



CENTRE  
FOR CIVIL  
SOCIETY

# Education in India: Voice, Choice & Incentives

---

SHANTANU GUPTA

LIBERTY  
& SOCIETY  
SERIES

8

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

Printed January 2015

ISBN: 978-81-87984-23-8

This publication has been produced in partnership with the Friedrich-Naumann-Stiftung für die Freiheit. The contents of this publication are the responsibility of the author and not of the organisation.

Right to reprint and use is granted with due acknowledgement to the author, Centre for Civil Society and Friedrich Naumann-Stiftung für die Freiheit.

# 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.

This particular publication has been published in partnership with Friedrich Naumann-Stiftung für die Freiheit.

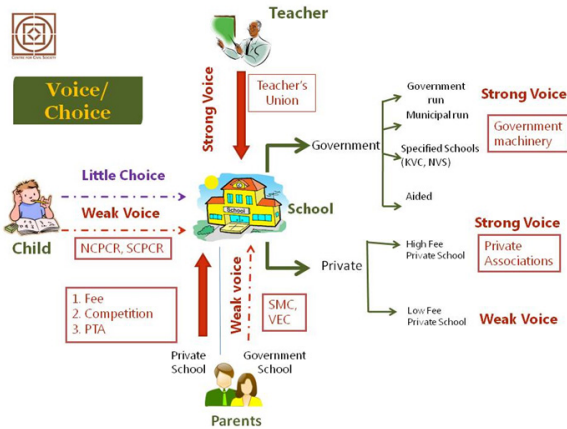


# EDUCATION IN INDIA: VOICE, CHOICE & INCENTIVES\*

## INTRODUCTION

Who has what degree of voice and choice in our current education system? Let's take a look. Independent learning achievement surveys such as the Annual Status of Education Report (ASER) 2014 or Programme for International Student Assessment (PISA) (Pritchett, 2012) show that learning outcomes are very low in India, especially when compared with global standards. The Indian elementary education system is in shambles. A close look reveals that the system is breathing heavy in a distorted environment where the consumers—the children and parents—have a weak voice and the producers—teachers, governments and schools—have a strong voice, and none of the stakeholders involved in the system seem to have the right incentive to engage with one another.

## CHOICE



The Indian education system consists of government and private schools. Government runs a wide variety of schools—state-run schools, municipal-run schools and specified schools. The last category includes Kendriya Vidyalaya, Kasturba Gandhi Balika Vidyalaya, Navodaya Vidyalaya and Sainik Schools. Private schools are either government-aided, or unaided and can be classified

\*Special thanks to Parth J Shah for his comments on drafts of this document, and to Manasi Bose for editing the document and developing the slides.

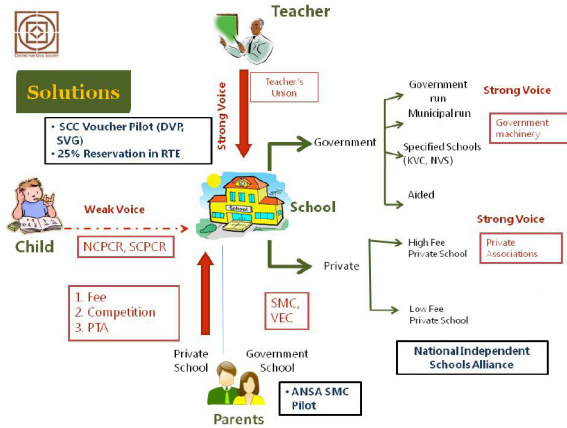
into high-fee and low-fee (budget) private schools. Let us consider all schools that charge less than the government per child cost in that particular state, as budget private schools.

### **Does a child have the choice to go to any school?**

Does a child have the choice to go to any of the different schools that are detailed here? A child has access to high-fee or budget private schools *only* if his or her parents are financially able to afford it; only children of targeted group such as central government employees, a girl child, or children from tribal background can access a specified school like a Kendriya Vidyalaya, KGBV or Eklavya Vidyalaya; only a child who lives in a municipal area can access a municipal-run school; and so on. So, in the absence of any real choice, a poor parent is forced to send his child to a neighborhood government school.

Article 26 of the UN Declaration of Human Rights states that parents have a prior right to choose the type of education they want for their children. Out of different aspects that hinder child's choice, access to money is one of the major factors. How can we increase the choice of the parents/children to choose their school and give them the right to education of their choice? The Government of Delhi spends INR 1,190 per child, per month, in its schools. Instead of being forced to study in a government school, if a poor child or his or her parents received INR 1,190, would they still choose a government school or will they send their children to private schools?

