

PUBLIC FINANCING OF SECONDARY EDUCATION IN KARNATAKA :

With Special Reference to Grant in Aid from the Government

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I Introduction

Education is considered as a critical input for human development as education contributes to the improvement of knowledge, skill, and overall quality of life. The development of human beings in turn contributes to economic growth. Recognizing this role of education the developed countries have invested in the past large amounts of their resources in the development of education. The developing countries have been now showing increasing interest in human capital formation by hiking the share of their investments in the education sector with a purpose to increase the efficiency of this sector. The Government of India and all the state governments though are aware of the importance of the investment in education on a priority basis, are not able to invest large amounts due to the resources crunch. The situation has become more critical after the initiation of economic reforms in 1991. In fact, the entire education sector is really in crisis for want of resources. The Government of India hardly spends about 3 percent of its GDP on the education sector. Even within the education sector, generally, the Government of India and the state governments have attached high priority to the goal of attainment of Universal Elementary Education (UEE), which is the Constitutional responsibility. Some importance is given also to the development of higher education partly because highly educated manpower would be greatly in demand during the regime of globalization and partly also because the elite pressure for promotion of higher education is quite strong. In this process the level of secondary education seems to get less attention. This relatively low priority for secondary education during the period of economic reforms not only in India but also in many other developing countries seems to have

* This study was conducted by the Centre for Multi disciplinary Development Research, Dharwad

been noticed by some analysts and international organizations. The UNESCO, for example, had initiated few years ago an international net conference on secondary educational development in different countries, which has ultimately resulted in the form of a notable publication on the subject.

Another development worth noting during the period of economic reforms has been the emergence of and the necessity for an increasing role of the private sector in educational development. The social sector in general and education sector in particular, are now facing major fiscal crunch in the process of reforms. The market has entered in a big way into the education sector. The development of and resource mobilization for the social sector in general and education in particular was considered in the past to be the responsibility of the government. However, there are indications that this is fast changing. In order to understand the factual position, it is necessary to examine the flow of resources to the education sector and its utilization pattern. ***Studies on educational accounts system need to be initiated covering both the receipt side and expenditures side and also examining the role of the public and non governmental providers and also beneficiary households.*** At least detailed examination of expenditure on education is necessary. Such an examination assumes a great importance due to the following reasons: i) It would help to ensure proper direction in respect of allocation of resources to the education sector; ii) It would assist the policy planners to take decision on the quantum of investment in a particular level and type of education; iii) It would help to know the flow of resources from different sources; iv) It would also help to quantify the resource requirements of a particular level of education and (v) it would also help to examine the issue of who bears the burden of cost of education and thus enable the analysts to understand the subsidy component in secondary education, which is given to the private educational institutions by the government in terms of grant in aid. Various studies have been undertaken by researchers and policy makers to examine different aspects of financing of education in the country. But most of the studies have examined the financial aspect of education emphasizing the aspects such as public and private expenditure on education per student, per school etc. But the studies relating to

Grants in aid are very few. **In view of this, in the present study we have made an attempt to examine the following issues:**

- i) What have been the trends and pattern of education with respect to institutions, enrolment and teachers in position in secondary education in Karnataka?
- ii) What have been the trends and pattern of public expenditure on education in general and secondary education in particular?
- iii) What is the pattern and composition of Grant in Aid (GIA) to secondary education in Karnataka over the years?
- iv) What steps has the Government of Karnataka taken to improve the efficiency and equity in educational expenditure in general and the grant in aid policies in particular?

The present study has attempted to examine the aforesaid issues in the context of secondary education with the help of secondary data in the state of Karnataka. **The study is divided into four sections.** The **second section** provides the development of secondary education in Karnataka. The analysis of financial pattern, its composition and Grant-in aid is presented in the **third section**. The **final section** summarizes the main findings of the study along with some major policy recommendations.

The Government of Karnataka aims at accelerating economic growth by investing in physical and social infrastructure and education plays a significant role in this direction. Realizing the important role of education in the context of development, in 1999 Government of Karnataka appointed a Task Force on Education comprising of senior educational administrators and academics to adopt strategic steps for the overall development of the education sector. Also the state has undertaken the study on education across all levels assisted by the World Bank and Karnataka is one of the pioneering states to have private sector entry into the education sector. The state has initiated major reforms in its administration for which the investment in people at least up to secondary education level fructifies. It may be on account of two main reasons: (i) It makes the people eligible for an entry into the labour market and (ii) it provides impetus to higher

education, which makes the recipient of education more productive, efficient and competent. It is from this point of view that an attempt is made here to examine the pattern and trend in secondary education and its financial pattern with emphasis on grants in aid policies introduced from time to time in Karnataka.

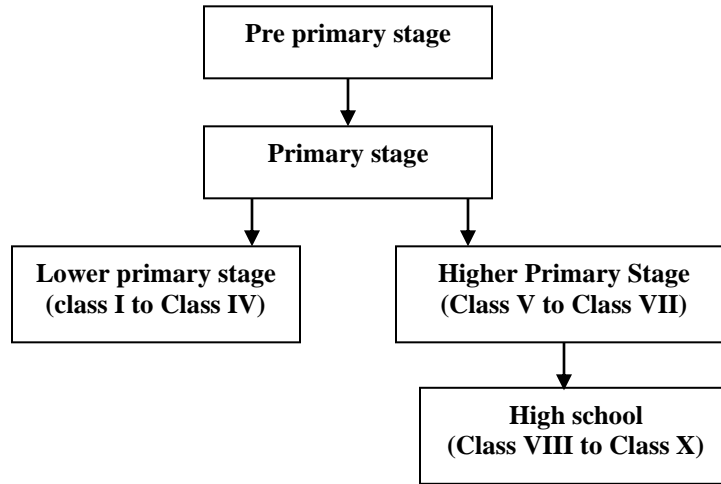
Karnataka is a medium developed state so far as economic development is concerned. The state has recorded an impressive growth in GSDP of about 12 percent per annum in recent years, which is much higher than the national average. The state (0.45) is also slightly above the national average (0.42) in respect of its Human Development Index. It has been realized that the overall development of the state depends not only on economic development but also on human development. Human development depends on good quality of education and health. Good quality of human development influences economic development. In this background it may be useful to examine the effects of the past initiatives taken for the secondary educational development of the state of Karnataka.

II. Development of Secondary Education in Karnataka

- ***The structure of school education***

The educational development of the state took its real momentum after 1956 when Karnataka was formed into a separate state named as Mysore state. In the year 1956 the enrolment of school education was 18.81 lakhs, which rose to 101.66 lakhs in the year 1999-00 showing a compound growth rate of 3.9 percent per annum. The number of schools increased at 2 percent (22250 in 1956 and 57905 in 1999-2000) and the number of teachers increased at 3.8 percent between the period 1956 and 1999 (58204 in 1956 and 295783 in 1999). Karnataka is considered as a medium developed state so far as the educational development is concerned. The education system in Karnataka is slightly different from that obtained in the other states. After the pre school education, the school education comprises seven years of elementary education, which constitute Lower primary for 4 years and Upper primary of 3 years. The secondary education constitutes 3 years after the elementary cycle and thus the total duration of school education is 10 years. The following structure explains the education cycle of Karnataka:

Structure of school education in Karnataka



The Government of Karnataka has recently lengthened the elementary education to eight years, which would constitute 5 years for lower primary, and 3 years for upper primary and the period of secondary education would be for 2 years, which, of course, does not disturb the total duration of school education for ten years.

Growth of Secondary Schools

As mentioned earlier, secondary education in Karnataka is dominated by the unaided private schools. These schools grew at an annual compound growth rate of about 14 percent over the last decade while the government schools grew at 7.3 percent and the private aided schools increased at a rate of only 2 percent. The schools per 100 sq km and 1 lakh population have been estimated and it is found that since 1998-99 the number of schools per 100 sq km remained unaltered and the schools serving 1 lakh of population have not changed after 1999-2000.

