acquiring skills in a specialised field before applying for jobs.

An interesting trend which has been observed is that as our economy opened up and threw its arms open for private players; private participation in the field of education also increased gradually. Which brings us to the forefront of another intriguing question, i.e. which is better—state-controlled education or market-driven education?

FROM ECONOMIC LIBERALISATION TO LIBERALISATION OF EDUCATION

It is now a widely accepted fact that the economic liberalisation of our country has increased competition and consumer choice. From a mechanism of government determining what and how much of goods and services should be produced, we have moved to systems which allow businesses and consumers to make those decisions. License-permit raj has been removed from almost all the sectors and as the recent budget proved, the government itself is intent to increase private participation in key sectors of the economy. Going by the same principle, should the government exit the education sector and leave it upon the market forces to manage it, at least for now ?

Many people feel that in the area of education, government must play a dominant role. They say that the market principles of choice and competition cannot be applied to education because education is a public good and a part of the social infrastructure. Education is so important to our economy and society, the argument goes that it cannot be left to the choices of poor, illiterate peasants and the vagaries of the market. But is education that different from other economic services to make it immune to market principles?

Let us use statistics to find out the reality behind the scene. Writes Parth J Shah, President, Centre for Civil Society, in his paper titled "New Education Policy: Choice and Competition": "After fifty years of managing our education system, the government could only show 50 percent literacy rate. The dropout rate in elementary and secondary schools kept on rising, so did the failure rate in colleges, and the quality of education at all levels kept falling." Till 1990 (i.e. before the liberalisation process began), the literacy rate in our country was a meagre 49.3 percent. Constitutionally, all children should have had access to free and compulsory education by 1960, 10 years from the Constitution coming into force. Yet, the adult literacy rate in India till 1995 was 52 percent, compared to 57 percent in Sub-Saharan Africa and 84 percent in East Asia. The female literacy rate in India was 38 percent compared to 47 percent in Sub-Saharan Africa and 76 percent in East Asia.

Now compare these statistics with what the private players have been able to achieve in the 20 years since 1980. School education, as we all know, can be divided into three broad categories: primary level, upper primary level and higher secondary level. It is apparent that since the 80s, the participation of private schools in each of these categories (as reflected by the percentage of private-aided schools among total schools) has been rising. But have they actually delivered the results? For years, two of the most basic problems plaguing the Indian school education were low enrolment figures and high gross-dropout rates. So it will be fair to measure the success of private schools on these 2 accounts, i.e. how have enrolment and dropout figures changed with increasing participation of private schools at each level.[ii]

PRIMARY LEVEL

Year	% of private schools at primary level	enrolment at primary level *(millions)*	gross dropout rate at primary level
1980	6.01	76.1	58.7
1985	6.91	87.4	47.61
1990	7.9	97.4	42.6
1995	8.34	107.1	36.27
2000	9.08	113.8	40.7

UPPER PRIMARY LEVEL

year	% of private schools at upper primary level	enrolment at upper primary level *(millions)*	gross dropout rate at upper primary level
1980	21.56	21.9	72.7
1985	24.88	27.3	64.42
1990	20.55	34	60.91
1995	24.45	37.5	52.74
2000	23.58	42.8	53.7

HIGHER SECONDARY LEVEL

year	% of private schools at higher secondary level	enrolment at higher secondary level(*millions)*	gross dropout rate at upper primary level
1980	60.85	12.5	82.46
1985	54.78	16.5	77.62
1990	52.95	19.1	71.34
1995	54.3	22.9	69.89
2000	57.55	27.6	68.58

Using Pearson's coefficient of correlation as a measure of finding out the extent of relationship, we find that increasing participation of private players has had a great positive effect on both the selected indicators.