Some people argue that cash given to parents may be spent on non-essential items rather than on education. But according to research on the Bihar Cycle Scheme, when cash was given to parents to buy bicycles for their daughters to commute to schools, more than 98% families (Ghatak, Kumar, Mitra, 2013) bought bicycles, rather than spending it wastefully, as was feared. However, even if we are not sure of the spending priority of poor families on education, a solution would be to transfer money to them, equivalent to the government's per child cost, in the form of coupons or vouchers which can be redeemed only at listed schools.



## Vouchers

The school voucher is a tool to change the way governments finance the education of the poor. It 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 the students, deposit them in their bank accounts and the banks then credit the school accounts by equivalent money while debiting the account of the government. No money actually changes hands, only the voucher moves from the student to the school, and back to the government.

In the present system, the schools are accountable to the government. The voucher system makes them accountable directly to the students since they pay for their education through vouchers. If the student does not like the school, she can take the voucher to another school. Under the voucher system, the money follows the student. In the present system, the money follows the school.

The voucher empowers poor students so that they can attend a school of their choice. If the school does not meet the expectations, they have the choice to change schools. The vouchers provide equality of opportunity to poor children and allow them to choose their schools and not forced to attend a government school.

The revenue of a school depends on the number of students it has – both who pay directly and those who pay through vouchers. Schools therefore have an automatic incentive to increase enrolments and to improve quality to retain

students. Thus vouchers also create a healthy competition among schools. Today only private schools compete for the students with money. With vouchers, not only private schools, but also government schools will compete for all students, rich and poor (SCC, 2014)

CCS ran voucher pilots in 2007 and 2009, which were very successful (CCS, 2007). Policy researcher Karthik Muralidharan has also demonstrated the positive effects of the school vouchers in his longitudinal school choice experiment in Andhra Pradesh (Muralidharan & Sundararaman, 2013). But the government and policy makers are still struck with the idea of ‘education’ being a public good and that it should therefore be financed as well as produced by the government.

### **25% Reservation under RTE**

The provision under Section 12 of the RTE that requires private unaided schools to reserve 25 per cent seats in the entry-level class (nursery or Class I) for socially disadvantaged and economically weaker sections also serves to create the world’s largest school voucher program—public funds would support students to go to private schools of their choice. The onus is now on the government to design a transparent, fair and accountable method to implement this in private schools.

### **VOICE**

In the education system, children and parents consume education and teachers, governments and private organisations produce education. I will now take you through how the voices of different stakeholders fare in the system.

### **Do children have a strong or a weak voice in the education system?**

To hear the voice of children and to protect their rights, the government, through the Right of Children to Free and Compulsory Education Act, 2009 (RTE) has entrusted the structures like the National Commission for the Protection of Child Rights (NCPCR) and the State Commission for the Protection of Child Rights (SCPCR). But these structures are very poorly designed and are therefore malfunctioning. The RTE cell of NCPCR, which is responsible for resolving complaints pertaining to the rights of close to 20 crore school children in India has less than one dozen employees. There is limited awareness about these institutions among parents and children. The commissions receive very few cases, that too through the efforts of some non-



governmental organisations (NGOs), and the resolution rate is dismal (The Hindu, 2013). So, children have a very weak voice in the system.

### **Do parents have a voice in the education system?**

Parents sending their children to government schools are given the power to form School Management Committees (SMCs) where they can raise their voice to influence the management of the school. However, the powers given to SMCs under the RTE are minimal. The Right to Education (RTE) Bill that was drafted in 2005 gave the SMC's strong powers and authority for oversight and monitoring of government schools. However, these powers were scrapped at the time of creating the RTE Act because of pressures from various quarters, like teachers unions. In its current structure, an SMC does not have the power or authority to fire, fine, or suspend a teacher, and has no say in matters related to their leaves, etc. So on the ground, the existence of SMCs is poor. Parents are up against very powerful government teachers and their unions and they only have very weak SMC structures to hold these teachers accountable. Moreover with only poorest of the poor sending their children to government schools, and government teachers enjoying 6th Pay Commission salaries, parents most often find themselves socio-economically too weak to keep teachers accountable (Kingdon, 2010). Therefore, parents have hardly any voice in the government schooling system.