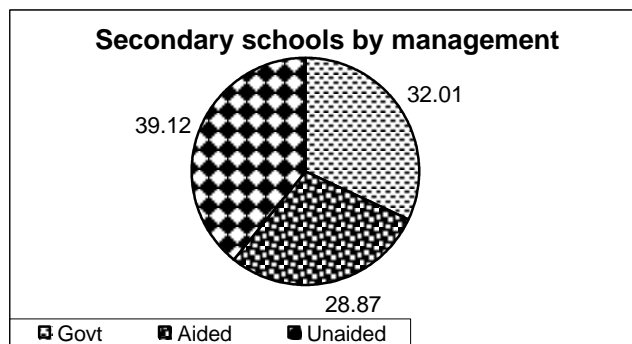
Table 1
Growth of Secondary schools in Karnataka

Year	Government	Private		Total	Schools per 100 sq. km	Schools per 1 lakh popn
		Aided	Unaided			
1990-91	1302 31.1	2045 48.8	845 20.2	4192 100	2	9
1991-92	1393 31.6	2080 47.1	940 21.3	4413 100	2	10
1992-93	1471 31.9	2110 45.7	1033 22.4	4614 100	2	10
1993-94	1515 25.5	2111 35.6	2306 38.9	5932 100	3	13
1994-95	1687 27.3	2196 35.6	2288 37.1	6171 100	3	13
1995-96	1713 27.2	2106 33.4	2479 39.4	6298 100	3	12
1997-98	1898 27.0	2329 33.2	2793 39.8	7020 100	4	14
1998-99	2064 28.3	2443 33.5	2788 38.2	7295 100	4	14
1999-2000	2667 32.6	2541 31.1	2974 36.3	8182 100	4	16
2000-2001	2884 33.7	2541 29.7	3128 36.6	8553 100	4	16
2001-2002	2818 32.0	2541 28.9	3444 39.1	8803 100	-	-
Comp Growth rate 7.3		2	14			

Letters in bold indicate percentage

Source: Commissioner of Education, Government of Karnataka.

The graph below shows clearly the distribution of schools by management:



Growth of Enrollment in secondary education

As seen from the trend of enrolment at the school level, the growth rate of secondary education is 3.5 percent while the same is less than 1 percent in case of primary level during the period 1990-91 to 2001-02. The enrollment in classes 1-4 increased between 1990-91 and 1995-96 and declined in 2000-01 indicating a sharp decline in the size of eligible cohort population. The enrollment at upper primary and high school stages increased at a compound growth rate of 4.25 percent and 3.52 per cent per annum respectively. This clearly implied that all the students enrolled in classes 1-7 do not go for secondary education. If we observe the enrollment trends from class 1 to high school stage it is found that there is a constant decline in the enrollments as one move towards higher and higher levels of education. Table 2 provides the details of enrollment.

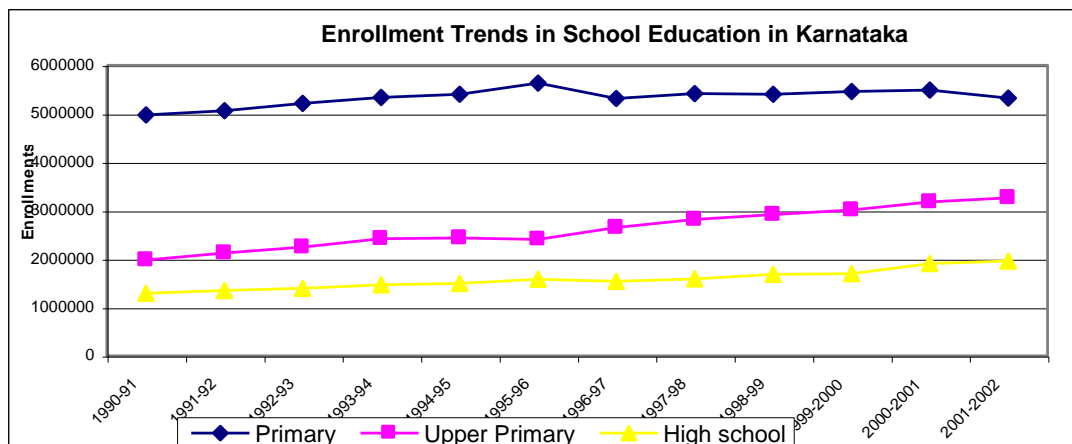
There is almost universal coverage at the primary stage, as, of the total children in the age group of 6-10 years, approximately 92 percent were attending school as per the child census survey conducted by the education department in 2001. The NFHS survey confirmed this, which showed that the attendance ratio increased by 10 percentage points between 1992-93 and 1998-99. Also, the Human Development Report of Karnataka (1999) stated that the ratio of enrolment of the 6-14 year children was 92 percent.

Table 2

Intra Sector Enrollment Trends in School Education in Karnataka

year	Primary	Upper Primary	High school
1990-91	4971982	1978641	1290281
1991-92	5062384	2125644	1349369
1992-93	5214889	2244357	1396235
1993-94	5332338	2419047	1467290
1994-95	5402702	2433344	1495414
1995-96	5635147	2405188	1582568
1996-97	5313372	2648226	1535533
1997-98	5412818	2813042	1586774
1998-99	5404173	2913939	1681691
1999-2000	5456932	3012898	1696100
2000-2001	5484600	3173979	1906473
2001-2002	5319169	3261990	1954661
Growth rate(% p.a)	0.56	4.25	3.52

Source: Government of Karnataka



The enrollment in high schools in Karnataka by different managements showed that more than 2/3rd of the enrollment of the total enrolled children are found in private schools. The enrollment in government schools is 34 percent. But if one observes the growth over the decade it is found that the enrollment of the unaided schools grow at a rate of about 10 percent per annum which is the highest and the enrollment in government and private aided schools grow at a rate of 4 and 1.3 percent respectively. Table 3 provides the enrollment in High schools by management.

Table 3
Enrollment in High Schools by Management

Year	Government	Aided	Unaided	Total
1990-91	431255	696546	162480	1290281
	(33.42)	(53.98)	(12.59)	(100.00)
1991-92	446707	740493	162169	1349369
	(33.10)	(54.88)	(12.02)	(100.00)
1992-93	461767	766797	167671	1396235
	(33.07)	(54.92)	(12.01)	(100.00)
1993-94	475055	775181	217054	1467290
	(32.38)	(52.83)	(14.79)	(100.00)
1994-95	474927	754742	265745	1495414
	(31.76)	(50.47)	(17.77)	(100.00)
1995-96	487214	813077	282277	1582568
	(30.79)	(51.38)	(17.84)	(100.00)
1996-97	495548	724028	315957	1535533
	(32.27)	(47.15)	(20.58)	(100.00)
1997-98	503861	725421	357492	1586774
	(31.75)	(45.72)	(22.53)	(100.00)
1998-99	668628	690720	322343	1681691
	(39.76)	(41.07)	(19.17)	(100.00)
1999-2000	560035	755342	374255	1689632
	(33.15)	(44.70)	(22.15)	(100.00)
2000-2001	660702	799109	446662	1906473
	(34.66)	(41.92)	(23.43)	(100.00)
Growth Rate	4.0	1.3	9.6	3.6

Source: Commissioner of Education, Government of Karnataka, Bangalore.

Drop out rate in school education

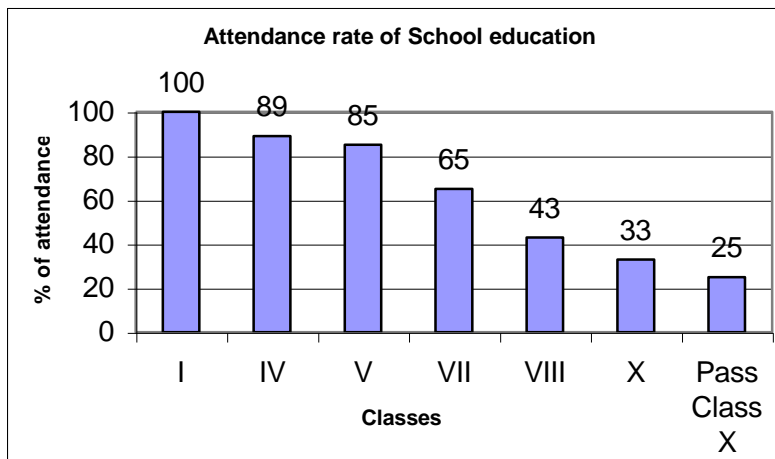
The dropout rate of school education may be seen from the table 3, which shows that the **dropout rate between classes 1 to 10 is 67 percent**. This rate increased sharply after class 7. **More than 2/3rd students dropped out when they reached class 10**. The pass out percentage in class 10 seems to be quite low. The high level of dropout may be due to the social reasons that i) withdrawal of girls from the school after they attend puberty and ii) practice of child marriage in certain parts of northern Karnataka.