Level	Correlation with enrolment	Correlation with dropout rates
Primary	0.995	-0.897
Upper primary	0.243	0.58
Higher secondary	-0.3	-0.97

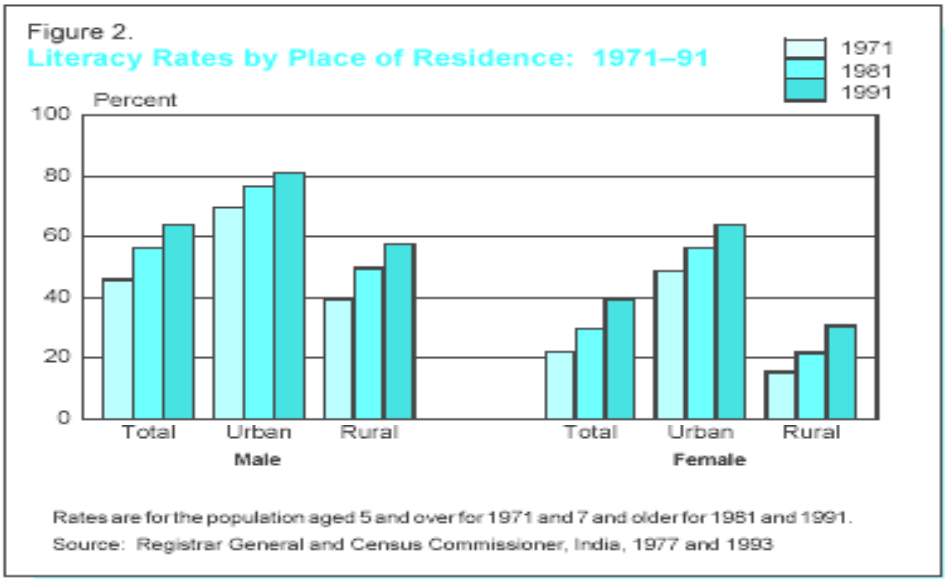
The high negative correlation values with dropout rates indicate that as more and more private schools have come up, a sharp decline in dropout rates has been observed.

Now if there are such steep variances in the performance of government sector and private sector in the field of education, what could be the reasons for that? The reason probably is what Parth Shah calls the "Dialectics of Three Is-Interest, Incentives and Information." The self-interest of government employees, like everyone else's, is to take care of themselves. Individuals do not suddenly become altruistic just because they work in a government factory as opposed to a private one. Incentives for increasing efficiency in a government-controlled system are also week. Government employees (school teachers, for example) have little incentive to minimise costs, to find and correct mistakes, to innovate and to acquire necessary information about resource availability and consumer demand. And finally, information, on which government decisions are based, is as unreliable as statistics on literacy rates or balance of payments. In addition to poor quality, information is generally manipulated for political and public-relation purposes.

However, all this discussion is not intended to mean that the people working in government departments are inferior to those in the private sector. In fact, a large number of government school teachers are far more efficient and productive than their counterparts in private schools. It is the institutional structure within which their self-interest plays out.

GIRL EDUCATION: SUCCESS AT LAST?

Among the most widely debated topics in the Indian education sector has been the education of the girl child. In 1991, just about 39 per cent of 330 million females aged seven and above were literate, which means that there were over 200 million illiterate females in India. Low level of literacy not only has a negative impact on women's lives but also on their families' lives and on their country's economic development. Numerous studies have shown in the past that illiterate women have high levels of fertility and mortality, poor nutritional status, low earning potential, and little autonomy within the household. Despite the fact that over a period of time, there has been an improvement in the literacy rates of women in this country, there continues to be a large gap between the literacy levels of men and women.



Source: Women's Education in India by Victoria A Velkoff, October 1998

Not surprisingly, there have been huge differences between the school enrolment figures of the two sexes. In 1992-93, 75 percent of the boys in the age-group 6-10 were attending school, whereas, the percentage of girls in the same age-group attending school was just 61. The disparities are also apparent in the dropout statistics. The World Bank, in 1997, estimated that 45 percent of girls and 41 percent of boys in India drop out of school between grade one and five. Girls are taken out of school to help with family responsibilities such as care for younger siblings. In fact, the data on school attendance by age shows that the proportion of girls attending school decreases with age while for boys, it remains stable. For example, in 1992-93, only 55 percent of girls aged 11 to 14 were attending school compared to 61 percent in the age group 6 to 10.