Parents that send their children to private schools have a relatively stronger voice due to the fact that they pay a fee to the school, and there is competition amongst these schools to attract students. They also have structures like Parent Teacher Associations (PTA) to raise their voice. The system of non-refundable capitation fees in certain elite private schools can be a deterrent for the parents to change schools, and this could curb the real competition among private schools. However, this trend of high-capitation fees only exists in a small percent of elite private schools and Section 13(a) of the RTE Act prohibits schools from charging any kind of capitation fees.

### **How much voice do teachers have in the education system?**

Government school teachers have a disproportionately strong voice in the education system owing to strong teachers' unions, the important role played by teachers in conducting any type of elections in the country, and reservation for them in upper houses in some states (Kingdon, 2010). Moreover, they are important opinion leaders, especially in rural India and are also socio-

economically quite powerful, especially when compared with parents who access government schools. Owing to all these factors teachers have a very strong voice in the system and it is politically very challenging to put any structure to keep them accountable.

### **What is the voice of governments in the education system?**

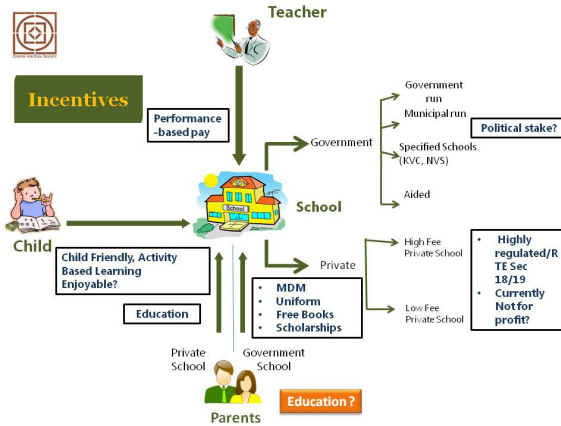
Governments have a strong voice in the system, as they control curriculum, boards, recognition norms, permissions to open new schools and are able to pass laws related to education in the parliament and assemblies.

### **Do private schools get a voice?**

Among private schools, high-fee private schools seem to have a strong voice owing to their ability to hire high-quality legal help, and also their ability to network with other schools. Budget private schools are at a disadvantage in this regard.

So, both the consumers of the education system, that is, children and parents, seem to have a very weak voice in the system; and the producers of the education system—teachers, governments and private schools, have a comparatively high voice in the system. Can you imagine any system satisfactorily meeting consumers' demands where the consumer has a weak voice and producer has a strong voice?

## INCENTIVES



### What is the incentive for children in education?

The incentive for the child to go to school is to have fun, and this is lacking in our schools. We are still at the stage of ‘chalk and talk’ and syllabus-based teaching in our government schools, barring a few NGO efforts. This staid environment destroys the incentive of the child to come to school.

### How are teacher incentives structured?

Government teaching jobs are considered quite lucrative and candidates often pay bribes to join. Over the years, by virtue of some deterrents that have been put in place like cameras, biometric attendance, basic monitoring, etc., teacher absenteeism has reduced. However, once the teachers are in the classroom, they don’t have any inherent incentive or pressure to teach. Teachers are given ‘completion of syllabus’ as the target, and are not concerned with whether the children are actually learning. Their promotion is not linked to the academic performance of their children, and there are no consequences to be faced for poor performance.

Muralidharan’s study in Andhra Pradesh shows that monetary incentives based on the learning improvement of the children can be a great tool to keep teachers positively engaged (Muralidharan & Sundararaman, 2009). His study also shows that, given the right incentives, untrained para-teachers perform better than or equal to trained teachers. But governments don’t seem to have the political will to adopt any such proven incentive-based structure, under the pressure of teachers’ unions.

## **What is the incentive of parents to engage in the education system?**

Parents sending their children to government schools are offered various incentives, like mid-day meals, scholarship, free uniforms and books. But many parents enroll their kids in these government schools to avail the freebies and actually send their children to budget private schools. This causes a huge problem of double-fake enrolments in the government schools (Rangaraju, Tooley, Dixon, 2012). This also suits the school authorities, since they can show a bloated enrolment and get mid-day meal money and other per child grants, and then siphon off the surplus. So incentives designed by the government for the parents, who are sending their children to government schools are not meeting the designed objectives.