Table 4

Estimated Proportion of Children Attending School in Karnataka (2000 - 2001)

Classes	% of students entering into Class I to Class X
I	100
IV	89
V	85
VII	65
VIII	43
X	33
Pass Class X	25

Source: *Shaping Education in Karnataka, Goals and Strategies, Government of Karnataka, Bangalore, Page - 11, Table 2.2.*



This ratio drops sharply at higher age group. The illiteracy has declined significantly at all the age groups in general and adult illiteracy in particular declined from 33 percent in 92-93 to 23 percent in 98-99. This may be mainly due to the significant achievement in the participation level of education in the state. The significant level of achievement may be largely due to the increase in the number of educational institutions (both government and private), improvement in the teacher pupil ratio, provision of various types of incentive schemes and subsidies to vulnerable sections of the population. Over and above, the state enjoys the distinction of low population growth during the last decade. But the inter and intra regional disparities in educational development continue to persist in the state, which stand in the way to the all round quality improvement in education in the state.

The attendance rate of children in secondary school (15-17 year old) as per NFHS survey was 45 per cent as against 80 percent enrolment in elementary stage in the year 1998-99. This indicates that there is a sharp dropout of children at the higher age groups.

Teachers' position in secondary schools

The pupil teacher ratio in secondary education in Karnataka indicates that there is not much difference in this ratio between different types of schools. The pupil teacher ratio in the case of government schools in 1990 was 40 and it came down to 24 in the year 2001- 02. In the aided schools there is a sharp decline in this ratio after the year 1995-96 while in the unaided schools it has remained more or less constant over the years. The improvement in pupil teacher ratio over the years in case of private aided schools is due to slower growth in enrollment in such schools. Table 5 presents the pupil teacher ratio by management in the state of Karnataka.

Table 5

Pupil Teacher Ratio in Secondary Education

Year	Pupil Teacher Ratio			
	Total	Government	Aided	Unaided
1990-91	34	40	35	24
1991-92	36	40	36	26
1992-93	34	43	36	18
1993-94	32	37	36	18
1994-95	29	33	34	16
1995-96	31	33	38	19
1996-97	23	18	24	28
1997-98	22	17	24	32
1998-99	23	22	23	28
1999-2000	21	18	25	21
2000-2001	25	23	32	20
2001-2002	25	24	26	26

III. Financing of Secondary Education

Education is financed by the public sector and the private sector. In the public sector both the state government and the central government spend for education while in the private sector it is the households and other private corporate bodies etc spend on education. In the case of aided schools the contribution of the government also to expenditures needs to be reckoned. The state governments have the major responsibility for secondary education and direct responsibility for elementary education. The education sector has multiple sources of finance. These include the states' own revenue (both tax and non tax revenues), transfers from the Central governments, the block assistance for the state plan and the Centrally sponsored plans of the central Ministry of HRD. The state government finances its own institutions and the privately aided institutions. When it is financed by the state government, it is generally made through two departments. One is the dept of education and the other one is dept of social welfare.

Share of education in SDP

In spite of fairly high rate of growth of income (12% GSDP growth) in the state during the nineties, the proportion of income devoted to education is only slightly higher (4 percent) as compared to the all India average (3.7 %) and also in relation to that obtaining in many other states. But when one observes the proportion of secondary

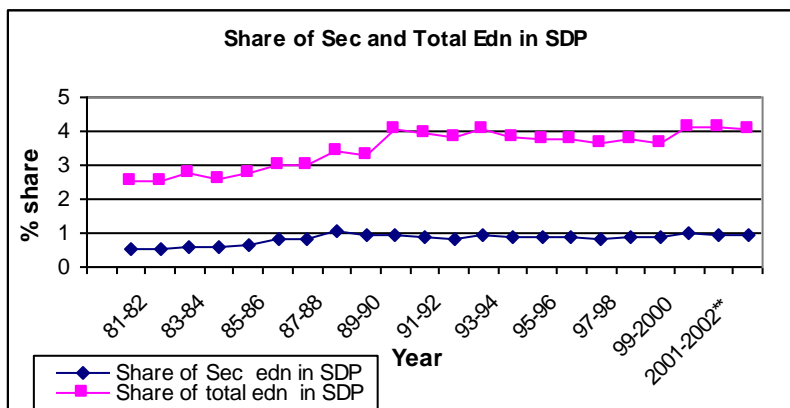
education in the state income it is found that the state is spending less than one percent on secondary education and from 1988-89 onwards this percentage has remained more or less constant. This is illustrated in Table 6.

Table 6

Share of Expenditure on Secondary Education and Total Education in GDP

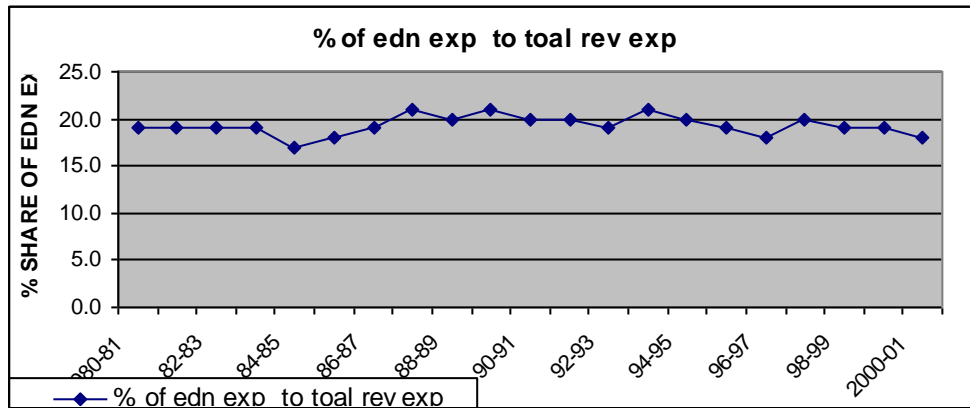
Year	Share of Sec edn in GDP	Share of total edn in GDP
1980-81	0.53	2.54
81-82	0.54	2.53
82-83	0.59	2.79
83-84	0.57	2.60
84-85	0.62	2.78
85-86	0.81	2.99
86-87	0.83	2.99
87-88	1.05	3.41
88-89	0.93	3.27
89-90	0.92	4.06
90-91	0.88	3.92
91-92	0.84	3.83
92-93	0.97	4.07
93-94	0.89	3.84
94-95	0.88	3.74
95-96	0.90	3.77
96-97	0.85	3.62
97-98	0.90	3.77
98-99	0.89	3.66
99-2000	0.98	4.14
2000-01	0.94	4.14
2001-2002	0.97	4.03

Source: State Domestic product, 2001-02,
Directorate of Economics & Statistics, Bangalore



Public expenditure on education

The allocation of public sector resources to education is found to be almost constant over the period of more than 2 decades. The allocation of public sector resources is found to be lower than that of many other educationally backward states like Assam (22%), Bihar (23 %) and Rajsthan (19 %). The real growth of educational expenditure during the nineties has been the highest in Karnataka among the 14 major Indian states (Basir,S 2000).



In this back ground one may examine **the statistical relationship between the total expenditure of the state, SDP on the one hand and expenditure on education on the other.** We have made an attempt to examine the relationship between the two with the help of regression model. The model attempted here is:

$$\text{Log (education exp)} = f(\text{log revenue expenditure}) \dots (i)$$

$$\text{Log (education exp)} = f(\text{log SDP}) \dots (ii)$$

Regression results showing the effect of revenue expenditure and SDP on education expenditure are presented in Table 7. **The results indicate that the elasticities for total revenue expenditure of the state and the state income (SDP) are greater than one.** This implies that education expenditure in the state is responsive to changes in state’s revenue expenditure and income. In other words, the expenditure on education increases slightly more than proportionately with changes in revenue expenditure and SDP.

Table 7
Regression Results

Dependent Variable = Log(tot edu exp)

Explanatory Variable	Intercept	Regression Co-efficient	Adjusted R²	Durbin-Watson
Log(rev exp)	-2.886	1.106	0.991	0.874
T values	(-9.543)*	(47.401)*		
Log(SDP)	-5.833	1.166	0.992	0.744
T values	(-16.947)*	(50.193)*		

* Significant at 1% Level.