Numerous surveys in the past have attempted to decipher the reasons for low participation of women in education. Besides poverty and negative stereotypes, there have been certain other reasons which point towards the lack of concentrated efforts from the government's side. A World Bank study in 1997 found out that 80 percent of the schools in Uttar Pradesh did not have latrines. Lack of latrines can be particularly detrimental to girls' school attendance. In some states, even the inadequate supply of classrooms has been linked with low participation. Lack of female teachers has also been regarded as a potential barrier to girls' education. Girls are more likely to attend schools and have higher academic achievement if they have female teachers. In 1993, women accounted for only 29 percent of the teachers at the primary level. Studies in the past have also associated low girls' participation with the manner in which women are portrayed as weak and helpless creatures in our text books. The government's inability to rewrite/ reframe text books has been regarded as a barrier to fostering girl's education in this country.

So has the chipping in of private players in education made a difference to the scenario of girls' education in this country? Again the statistics provide an affirmative response. At each of the educational levels, i.e. primary, upper primary and higher secondary, increase in the percentage of private schools has been followed by a rise in the number of girls' enrolments and reduction in their dropout rates.

PRIMARY LEVEL

year	% of private schools at primary level	enrolment of girls at primary level *(millions)*	gross dropout rate of girls at primary level
1980	6.01	28.5	62.5
1985	6.91	35.2	50.27
1990	7.9	40.4	45.97
1995	8.34	46.2	37.79
2000	9.08	49.8	41.9

UPPER PRIMARY LEVEL

year	% of private schools at upper primary level	enrolment of girls at upper primary level*(millions)*	gross dropout rate of girls at upper primary level
1980	21.56	6.8	79.4
1985	24.88	9.6	70.04
1990	20.55	12.5	65.13
1995	24.45	14.8	56.53
2000	23.58	17.5	57.7

HIGHER SECONDARY LEVEL

year	% of private schools at higher secondary level	enrolment of girls at higher secondary level*(millions)*	gross dropout rate of girls at higher secondary level
1980	60.85	3.4	86.63
1985	54.78	5	83.16
1990	52.95	6.3	76.96
1995	54.3	8.3	73.78
2000	57.55	10.7	71.5

TO LIBERALISE OR NOT TO LIBERALISE: A TALE OF TWO STATES[4]

Let us take the case of two Indian states, Kerala and West Bengal, to do an empirical analysis for answering the question — does the manner in which government (state government in this case) decides to spend on education always deliver the best results or is it worthwhile to leave the bulk of this job to private players. Though the data used pertains to only one year (1986-87 or 1991-92), it would be difficult to maintain that the pattern of educational expenditure in that year is radically different from that in the other years.[5]

[4] Information for this section has been taken from "New Education Policy: Choice and Competition", a research paper written by Parth J Shah

[5] All data are from the NSSO 1991, 1993 and NCEAR 1994 statistics.

The educational structures

Characteristics	West Bengal	Kerala
Elementary Education Compulsory	Yes	No
Fee-Free Primary Education	84%	48%
Free Textbooks and Stationary	60%	2%
Proportion of Income Spent on Primary Education by Households in the Lowest Income Quintile	25%	36%
Proportion of State Universities' Budget Given by the Government	91%	54%
Share of Education in the State Budget	26%	25%

The performances

Characteristics	West Bengal	Kerala
Literacy Rate	57%	91%
Children (age 6-14) Never Enrolled	46%	2%

The table on the left highlights some of the crucial differences in the educational structure and the nature of government spending on education in the two states. The second table shows the effect of those differences on the performance of the education system in terms of literacy rate and the proportion of children never enrolled in school. Kerala is one of the few states where elementary education is not made compulsory by law. Both governments spend about equal fraction of the total budget on education. In West Bengal, 84 percent of rural children do not pay any fee for primary education but that number is only 48 percent in Kerala. 60 percent of rural primary school children get free textbooks and supplies in West Bengal, only two percent in Kerala. Households with less than Rs 3000 in annual per capita income spend 25 percent of the income on elementary education in West Bengal but in Kerala it is 36 percent. In fact, 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.

Given these facts, one would expect that West Bengal would have a much higher literacy rate than Kerala. The facts, however, are totally different. As evident from the table, Kerala has 91 percent literacy rate while for West Bengal, the percentage figure is only 57. In addition, West Bengal has around 46 percent of children aged 6-14 years who have never enrolled in school, while in Kerala, it is only two percent of the children in the same age who have never been enrolled in school.