Very limited access to what is taught in the classroom, absence of English as medium of instruction, non ability to track assessments and their child's progress, lack of co-scholastic activities, further de-incentivises parents to engage with the government school system

## **What is the incentive of politicians in education?**

What about politicians? Do politicians want to improve government schools? Is improving education a political issue? Politicians tend to provide what they are asked for or what serves them electorally. Improving the teaching learning process and improving the learning outcomes among children in government schools is not a political issue in India. If you look at the election manifestos and star leader speeches of 2009 and 2012 state elections in Goa, Gujarat, Himachal Pradesh, Manipur, Punjab, Uttar Pradesh and Uttarakhand, you see that there is absence of any structured mention of 'education'. If at all education is mentioned, it is done only alongside 'reservations', which is an electorally lucrative issue (Ali, 2012). Education has a long and deferred gratification—results show in a long time, so politicians often skip it and instead focus on topics where they can show quicker results, for electoral and political gains. A study published in *Economic and Political Weekly*, titled 'Is Education News?', stated that education comprises hardly 2.3 per cent of the whole news covered in print media (Sarangapani et al, 2011). So, education neither finds place in media nor in political manifestos, and political class seems to have no inherent incentive to improve its government schools.

## **Do entrepreneurs have incentives to enter the education sector?**

What about those trying to set up schools? The process of establishing a new private school is heavily regulated (Goyal et al, 2014). More than a dozen licenses are required from different government departments (Wadhwa, 2001) in order to open a school. Accessing capital to start or expand a school is also quite tough. Banks do not give loans to schools when the collateral is the school building itself. This is because in case of default on repayment, the bank is not able to easily seize the school building and stop its operations. Because of the not-for-profit nature of Indian education space, it is hard to raise money from the market. So currently, only those with deep pockets and political muscle are able to get the required licenses to open a private school. Thus, the education space provides no incentive for new age entrepreneurs to enter the sector.

The RTE further legalises input-based school recognition norms. Based on a conservative estimate, if a small private school is expected to comply with all the input-based norms of the RTE Act, it will have to increase its fees by up to four times (Chowdhury, 2013). Many private schools in Punjab, Karnataka and other parts of India are at the verge of closure or closing down (Miranda, 2013). This is a disturbing paradox—that the RTE Act, which aims at universal access to education, is taking away the rights of many children to access education that they can afford in budget private schools and reducing their choice (CCS, 2014).

Gujarat State RTE rules have come up with a solution to input-based recognition norms. Instead of focusing only on input requirements specified in the RTE Act like classroom size, playground, and pupil-teacher ratio, the Gujarat RTE Rules put greater emphasis on learning outcomes of students in the recognition norms (Shah, 2013).

## **CONCLUSION**

After going through the voice and incentive equations of all the relevant stakeholders, like the child, the teacher, parents, government and the private schools, it is evident that the Indian education system is fairly skewed in favour of the producer of education and leaves the consumer—children and parents—weak.

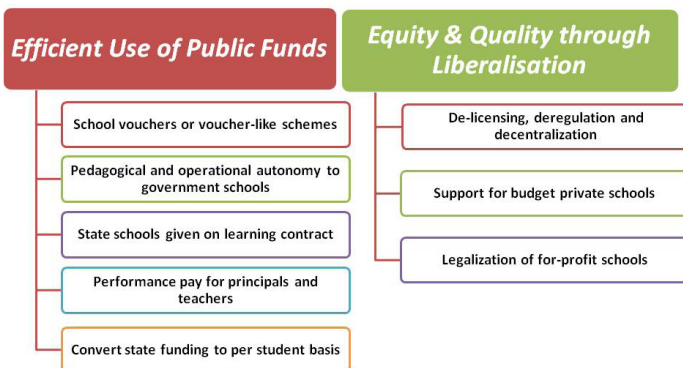
The beneficiaries of the education system, except the parents who send their children to private schools, have a weak voice and producers of education such as teachers, government and schools, have a strong voice. Also, none of the stakeholders have an inherent incentive to engage in the system.

Unfortunately the much talked about RTE Act is not able to strengthen the voices of the children and parents, and not able to provide right incentives to different stakeholders to engage with the system. RTE largely focuses on the input-based solutions. RTE largely intends to solve the problem of access to schooling, which at the outset does not seem to be the primary problem when India has a school enrollment of 98% (ASER, 2014). The primary problem seems to be the poor quality of learning among children as shown by ASER reports. In fact, the poor quality of learning is leading to high drop outs (The Hindu, 2013).

What is required then, is more school choice. School choice means that parents (and thereby students) have more choices in the number and variety of schooling options—not just a large number of private schools, but schools catering to different expectations parents might have from the education system.