Intra sectoral allocation of resources in education

Within the budgetary allocations elementary education has received highest priority throughout the nineties (especially the plan allocations). However next to elementary Education, resource allocation in education has been made to secondary level as most of the resources are devoted to new schools and appointment of additional teachers. Little more than half of the resources are allocated to elementary education and the real growth of expenditure on elementary education has been about 5.7 percent. In 1990-91 secondary education received 28 percent of the total allocations but the share rose to more than 30 percent of the total allocations between 1996 to 1999-2000 and dropped to 29 percent in 2000-01. Karnataka devotes relatively small share of public funds to higher and technical education compared to the contribution of private provision and financing of these levels. This is indeed contrary to what is generally observed elsewhere because private sector has been playing a dominant role in the state's higher educational development.

Table 8

Intra Sectoral Expenditure on Education in Karnataka (%)

Year	Elementary	Secondary	Higher	Others	Total
1990-91	52.11	28.43	14.34	5.12	100.00
1991-92	50.11	29.23	16.60	4.07	100.00
1992-93	49.62	32.18	13.88	4.32	100.00
1993-94	52.42	29.39	14.25	3.95	100.00
1994-95	50.89	29.99	14.29	4.83	100.00
1994-95	51.91	30.67	13.25	4.17	100.00
1995-96	52.65	29.97	13.07	4.32	100.00
1996-97	52.05	30.50	12.59	4.86	100.00
1997-98	52.12	31.10	12.23	4.56	100.00
1999-2000	52.25	30.94	12.60	4.21	100.00
2000-01	52.29	29.31	16.41	1.99	100.00

Source: Government of Karnataka.

Expenditure on Secondary Education

The expenditure on secondary education over the period of time indicates that **during the reform period the growth of real public expenditure in secondary education is less than that during the pre reform period.** This may be largely due to the entry of private sector into the education sector in a big way.

Table 9

Year	Expenditure on Sec. Edn	
	at current prices	at Constant Prices(1993-94)
1980-81	3557.42	10731.52
81-82	4186.55	11657.76
82-83	5091.15	13042.99
83-84	5868.07	13405.68
84-85	7253.96	15775.47
85-86	10010.4	19747.19
86-87	11901.96	22305.31
87-88	17030.54	29877.91
88-89	17605.69	28691.76
89-90	19869.06	30037.66
90-91	22150.07	29424.37
91-92	27261.75	31415.63
92-93	34252.74	36940.94
93-94	36521.30	36521.30
94-95	42176.93	38191.25
95-96	50673.55	41616.31
96-97	55484.33	42822.65
97-98	64719.69	47628.95
98-99	77829.57	53896.64
99-2000	93068.70	63092.28
2000-01	98585.19	64816.42
2001-2002	105826.06	68214.97
CGR (Post reform period)	13.12	7.30
CGR (Pre reform period)	18.09	9.60
CGR (1980-81 to 2001-02)	16.67	8.77

Source: Different Issues of Budget, Government. of Karnataka.

We examined the **relationship between expenditure on secondary education and total expenditure on education and SDP** with the help of regression model where expenditure on secondary education was considered as the dependent variable and the explanatory variables were revenue expenditure and SDP. The results of regression are presented in Table 10. The results revealed similar pattern as in the case of the earlier

regression. *The expenditure on secondary education is responsive to the changes in revenue expenditure and state income and this responsiveness is more significant in the case of SDP.*

Table 10
Regression Results

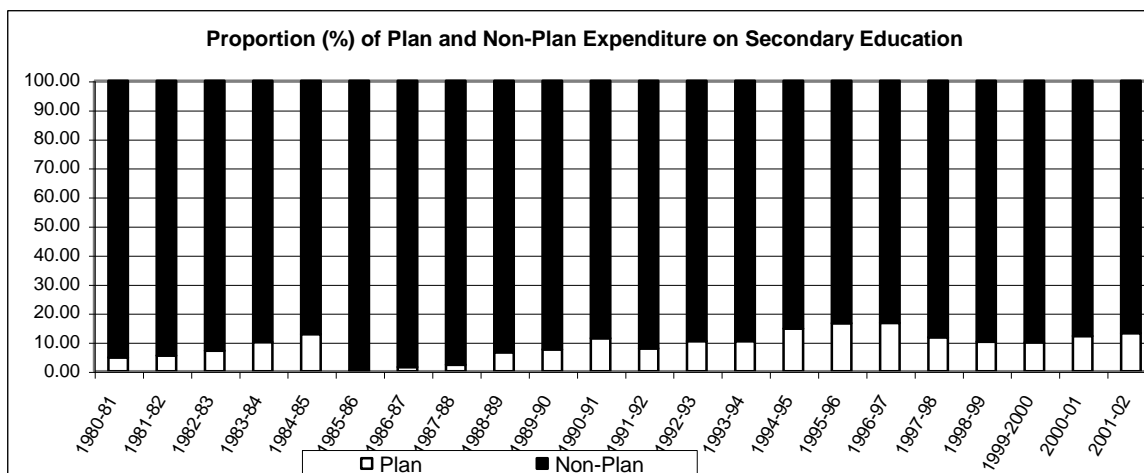
Dependent Variable = Log(sec edn exp)

Explanatory Variable	Intercept	Regression Co-efficient	Adjusted R ²	Durbin-Watson
Log(rev exp)	-4.457	1.116	0.986	0.759
t values	(-11.776)*	(38.229)*		
Log(SDP)	-7.372	1.173	0.980	0.489
t values	(-13.434)*	(31.665)*		

* Significant at 1% Level.

Plan and Non Plan Expenditure on Education

The plan and non-plan classification of public expenditure on education provides further insights about how resources are going into the development of what aspects of education. It is found that the non-plan expenditure is relatively larger than the plan expenditure. However, over the years, the non-plan expenditure has declined while there is a slight increase in the plan expenditure. Since the non-plan expenditure is largely meant for salary, maintaining the infrastructure etc. it follows that when there is a declining share of non-plan component in the total expenditures, the quality of infrastructure would become poor and poor infrastructure may affect enrollment and overall quality of teaching. This in turn affects the education of girls and other vulnerable sections of children and the rural area children. ***This is the vicious circle of cut in non-plan expenditure and low enrollments and low performance.*** The chart below reveals the pattern of plan and non-plan components of secondary education expenditures.

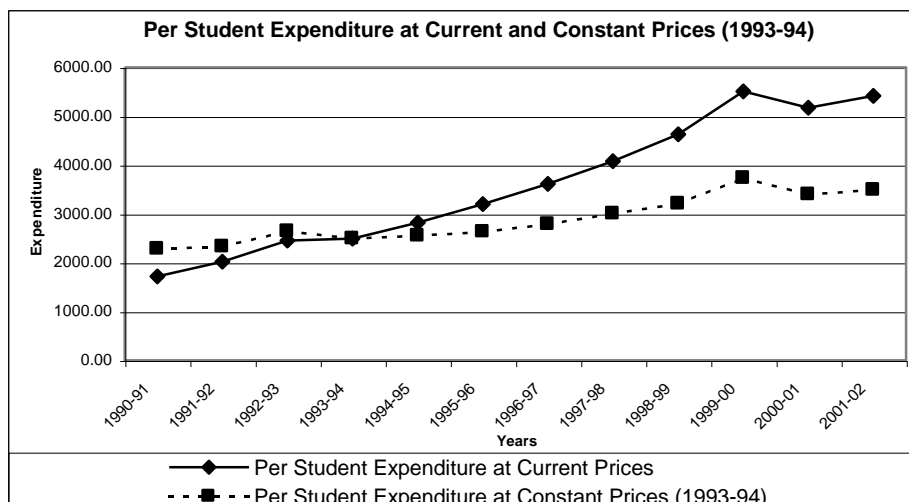


Per Pupil Expenditure on Secondary Education

The expenditure per pupil on secondary education has increased during the last decade by about 3 times at current prices while in real terms the same has increased by 1.5 times.