It is important to analyse why there is such a vast difference in the performance of the two states. But before that, it is vital to keep in mind the fact that Kerala has had a head start in

education and literacy much before West Bengal. There have been strong education movements in Kerala since the pre-Independence days and successive governments there have consistently spent a much larger proportion of their budgets on education since Independence. Hence, in spite of the fact that Kerala's current spending on education is almost the same as West Bengal; it seems unfair to compare the two states in terms of their educational performance. So leaving the comparison aside, we now focus on the distribution of their education spending. In fact, the two states have chosen to spend their education money rather differently.

Characteristics	**West Bengal**	**Kerala**
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%
Proportion of Private (aided) Primary Schools	11%	60%

Distribution of States' Education Spending

In Kerala, 60 percent of the rural primary schools are private, as compared to only 11 percent in West Bengal. The government of Kerala pays the expenses of almost half of the students enrolled in private primary schools. The corresponding number for West Bengal is 15 percent. An analysis of the statistics of all Indian states reveals that Kerala has the highest proportion of private primary schools and it also subsidises the highest proportion of students in private schools. Both these facts give the Keralites wider effective choice in selecting primary schools for their children. The private primary schools provide what majority of parents desire for their children. It is natural to expect that these choices available to parents increase the attendance and retention rate in the state. Moreover, Kerala uses its public funds to encourage competition among schools. Surveys indicate that transportation costs are the biggest expense incurred by households in educating children and most parents therefore chose to send their children to the nearest school. By subsiding transportation costs, the Kerala government helps parents send their children to the school they consider best, irrespective of the distance. This in turn increases competition among schools. Thus the study of how the two governments spend on their education indicates that Kerala, by offering more choices to parents and increasing competition among schools usually practices market principles. It is evident from the statistics that Kerala's citizens have received far better educational service than any other state. The Kerala model of education, of choice and competition, is unique in the country and so is Kerala's educational performance. It is not just how much a state spends on education but how it spends that determines efficiency and attractiveness of the education system.

Although in both the states, the government has been spending more on education, the people of Kerala themselves have been spending more on education whereas this is not the case with West Bengal. The poor in Kerala spend about 36 percent of their annual per-capita income on elementary education—the highest proportion in the country. State universities in West Bengal receive 91 percent of their budget from the government. In Kerala, it is only 54 percent; the remaining amount is generated by fees, donations, endowments and other sources. Again Kerala requires its universities to raise almost half of their budget from the customers and communities they serve. This fosters accountability

and more attention to the needs of those who help finance state universities. It is no surprise that Kerala performs better also in higher education than many other states in the union.

The story of these two states is evidence enough that more public financing/ government financing of education does not guarantee betterment of educational indicators. And it is not only the statistics of these two states, but also numerous studies done in the past which have reinforced this standpoint. For example, Basanta Pradhan and Shalabh Singh, in their paper titled *Policy Reforms and Financing of Elementary Education in India: a Study of the Quality of Service and Outcome*[6], state clearly, "We were unable to find any relationship between the rate of growth of educational expenditure and the educational achievements of the state during the reforms period. On one hand, states like Kerala with negative growth rates in public expenditure have experienced a tremendous increase in enrolment ratio and on the other hand, states like Orissa and Gujarat, even with a positive rate of growth in expenditure, experienced a decline in enrolment rates."

THE DEBATE ON QUALITY

Does the government spending more on education mean that the quality of education being offered to students in government and public-financed schools goes up? Again, statistics put off the possibility of accepting this statement in positive.

In the NCAER study referred to in the previous section, Pradhan and Singh took the pupil-teacher ratio and number of schools per 100 square kilometres (infrastructure) as two indicators of the quality of education. Assuming that public spending affects educational outcomes with a lag of couple of years, they tried to see whether there is any link between the rate of growth of education expenditure during 1991-92 and 1993-94 and the change in quality parameters from 1992 to 1996. After the data for all the states was collected and statistically analysed using correlation, it was concluded that although public expenditure has had a negligible positive impact on improving the teacher-pupil ratio, as far as infrastructure in terms of the number of schools per 100 square kilometres was concerned, the correlation with expenditure was actually coming as negative!

The explanation for this, according to Bibek Debroy, again lies in how the states decide to spend on their education rather than how much they spend.[iii] Data pertaining to several states show that out of the total expenditure on education, 98 percent is spent on wages and salaries of school teachers. Nothing is left for chalk, dusters, blackboards, and textbooks. If public expenditure on education is increased by hiking salaries of primary school teachers, how can one expect it to help the cause of literacy? Will more children go to primary schools if salaries of primary school teachers are increased? The answer is no.