Means like school vouchers, put money in the hands of the beneficiaries, thereby enhancing their bargaining power and increase their voice and choice. Twenty-five per cent reservation in private schools, under Section 12 of RTE Act, if implemented robustly through vouchers, can be helpful (Mittal, Shah, 2012). Performance-based salaries for teachers can provide the right incentive for the teachers to deliver in the classrooms. Giving teeth to SMCs can help in keeping the teachers accountable to the parents.

Just as in economic reforms, the list of education reform ideas could be quite long. However, there are two key principles that should be the focus of reforms in the education ecosystem:



### **Achieve Efficient Use of Public Funds**

- a. Fund students, not schools (school vouchers, charter schools, conditional cash transfers);
- b. Convert state funding to per student basis and link it to performance;
- c. Pedagogical and operational autonomy to state schools;
- d. Give poorly performing state schools to private parties on learning outcome contracts;
- e. Hire teachers at the school level, not at the state level;
- f. Put all budget and expenditure data in digital form in the public domain.

### **Promote Equity and Quality through Choice and Competition**

- a. Learning outcomes as the central focus of regulation, where the same standards are applied to both private as well as government schools; set up an annual independent learning outcome assessment across all schools; open Central Board of Secondary Education (CBSE) and state board exams to all students, not only for students who study in CBSE or state board affiliated schools.
- b. Encourage edupreneurs through removal of the license raj; and declare education an 'industry' for easier access to credit and venture capital fund; and lastly, offer schools the choice to be nonprofit or for-profit and treat for-profit ones as companies for disclosure and taxation norms. Deregulating and allowing for-profit schools will remove the artificial shortage of good and right-priced private schools in the country (Shah and Miranda, 2013).

## REFERENCES

- Muralidharan, Karthik, and Sundararaman, Venkatesh. “Teacher Performance Pay: Experimental Evidence from India. NBER Working Paper No. 15323”. National Bureau of Economic Research (2009). URL: [http://www.nber.org/cgi-bin/get\\_bars.pl?bar=pub](http://www.nber.org/cgi-bin/get_bars.pl?bar=pub).
- Muralidharan, Karthik and Sundararaman, Venkatesh. “The Aggregate Effect of School Choice: Evidence from a two-stage experiment in India”. National Bureau of Economic Research (2013).
- Sarangapani, Padma M and S, Vidya K. “Is Education News?”. *Economic & Political Weekly* (2011).
- “Low clearance of complaints against violation of RTE Act”. *The Hindu*. March 31, 2013. URL: [www.thehindu.com/todays-paper/tp-national/low-clearance-of-complaints-against-violation-of-rte-act/article4565957.ece](http://www.thehindu.com/todays-paper/tp-national/low-clearance-of-complaints-against-violation-of-rte-act/article4565957.ece)
- Kingdon, Gandhi. “Teacher Unions, Teacher Pay and Student Performance in India: A Pupil Fixed Effects Approach”. *Journal of Development Economics* 91 (2) (2010): 278-288.
- Rangaraju, B. Baladevan; Tooley, James and Dixon, Pauline. “The Private School Revolution in Bihar” (2012). URL: <http://www.periglobal.org/sites/periglobal.org/files/The%20Private%20School%20Revolution%20in%20Bihar.pdf> (Page 29).
- Ali, Syed Mohib. “Is Education a Priority for the Political Class?” Centre for Civil Society (2012). URL: [http://ccs.in/internship\\_papers/2012/280\\_is-education-a-priority-for-the-political-class\\_syed-mohib-ali.pdf](http://ccs.in/internship_papers/2012/280_is-education-a-priority-for-the-political-class_syed-mohib-ali.pdf)
- Goyal, Ananya; Singh, Shashank, P J, Paul and Gupta, Priyanshi. “State Schools Regulations Manual Working Paper No. 333” Centre for Civil Society (2014). URL: [https://ccsinternship.files.wordpress.com/2014/06/333\\_group\\_state-school-regulations-manual\\_ananya-paul-priyanshi-shashank.pdf](https://ccsinternship.files.wordpress.com/2014/06/333_group_state-school-regulations-manual_ananya-paul-priyanshi-shashank.pdf)
- Wadhwa, Mayank. “Licenses to Open a School: It’s All About Money”. Centre for Civil Society (2001). URL: <http://ccs.in/sites/default/files/files/wp0001.pdf>
- Miranda, Luis. “Impact of the RTE Shutdown of Schools”. *Forbes India*. January 27, 2013. URL: <http://forbesindia.com/blog/accidental-investor/impact-of-the-rte-shutdown-of-schools/>
- Antony, Meril and Chaudhuri, Nilanjan. “Limiting Choices and Denying Opportunities! The Case of School Closures in Punjab”. Centre for Civil Society (2014). URL: [http://www.ccs.in/sites/default/files/research\\_school-closures-punjab.pdf](http://www.ccs.in/sites/default/files/research_school-closures-punjab.pdf)