Table 11
Per Student Expenditure (Secondary) at
Current and Constant Prices (1993-94)

Year	Expenditure at Current Prices	Expenditure at Constant Prices (1993-94)
1990-91	1716.69	2280.46
1991-92	2020.33	2328.17
1992-93	2453.22	2645.75
1993-94	2489.03	2489.03
1994-95	2820.42	2553.89
1995-96	3201.98	2629.67
1996-97	3613.36	2788.78
1997-98	4078.70	3001.62
1998-99	4628.05	3204.91
1999-00	5508.22	3734.08
2000-01	5171.08	3399.81
2001-02	5414.04	3489.86
CGR (%)	10.04	3.6



Item wise Expenditure on Secondary Education

The item wise expenditure (Table 12) on education may provide some idea about the quality of education. It is found that the expenditure on teacher training, scholarships, examinations and text books not only is very negligible but has constantly declined over the period of time. The quality of education depends largely on these items. The share of these items in the total expenditure on secondary education was 5.8 percent in 1981-82 and it declined to 2.29 in the year 2001-02. Major proportion of the expenditure goes in terms of grant and the same has increased over the years, which is spent mainly to meet the salaries of the staffs. In this background it may be observed that the quality of education at the secondary level is under great threat.

Table 12
Item-wise Expenditure (%) on Secondary Education

Items	1981-82	1991-92	2001-02
Direction, Administration & Inspection	5.55	1.59	1.01
Teachers Training	0.17	0.04	0.02
Text Books	4.92	3.32	1.19
Scholarships	0.71	0.18	0.13
Examinations	0.00	1.02	0.95
Government. Secondary Schools	28.26	9.35	11.61
Assistance to Non-Government. Sec Schools	57.62	14.55	10.08
Assistance to Local bodies schools	1.12	67.90	71.84
Other Expenditures	1.64	2.04	3.17
Total	100.00	100.00	100.00

Source: Detailed Estimates of expenditure, vol. III, Government. of Karnataka.

IV. Grant-in-Aid in Karnataka: Policy and Practices

Funding and supply of goods and services in any economy can take any of the following four channels:

- public provision (financing) but private production
- private provision (financing) but public production
- public provision (financing) and public production and
- private provision (financing) and private production.

Education can also be supplied under any of the above channels. The government can run the schools in which case the entire responsibility of funding the activities of the school would vest with the government. Alternatively, the government can support the privately managed schools through grant in aid. We are considering under the present section the grant in aid as practised in Karnataka so far as the secondary schools are concerned. While resources are transferred by the government to the private schools and also beneficiaries either directly or indirectly the actual expenditures are made by the recipients of these grants. Though ideally under the system of grants the government is not supposed to interfere with the day to day running and also long term policies adopted by the private managements in actual practice and as a part of the code of the grant in aid the government plans to achieve certain objectives, which it considers as very important and about the fulfillment of which by the recipient institutes the government does not have great confidence. Since the recipient institutes- schools- are interested in funds from the government they accept these conditions in the code and strive to adhere to them, nonadherence to which even after receipt of the assistance would invite penalties and or stoppage of the grant, etc.

The grant in aid to schools can be one time grant, or ad hoc grant or regular or periodical grant. It may be block grant or matching grant, etc. Each type of grant would have specific objectives. It may be useful to see what system of grant is adopted in the case of Karnataka. Since there is no all India body for providing assistance to schools for secondary education like UGC in the case of higher education the system of grant

adopted by each state appears to be different. In the following paragraphs an attempt is made to examine the grant in aid code for secondary education in Karnataka.

- **System of Grant-in-Aid for Secondary Education:**

The system of Grant in Aid (GIA) in the state of Karnataka came into effect from the year 1962-63 with the inception of GIA code. This code was revised in the year 1967. The code of GIA was in force till the system of GIA was administered as per provisions of the Karnataka Education Act of 1995. In order to get grant in aid from the government as per the GIA code, the private institutions were required to manage the institutions for a period of five years on their own. This pattern was followed till the year 1985. From 1985 to 1987 the period stipulated for the private schools to become eligible for availing the GIA was extended to the extent of seven years. At present the Karnataka Education Act of 1995 has been governing the system of GIA. In this background it would be useful to have a look at the provisions of the GIA code before looking at the provisions of the Education Act of 1995 towards the system of GIA.

An Overview of Grant in Aid Code to Secondary Education:

1. General Purpose of Grant-in-Aid (GIA): With the object of extending and improving educational services in the state, a significant sum of money is provided annually by the government in the form of GIA to schools and other educational institutions under private management and Local bodies subject to certain conditions.
2. **Objectives of GIA:**
 - a. Maintenance of Educational Institutions
 - b. Acquisition of sites for bona fide purposes of Institutions
 - c. Purchasing, creating, enlarging and improving School buildings
 - d. School equipments
 - e. Improvement of playgrounds and permanent fixtures therefore
 - f. Youth tours

- g. Youth festivals and Sports meets
 - h. Other purposes approved by the government
3. **Reservation of Discretions by Government:** The government reserve to themselves, notwithstanding, anything in the rules of this code, the right to refuse, withdraw or reduce any grant at their discretion, without assigning any reasons whatsoever.
4. **Sanctioning Authority:** All grants paid from state funds are sanctioned either by government on the recommendations of the Department of Public Instruction or by the Director of Public Instruction or by any officer of the Department authorized by the Department of Public Instruction in this behalf.

- **Eligibility Criteria of Recognition of Institutions to get GIA:**

The general conditions for starting and recognition of schools state that, the institution shall be open to all communities without any distinction of caste, creed or religion. The creation of the new institution should also not lead to unhealthy competition with an existing institution. The department should also be satisfied in regard to the premises and location, the accommodation, the equipment, the financial resources of the management, the number of teachers to be appointed and their qualifications, the course of the studies to be taught, the rules and regulations to be followed, urinals and latrines and any other conditions prescribed by the government.

The permanent recognition would be granted to those institutions, which would satisfy the following conditions.

- a. An institution, which has completed five years of continuous and recognized existence to the satisfaction of Director of Public Instruction.
- b. It should have at least 75 per cent of the trained teaching staff.
- c. The management is prompt in following the rules and instructions and in submitting statistical information.
- d. The results at the public examination are more than 60 per cent continuously for the last three years.

- e. The Management has constructed its own building and the building satisfies all its requirements.
- f. It has play ground measuring at least 5 acres. This condition may be relaxed in special circumstances at the discretion of the Director.

Once the recognition is given to an institution that does not necessarily mean that the GIA would be provided to it. The concerned institution has to again fulfill the following conditions as per the earlier GIA code.

The Management shall have deposited the stability fund as mentioned in rule 9 (d)¹

- I. The Management shall credit the prescribed tuition fees, admission fees and betterment fees collected into the Treasury as prescribed in rule 69².
- II. Institutions recognized permanently are eligible for the GIA so long as the recognition lasts and the institutions faithfully fulfill the conditions governing the payment of the grants.
- III. No grant will be paid for any secondary school with less than average daily attendance of 25 pupils, in each standard provided that the Director in exceptional cases may relax this rule.
- IV. Tuition shall be free in all GIA schools, except in respect of failed candidates who are re-admitted to the school. School charging tuition fees for the regular students

¹ A stability fund of Rs. 50,000 is necessary to become eligible for GIA. The stability fund should be deposited in the joint name of the Director of Public Instruction and the Chairman of the Managing Committee in a scheduled bank or Treasury or any other recognized bank by the Department, and it is to be operated upon only in case of an emergency with the approval of the Director.

² The following fees collected during the preceding month shall be invariably credited into the Treasury under the Head of Account XXII Education, F General, J, Miscellaneous on or before the 10th of the following month and Treasury/Bank challan in support of the credit, shall be attached to the pay bill for that month submitted to the Deputy Director of Public Instruction concerned for payment.

- 1. Betterment fees
- 2. Admission and re-admission fees
- 3. Fines
- 4. Tuition fees from failed students
- 5. Tuition fees from students of standard XI

or charging higher than the prescribed rate for failed candidates shall not be eligible for GIA.

V. The penal cuts indicated below should be applied to the maintenance grant of the schools having poor results at the S.S.L.C. examination. Percentage of cuts to be applied to the grants of the schools is shown below.