However, this debate extends much beyond statistics. Rukmini Bannerjee of *Pratham*, a non-governmental organisation based in Mumbai, has often cited anecdotes in the past which raise questions over the quality of education being offered to kids in government and municipal schools. For example, in Mumbai, parents send children to the municipal schools to obtain free textbooks and meals. But, in addition, they personally pay for the same children to attend private schools in the evening so that there is some actual learning, using textbooks acquired from government schools. Similarly, in Mumbai again, municipal schools work during the morning. But children cannot afford to attend such schools because they have to take care of household chores, like filling water, in the morning.

[6] Study conducted under the guidance and support of National Council of Applied Economic Research (NCAER), New Delhi.

The solution, according to Rukmini Bannerjee, lies not in government spending more on education, but allowing more and more communities and private players to take over the management of such schools. In fact, experiments like these have been quite successful in the past. To site an example, in Maharashtra, twenty five villagers got together and petitioned the state government for a school. The state government sanctioned Rs 10,000 for opening such a school. However, the difference lies in the fact that the state government does not run the school. The school is run by the villagers and the local body. The teachers are appointed by them and paid by them as well. This ensures accountability. Apparently, under this scheme, Maharashtra has added more schools in two years than it did in fifty years since independence. An evidence good enough for the government to realise that the key to solving the education crisis is not more spending and more allocations, but more participation.

CONCLUSION

Although elementary education has been given high priority by the state in India in terms of the share of expenditure on elementary education in GDP, the targeted level of 6 percent was never achieved. What is of great concern is that the enrolment rates remain low even after 55 years of independence, particularly in the case of the poor, women and those residing in rural areas. Studies done in the past and tests conducted for this paper have repeatedly shown that public expenditure per child and the rate of growth of expenditure do not seem to have a strong influence on the rate of enrolment or literacy for all the major states of India. However, this is not tantamount to saying that government should stop expending on education and exit the sector completely; the importance of public expenditure cannot be gainsaid, particularly in retaining children in school and improving the quality of services. Owing to the fact that "education" is one of those sectors of the economy which require huge investments coupled with low rates of return, it will be too optimistic to hope that the private players become ready to carry on this sector solely on their shoulders. Nonetheless, with the kind of results that the private sector has been able to achieve in the field of education post the reforms period, it will be difficult for the government to achieve sustainable development without fostering private participation in the process of education reforms.

Choice and competition to improve the quality and financial viability of primary and secondary education is urgently required. The proposition is often subject to the counterpoint that people are so poor and often lack understanding of the significance of literacy that if government did not take the full financial responsibility and did not make elementary education compulsory, our literacy rates would never improve. However, in reality, the poor, especially the rural poor, have been spending a substantial portion of their income on their children's basic education, and their lack of interest in education, as revealed in various surveys, is actually reflective of the poor quality of education in our public schools than their poor understanding of education's importance.[iv] Given the sad state of numerous government primary and secondary schools in many of our states, it is time for the government to sit back and think whether all that expenditure is actually delivering the result or is it time to reframe the education policy. On the other hand, almost all the major indicators of educational efficiency like enrolments, dropout rates, girls' education and quality parameters have shown a positive trend with each increasing percentage of private involvement in the sector. Like other sectors of the economy, the difference is not in the amount of expenditure being incurred, but the manner in which the expenditure is being utilised.

Hence, the government must ensure that all roadblocks which come in the way of encouraging more private individuals and groups to enter the education sector must be removed. As Parth Shah writes in his paper, "To establish a new school requires a license from education authorities. In theory a school can operate without a license as an 'unrecognised' school, but the students of that school will not be able to appear for any of the board examinations. This discourages most serious and genuine interests. The license-permit raj must end in education as it did in the economy. It has the same effect in education as it had on the economy……. One restriction creates situation that demands further restrictions that in turn require more restrictions." Alternatives like linking revenue with a school's performance and incentives for business groups that have taken the initiative and consistently delivered the results must be explored. Perhaps, in liberating the education sector, the government needs to display the same vigour which was associated with the process of economic liberalisation ten years back.

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