- Chowdhury, Shreya R. “Unrecognized schools need fee hike to apply RTE rules”. *Times of India*. December 22, 2013. URL: <http://timesofindia.indiatimes.com/city/delhi/Unrecognized-schools-need-fee-hike-to-apply-RTE-rules/articleshow/27744104.cms>
- Shah, Parth J. “Path-breaking rules under the Right to Education Act, in Gujarat”. (2013) URL: <http://spontaneousorder.in/path-breaking-rules-under-the-right-to-education-act-in-gujarat/>
- Shah, Parth J. and Miranda, Luis. “Private Initiatives in India’s Education Miracle” in *India Infrastructure Report*. IDFC Foundation. New Delhi: Routledge, 2013.
- Mittal, Shekhar and Shah, Parth J. “Reservation in Private Schools: Model for Implementation”. Centre for Civil Society (2012). URL: <http://ccs.in/sites/default/files/publications/viewpoint10p1.pdf>
- Pratham. “Annual Status of Education Report”, 2014. URL: <http://www.acercentre.org/Keywords/p/218.html>
- Pritchett, Lant. “The first PISA results for India: The end of the beginning”. (2012). URL: <http://ajayshahblog.blogspot.in/2012/01/first-pisa-results-for-india-end-of.html>
- Ghatak, Maitreesh; Kumar, Chinmaya, and Mitra, Sandip. “Was the bicycle purchased?, Cash versus Kind: Understanding the Preferences of the Bicycle-Programme Beneficiaries in Bihar”. (2013). URL: <http://www.theige.org/wp-content/uploads/2014/08/Maitreesh-Ghatak-India-Bihar-GW2013.pdf>
- “Out of school children and dropout a national emergency: UNICEF”. *The Hindu*. April 13, 2013. URL: <http://www.thehindu.com/news/national/out-of-school-children-and-dropout-a-national-emergency-unicef/article4611287.ece>
- “Delhi School Voucher Project Report”. Centre for Civil Society (2007). URL: <http://schoolchoice.in/events/dvpfirstassessmentreport.pdf>
- “School Choice Campaign”. Centre for Civil Society. URL: <http://schoolchoice.in/schoolchoice.php>











## **FRIEDRICH-NAUMANN-STIFTUNG FÜR DIE FREIHEIT**

The Friedrich-Naumann-Stiftung für die Freiheit is the foundation for liberal politics. It was founded in 1958 by, amongst others, Theodor Heuss, the first German Federal President after World War II. The Foundation currently works in some sixty different countries around the world – to promote ideas on liberty and strategies for freedom. Our instruments include civic education, political consultancy and political dialogue.

The Friedrich-Naumann-Stiftung für die Freiheit lends its expertise for endeavours to consolidate and strengthen freedom, democracy, market economy and the rule of law. As the only liberal organisation of its kind worldwide, the Foundation facilitates to lay the groundwork for a future in freedom that bears responsibility for the coming generations.

South Asia has a strong tradition of tolerance and love for freedom, a growing middle class which increasingly asserts itself, and evolving liberalising economies. In this milieu, the Foundation works with numerous partner organisations to strengthen the structures of democracy, the rule of law, and the economic preconditions for social development and a life in dignity.

**Visit FNF at [www.southasia.fnst.org](http://www.southasia.fnst.org)**

## **CENTRE FOR CIVIL SOCIETY**

Centre for Civil Society advances social change through public policy. Our work in education, livelihood, and policy training promotes choice and accountability across private and public sectors. To translate policy into practice, we engage with policy and opinion leaders through research, pilot projects and advocacy.

Our vision is that each individual leads a life of choice in personal, economic and political spheres and every institution is accountable.

**Visit CCS at [www.ccs.in](http://www.ccs.in)**

Friedrich Naumann  
STIFTUNG **FÜR DIE FREIHEIT**



## **CENTRE FOR CIVIL SOCIETY**

A-69 Hauz Khas, New Delhi 110 016

Voice: 2653 7456 / 2652 1882 Fax: 2651 2347

Email: [ccs@ccs.in](mailto:ccs@ccs.in) Web: [www.ccs.in](http://www.ccs.in)