School Performance	Penal Cuts in Urban Area	Penal Cuts in Rural Area
Schools where total passing of students is 10 per cent of the total strength	10 per cent	7 per cent
Schools where total passing of students is 20 per cent of the total strength	7 and half per cent	5 per cent

- **Rules and Quantum of Grants:**

1. All grants are payable with due consideration to the requirement of each institution and subject to availability of funds.
2. Grants once sanctioned may be modified, if necessary at the discretion of the Director.
3. The total amount of grant payable to an institution shall not in any case exceed the deficit between authorized expenditure and income from all sources.
4. For the first years after the school is recognized: Token ad-hoc grant for the first five years calculated for ten months at the rate of tuition fees prescribed on the basis of average attendance of pupils during the academic year, however the Government may give grants as per rule 21, to the Girls' Schools from the first year. (Government may under special circumstances, where a registered association formed by parents or parents and teachers starts a school in place of a school or schools closed down by the old management or managements concerned either on their own accord or due to de-recognition of such school or schools by the Education department, sanction grant-in aid from the year of starting to such a school or schools serving the educational needs of the children of the locality, provided that the new institution caters to

the majority of children of the locality formerly served by the institution or institutions closed down).

- **Items Covered Under Grants:**

The following items were considered for financial assistance under the GIA code.

- (i) **Salary Grant:** The entire amount of salary of staff (teaching and non-teaching) at the sanctioned scales of pays and allowances subject to the approved pattern of staff as indicated in GIA code will be paid by way of monthly advance grant.
- (ii) **Grant on Contingencies:** The entire expenditure incurred on approved items of contingencies will be paid by way of grant subject to the limit prescribed below.
 - (a) **On General Items:** At the maximum of Rs. 75 for the first section and Rs. 25 for every additional section per year for approved items.
 - (b) **On Miscellaneous Items:** At the maximum rate of Rs. 75 for the first section and Rs 25 for every additional section per year.
 - (c) **On Home Science Contingency:** At the maximum limit of Rs. 100 for the first section and Rs. 50 for every additional section, per year, in the case of institutions where Home Science is introduced as an Elective with the prior approval of the Department.
 - (d) **On Other Charges:** Any other essential item of contingency not included in the GIA Code but purchased with the prior approval of the inspecting Officer up to a limit of Rs. 25 per annum.
 - (e) 50 per cent of the expenditure towards the purchase of raw materials for the craft in incurred, with the prior permission of the DDPI subject to the condition that the sale proceeds of the finished goods should not be less than the cost price of the raw materials purchased and is shown as income.
 - (f) Annual fees for getting the School accounts audited by approved auditors not exceeding a maximum limit of Rs. 150.
- iii. **Grant on rent of School Building:** Expenditure incurred towards payment of rent on hired school buildings will be admitted for purposes of grant

provided the inspecting authority certifies that the buildings are suitable for running the school. The payment of grant for rent should be regulated as per the maximum scale, which would be not more than Rs. 650 per month.

- iv. Grants for Youth Tours: Full cost of T.A. and D.A. of teachers accompanying the students subject to the limit of 1 teacher for every 25 students and one third of rail or bus fare per student.
- v. Grants on Special Experimental Projects for Qualitative Improvement: Grants not exceeding Rs. 300 were given to selected and deserving schools which undertake such experiments.

- **GIA Scenario After the Education Act of 1995**

The system of GIA in the state of Karnataka has witnessed significant changes especially after the implementation of the Education Act of 1995. The rules governing the GIA were revised and were named as Karnataka Educational Institutions (Grant-in-Aid for Primary, Secondary and Pre-University Educational Institutions) Rules. The major shifts which have occurred are as noted below:

- **Discontinuance of Maintenance Grant:** The amended rules indicate that “no maintenance grant shall be payable to such institutions, after the coming into force of the Karnataka Educational Institutions Grant-in-Aid for Primary, Secondary and Pre-University Educational Institutions (Amendment) Rules and no arrears with respect to maintenance grant shall be payable for the period prior to the coming into force of these rules if such maintenance grants have not been claimed”
- **Ineligibility of certain Private Education Institutions to get Grant-in-Aid:** The amended rules say that, “all private educational

However it needs to be noted here that the government of Karnataka issued an order dated 13/9/2002, which stated that the private educational institutions run by SC/ST managements are eligible to receive GIA provided they meet the following conditions.

- a. Managing body of such institutions must have 100 per cent SC/ST members.
- b. Fifty per cent of the students should belong to the category of SC/ST.
- c. Fifty per cent of the teachers should also belong to SC/ST category.

institutions (including all private educational institutions run by Scheduled Caste and Scheduled Tribe) established or permitted to be so established on or after the First day June, 1987, (or such of these institutions permitted to be established prior to the First day of June, 1987, but started functioning from the academic year 1987-88 and onwards) for imparting primary, secondary education or Pre-University education shall be permanently ineligible for Grant-in-Aid”.

- GIA to the non-teaching staff was reduced to one-second-division clerk and one peon irrespective of the strength of the school.
- If in any institution, receiving GIA, there is need to open a new section for any standard where the number of pupils is more than forty, the new section will have to be operated by the managements on their own without the support of GIA. Even if the managements approach the government it may take years to settle the case and to obtain the GIA for the new section.
- If a institution is experiencing shortage of students as per the norms for different classes, the excess teaching staff of that institution would be transferred to another GIA institution where there is a case of shortage of teachers.
- Contingency and other items of GIA, which prevailed under the GIA code, were withdrawn and in its place institutions were permitted to collect Development Fee of Rs. 300 per pupil per year.
- A teacher who was working in an institution with the support of grants will get the support of grants till he retires. Once the person retires and a vacancy created on account of such eventuality will not be entertained under the GIA scheme. This only means that over the years the government is phasing out the system of GIA over the period of time.

- **Some Observations on the Code:**

We had intensive discussions with the officials of the education department and few of the private aided schools, which have brought out the weaknesses of the present GIA system in Karnataka as noted below:

It is important to note that the system of GIA has undergone significant changes in the state of Karnataka. The GIA code of 1960s had provisions for many items to be covered under the purview of GIA. Though one may question about their adequacy in terms of requirements, but the fact remains that many items, which were having a bearing on quality of education, like equipments, school building, youth tours etc., have now been kept out of the scope of the GIA system. The new rules governing the GIA to secondary education under the Karnataka Education Act of 1995 have restricted the grants to only the salary of the teaching staff. In case of non-teaching staff it is important to note that whatever be the staff strength, the grants would support only one clerk and one peon. Following few observations deserve attention in this regard.

- In the present day context resources for equipments and building grants are not part of the GIA system.
- Only the salary grants are provided to the schools. In this regard the schools management feels that as the cheques are given directly to the teachers, the management has very little administrative control over the teaching community.
- In a school where teachers are getting salaries through the grants and if the students' strength falls short of the required number there may arise a situation of excess teachers in that school. Under such circumstances, the education department would transfer the excess teachers to those aided schools where the students' strength is excess. The management of such schools, which receive these teachers, feel that they are forced to accept teachers not of their choice and competency. They have expressed fears that this system may have implications on the quality of teaching in their schools.
- The new rules of GIA have made it mandatory that no new institutions run by the general category would be eligible for getting the GIA. Any management (other than the SC.ST category) which intends start a new school will have to produce an affidavit that it will not claim any grants from the government for running the school.

GIA code for secondary schools, 1967 applies to all secondary schools including primary sections attached to composite secondary schools under private management in the state. Under this code, the management of a private institution is required to apply to the Director of Public Instruction to obtain recognition. In case recognition is refused, the management can prefer an appeal with the state government within 30 days of the receipt of orders communicating the refusal. The Karnataka Education Act, 1985 passed by both Houses of Legislature on 31.3.1984 became Act in 1985. It provided for better discipline and control of the educational institutions in the state. A notable feature of the Act was to bring all institutions including the institutions run by minorities, under some kind of a general control of the state government.

- **From the Code Book to Reality:**

A significant share of public expenditure is provided in the form of grant-in-aid to privately managed institutions, almost all of which goes to meet teacher's salaries.

Under the grant-in-aid (GIA) code, the Government of Karnataka may give different types of grant (salary, building and equipment) to the private educational institutions that have been granted recognition and satisfy the basic conditions of infrastructure, minimum years of functioning etc. Currently, the GIA to private institutions is limited to salary grant in the form of direct reimbursement of salary of approved and sanctioned staff (teaching and non-teaching) in the aided institutions. The release of salary grant is subject to conditions regarding pupil enrollment and attendance and minimum number of working days.

- **Is grant Responsive to Price changes ?**

Grant in Aid to Secondary Schools at Current and Constant Prices

Between 1981-82 and 2001-2002, the total grant-in-aid has increased almost 10 times and between 1991-92 to 2001-02 it has trebled. The sharp increase in grant is on account of the increase in salaries as the state government implemented the recommendation of the 5th Pay Commission. Within the total grant-in-aid, the maximum share (about half) has traditionally gone to secondary education and this share has declined in recent years. The share of grant to university and higher education has

increased substantially in recent years which may be on account of increase in salaries. The GIA is a discretionary grant as the state government has the right to change and interpret rules and can refuse or withdraw the grants. The GIA cannot be claimed as a matter of right even by existing aided institutions. The GIA is sanctioned only if funds are available with the state government.

At present the grants available to the aided schools mostly meet the salary expenses of the institutions. Table 13 presents the grant at both current and constant prices. The grant at current prices grow at a compound growth rate of 8 percent while the same has increased at less than 1 percent per annum at constant prices. The index of growth is 566 at current prices and it is only 121 at constant prices during two decades.

Table 13

Grant to Secondary Education in Karnataka
(Rs in lakhs)

Year	Grant at current prices	Index of growth	Grant at constant prices	Index of growth
1980-81	1885.3	100	5687.4	100
1981-82	2412.1	127.9	6716.8	118.1
1982-83	2948.4	156.4	7553.6	132.8
1983-84	3379.8	179.3	7721.3	135.8
1984-85	4007.7	212.6	8715.7	153.2
1985-86	5196.0	275.6	10250.0	180.2
1986-87	6386.3	338.7	11968.5	210.4
1987-88	3034.4	160.9	5323.5	93.6
1988-89	2567.7	136.2	4184.6	73.6
1989-90	2877.9	152.6	4350.8	76.5
1990-91	3667.1	194.5	4871.4	85.7
1991-92	3966.8	210.4	4571.2	80.4
1992-93	4634.5	245.8	4998.2	87.9
1993-94	5503.0	291.9	5503.0	96.8
1994-95	6247.0	331.3	5656.7	99.5
1995-96	6112.1	324.2	5019.6	88.3
1996-97	5671.4	300.8	4377.1	77.0
1997-98	6701.4	355.5	4931.8	86.7
1998-99	7785.4	412.9	5391.4	94.8
1999-00	10141.5	537.9	6875.1	120.9
2000-01	9992.5	530.0	6569.7	115.5
2001-02	10663.4	565.6	6873.6	120.9
CGR	8.2		0.80	

Source: Budgets of Government. of Karnataka

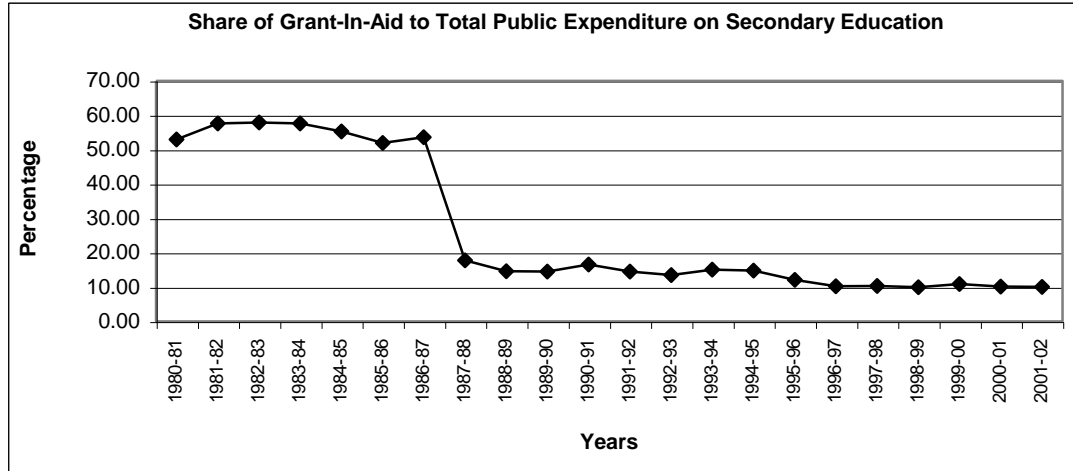
- **Share of Grant in Total Expenditure**

The grant in relation to total expenditure provides the idea of relative position of grant. After the year 1986-87 there was a sharp decline in the grant from 54 percent to 18 percent and then onwards there was constant decline in the grant and it became 10 percent of the total expenditure in the year 2001-2002 (table 14). This may be due to the decision of the government of Karnataka to gradually reduce the GIA and allowed private aided institutions to charge fees to the students. But this decision may affect the equity aspect of education. Because in such educational institutions, mostly the poor students will not be able to take admissions due to high charges of fees and other expenses.

Table 14
Share of Grant-In-Aid to Total Public Expenditure on
Secondary Education (Rs. In Lakhs)

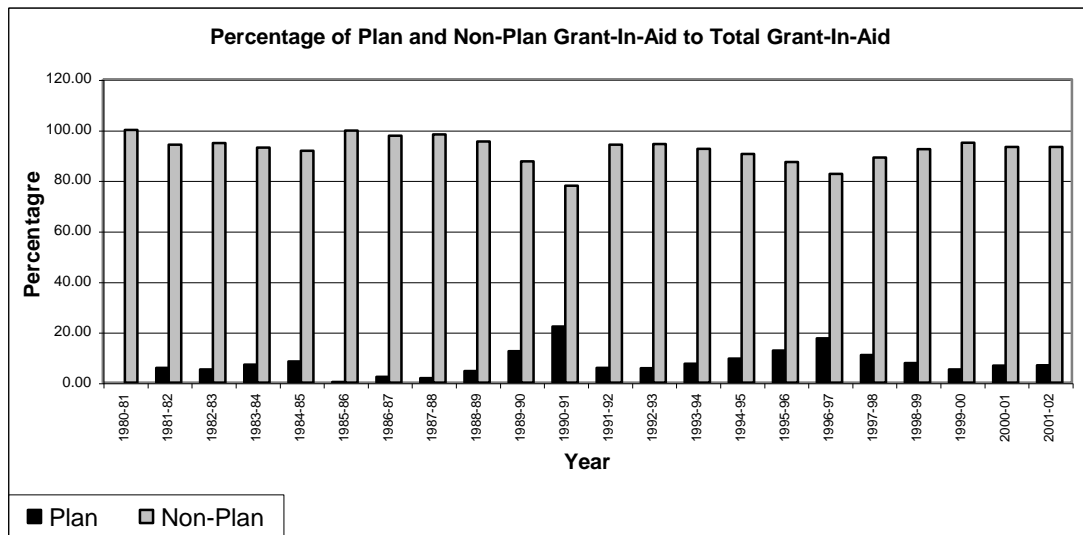
Year	Public Expenditure on Secondary Education at Current Prices	Grant to Aided Schools	Percentage Share of Grants to Total Expenditure on Secondary Education
1980-81	3557.42	1885.33	53.00
1981-82	4186.55	2412.15	57.62
1982-83	5091.15	2948.44	57.91
1983-84	5868.07	3379.83	57.60
1984-85	7253.96	4007.71	55.25
1985-86	10010.4	5196.00	51.91
1986-87	11901.96	6386.28	53.66
1987-88	17030.54	3034.41	17.82
1988-89	17605.69	2567.73	14.58
1989-90	19869.06	2877.92	14.48
1990-91	22150.07	3667.08	16.56
1991-92	27261.75	3966.77	14.55
1992-93	34252.74	4634.48	13.53
1993-94	36521.30	5503.03	15.07
1994-95	42176.93	6247.02	14.81
1995-96	50673.55	6112.11	12.06
1996-97	55484.33	5671.37	10.22
1997-98	64719.69	6701.42	10.35
1998-99	77829.57	7785.41	10.00
1999-00	93068.70	10141.54	10.90
2000-01	98585.19	9992.46	10.14
2001-02	105826.06	10663.37	10.08
Mean	36860.21	5262.81	
Std. Dev.	32718.93	2577.38	
CV	88.76	48.97	

The chart below clearly gives the impression that the grant has declined constantly over the period of time.



- **Plan and Non Plan grant**

The component of plan and non-plan grant is examined and it found that the non plan grant is much higher than the plan grant. More than 90 percent of the grant constitutes non-plan grant while the rest constitutes plan grant. After 1996-97 the non plan grant increased because of the implementation of revision of pay scale. The chart below reveals the pattern of plan and non plan grant of secondary education.



- *Grant per school by type of school*

We have estimated the grant per school for secondary education for both government and aided schools. It is found that there is very slight difference between the two grants. The grant per school at constant prices remains more or less constant over the period of time in case of both government and private schools. This may be due to the reason that the pupil teacher ratio and the teachers salaries are almost equal in both the types of schools.

Table 15

**Per School Grant-In-Aid at Current and Constant Prices
(1993-94)**

(Rs. In lakhs)

Year	At Current Prices		At Constant Prices	
	Government School	Private School	Government School	Private School
1990-91	1.70	1.79	2.26	2.38
1991-92	1.89	1.91	2.17	2.20
1992-93	2.18	2.20	2.35	2.37
1993-94	2.55	2.61	2.55	2.61
1994-95	2.85	2.84	2.58	2.58
1995-96	3.20	2.90	2.63	2.38
1997-98	3.67	2.88	2.70	2.12
1998-99	4.24	3.19	2.94	2.21
1999-00	3.63	3.99	2.46	2.71
2000-01	3.49	3.93	2.30	2.59
2001-02	4.36	4.20	2.81	2.71
CGR (%)	8.9	8.1	1.9	1.2

- *Grant per student by type of school*

The per student grant has also been estimated for both government and private schools. The per student grant in government schools is slightly higher than that of private aided schools. The same reason may be considered here as in case of per school grants. But another reason may be that recently there is a shift of students from government schools to private schools which in turn reduces the number of students from government schools. Table 16 presents the per student grant for both government and private schools.

Table 16
Per Student Grant-In-Aid at Current and Constant Prices
(1993-94)

Year	At Current Prices		At Constant Prices	
	Government. School	Private School	Government. School	Private School
1990-91	502.82	526.47	667.95	699.36
1991-92	570.46	535.69	657.38	617.32
1992-93	695.42	604.39	750.00	651.83
1993-94	799.14	709.90	799.14	709.90
1994-95	1001.65	827.70	907.00	749.49
1995-96	1115.45	751.73	916.08	617.36
1996-97	1079.77	783.31	833.36	604.56
1997-98	1383.50	923.80	1018.16	679.85
1998-99	1309.31	1127.14	906.69	780.54
1999-00	1728.62	1342.64	1171.85	910.19
2000-01	1525.32	1250.45	1002.85	822.13
2001-02	1716.62	1632.13	1106.52	1052.06
CGR (%)	11.8	10.8	4.6	3.8

- ***Incidence of the Benefit from the Grant***

In the back ground of the above analysis the question now arises: Whether the grant in aid policies fulfill the equity criteria? If one examines the enrollment in the aided institutions by different income groups, the incidence of benefit would be more revealing. About two thirds of the secondary level students in urban aided institutions are from the top quintiles. These schools attract less than 28 percent of the students from the lowest quintiles. Government schools on the other hand cater to about 25 percent of the students from the top classes and more than two thirds are drawn from the lowest income groups. Similar pattern is also observed in rural areas. Overall it is found that the rich people benefit more from the public assistance to the privately managed schools. The higher income group prefers to attend privately managed schools because of the reason that in such schools the management exercise more control over the teaching and the performance level of the students than that of government. schools. The grant given to aided schools by the government are in the form of subsidies which are benefiting the rich rather than the poor students. Due to the better quality of education offered in private schools, the urban rich send their children with the expectation of facilitating the

entry into good institutions of higher learning and to get better employment. This affects both equity and efficiency of the grant in aid system.

Table 17

Enrollment in Government, Aided and Unaided levels of education
(% of total enrolled at secondary level)

Income/region	Government	aided	unaided	Total
Urban				
Quintile 5	24.3	60.3	15.4	100
Quintile 1	67.8	27.7	4.5	100
Rural				
Quintile 5	45.4	46	8.6	100
Quintile 1	72	19.1	8.8	100

Source: NSS, 1995/96.

IV. Summary and Concluding Observations

- *Main Findings*

As mentioned earlier, the unaided private schools are dominant in school education in the state and these schools grow at an annual compound growth rate of about 14 percent over the last decade while the government schools grow at 7.3 percent and the private aided schools increased at a rate of only 2 percent. More than 2/3rd of the enrollment of the total enrolled children are found in private schools and the enrollment of the unaided schools grow at a faster rate than that in government and private aided schools. If we observe the enrollment trends from class 1 to high school stage it is found that there is a constant decline in the enrollments as one moves towards higher and higher levels of education.

The state spends more than 4 percent of its income on education which is slightly higher as than the national average (3.7 %). The proportion expenditure on secondary education in state income is less than one percent and from 1988-89 it has remained more or less constant.

Within the budgetary allocations elementary education has received highest priority (more than 50 percent) throughout the nineties and secondary education received

28 percent to about 30 percent of the total allocations. Karnataka devotes relatively small share of public funds to higher and technical education compared to the contribution of private provision in financing of these levels.

The expenditure in secondary education over the period of time indicates that during the post reform period the growth of real public expenditure in secondary education is less than that of pre reform period. This may be largely due to the entry of private sector into the education sector in a big way.

Over the years, the non- plan expenditure is not only negligible but it has declined while there is a slight increase in the plan expenditure which affects quality of education and the education of girls and other vulnerable sections of children and the rural area children.

The expenditure per pupil on secondary education has increased during the last decade by about 3 times at current prices while in real terms the same has increased by 1.5 times. The item wise expenditure on secondary education revealed that share of quality related items declined from 5.8 percent in 1981-82 to 2.29 in the year 2001-02. We examined the relationship between expenditure on secondary education and total expenditure of the state and SDP which revealed that expenditure on secondary education responds significantly to the changes in revenue expenditure of the state and SDP.

The grant at current prices grow at a compound growth rate of 8 percent while the same has increased at less than 1 percent per annum at constant prices. The index of growth is 566 at current prices while it is only 121 at constant prices during two decades. The proportion of grant to total expenditure has declined over the period of time from 54 percent in 1980-81 to 18 percent in 1986-87 and became 10 percent of the total expenditure in the year 2001-2002.

Of the total grant more than 90 percent of the grant constitutes non-plan grant while the rest constitutes plan grant. After 1996-97 the non plan grant increased because of the implementation of revision of pay scale.

The grant per school at constant prices remains more or less constant over the period of time for both government and private schools. This may be due to the reason that the pupil teacher ratio and the teachers salaries are almost equal in both the types of schools.

The per student grant in government schools is slightly higher than that of private aided schools. It may be due to the reason that recently there is a shift of students from government schools to private schools which resulted in a higher per student grant in government schools.

Overall it is found that the rich people benefit more from the public assistance to the privately managed schools as about two thirds of the secondary level students in urban aided institutions are from the top quintiles. This affects both equity and efficiency of the grant in aid system.

- *In Sum :*

The enrolments in government institutions need to be enhanced by improving the quality of education in such institutions. Some policy for imposing penalty on such schools need to be adopted in case of poor performance.

The unit costs have been rising due to increase in salary costs. This is mainly on account of increase in the pay scales of the teachers and fall in teacher pupil ratio. The state needs to adopt some control measures on both.

Under the grant in aid rule the private schools are allowed to directly recruit teachers subject to government approval which indirectly sometimes allowed the

management to seek donations from the person concerned for getting appointment. In such cases the grant aid policy needs to be restructured.

The GIA procedure should be such that it needs to cater to the poor students in a targeted manner. The schools for GIA should not be treated equally. The nature and size of the grant given to a school should consider the location of the school and social and economic background of the students of such school.

The GIA policy should be oriented more towards transparency and accountability rather than just in a routine manner of sanctioning the grant. The grant should be performance linked and be aimed at some objectives particularly quality related instead of quantitative expansion. In fact the government schools need to be considered under such rules under which they should be accountable in case of poor performance. Above all the grant to the schools should be seriously based on the developmental vision for the overall development of the grantee schools.

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