

DIRECT BENEFIT TRANSFER IN EDUCATION

A POLICY BLUEPRINT



Centre for Civil Society

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Usha Sondhi Kundu, Centre for Civil Society

For more information and other requests, write to:
Centre for Civil Society
A-69 Hauz Khas, New Delhi – 110016
Phone: +91 11 2653 7456 | Email: publication@ccs.in | Website: www.ccs.in

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ABOUT THE AUTHORS

Editors

Bhuvana Anand

Governance and Public Policy Specialist

Parth J Shah

President, Centre for Civil Society

Authors

Ritika Shah

Research Associate, Centre for Civil Society

Celia Xinuo Chen

Research Intern, Stanford University

Reviewers

Amit Kaushik

CEO (India), Australian Council for Educational Research

Ashish Mukherjee

Vice President, Education and Skill development department, IPE Global

Burak Eskici

Post-doctoral Fellow, J-PAL South Asia

Elizabeth Bennett

Senior Manager, IDinsight

Geeta Gandhi Kingdon

Chair of Education Economics and International Development, Institute of Education, University College London

Srijan Bandyopadhyay

Independent Consultant



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The emphasis on delivering benefits directly reduces leakages, increases beneficiary choice, and eliminates intermediaries between the beneficiary and the state. This presents a unique entry point for structural reform in education in India, apart from also being a popular measure conferring political advantages for the government that introduces it.

Executive Summary

Since 2013, Government of India (GoI) has steadily expanded the scope of Direct Benefit Transfer (DBT) to onboard 380 schemes administered through 55 ministries.¹ Greater financial inclusion and improvements in government capabilities to authenticate beneficiaries and directly transfer entitlements to beneficiary bank accounts have transformed the delivery of subsidies and social protection programmes. This blueprint makes the case for applying the DBT framework to education delivery and presents different design choices for addressing specific and contextual challenges of access, equity and quality.

DBT is the direct transfer of entitlements or cash into beneficiary bank accounts, replacing in-kind benefits. Two thirds of GoI's total welfare spending has transitioned to DBT.² Transfers using Aadhaar Payment Bridge System (APBS) increased from 30.9% in July 2016 to 48.1% in July 2017.³⁴ The emphasis on delivering benefits directly reduces leakages, increases beneficiary choice, and eliminates intermediaries between the beneficiary and the state. This presents a unique entry point for structural reform in education in India, apart from also being a popular measure conferring political advantages for the government that introduces it.

Over the last decade, India has achieved nearly universal access to primary education. The most important challenge today is to improve learning outcomes. Despite a 12% increase in fund allocation to the Sarva Shiksha Abhiyan⁵ (SSA), government school enrolment declined by over 81 lakhs (2%) and private school enrolment increased by 143 lakhs (8%)⁶ over 2011-14. The 'NITI Aayog Three Year Action Agenda' for 2017 to 2020 emphasises the importance of teaching at the right level, outcome linked incentives and governance reforms. DBT provides the government with a mechanism to alter funding of schools and demand accountability without having to tamper significantly with the status quo.

Direct transfers can be applied through different instruments, depending on the context and needs of different areas:

- **Unconditional Cash Transfers (UCTs)** to cover direct or indirect costs of education;
- **Conditional Cash Transfers (CCTs) and scholarships** in rural areas to encourage behaviour change and stimulate demand. These include cash transfers to parents from marginalised communities conditional on enrolment, attendance, performance or completion of schooling; and
- **Vouchers tied to school performance** to promote parental choice, school accountability and to stimulate supply of quality schools. The distribution of fee in private schools indicates that a low voucher value can trigger a strong supply response. For example, in 2014-15, the median fee in private schools in was Rs 292 per month in rural areas and Rs 542 in urban areas.⁷

A model that combines the benefits of a voucher and a CCT, i.e., money to cover school fees with an additional stipend to discourage child labor or early marriage is ideal to alter school and parent behaviour.

Experiments in cash transfers and vouchers across the world have demonstrated encouraging results:

- **Enrolment and attendance:** Students that receive a cash transfer are 36% more likely to enrol in

¹ Government of India 2017-18

² Abraham, et al. 2016-17

³ DBT Mission, Cabinet Secretariat 2016

⁴ APBS uses Aadhaar number as a central key for electronically channelizing the Government subsidies and benefits in the Aadhaar Enabled Bank Accounts (AEBAs) of the intended beneficiaries

⁵ Kapur and Srinivas 2016-17

⁶ National University of Education Planning and Administration 2010-11, 2013-14

⁷ Kingdon 2017

school, are 65% more likely to attend school and report significantly lower dropout rates.⁸

- **Learning outcomes:** The impact of CCTs on learning outcomes is statistically significant but of a small size.⁹ Most CCT programmes are limited to government schools for ease of monitoring. Vouchers programs that provide access to government and private schools, and create competition have shown relatively larger impacts compared to CCTs on learning outcomes.¹⁰
- **Value for money:** Enables the government to track money at every stage, allocate funds to schools that perform best at the least cost, and demonstrate impact effectiveness. For example, the Andhra Pradesh School Choice Project (APSCP) showed that voucher schools achieved learning outcomes higher than or equal to those in government schools at one third the cost.¹¹

Results are especially pronounced in developing countries, where there is a significant gap in government and private school quality as opposed to developed nations.¹²

The move to a per-student funding approach through DBT in education allows parents to voice concerns, demand accountability, and access different school types. The policy decision to switch to this approach, however, will depend on factors such as:

- Financial space available to transition from input-based funding to enrolment-based funding;
- Political benefits of increased parental/voter satisfaction and value for money weighed against the risks associated with outcome linked funding; and
- Administrative capacity to guarantee regularity and consistency of transfers and to prepare a tamper-proof implementation protocol, including use of smart-cards and non-tradable vouchers.

Based on observations and learnings from pilot programmes in India and other countries, we recommend the following initial focus areas:

- **Primary education**
 - Convert 25% of seats reserved under RTE to DBT as a test case for implementation: RTE section 12(1)(C) provides a legal framework to explore the advantages of parental participation in school choice. Since it mandates transfers to private schools for 25% of seats, routing funds through parents is not a radical move but an opportunity for transformation; or
 - A staggered approach towards universal DBT in education replacing the current pattern of spending in education.
- **Secondary education**
 - All cash transfer benefits to be directly delivered to the beneficiary account conditional on enrolment in government or private schools.
 - Per-student funding to incentivise private and government suppliers.

This blueprint presents options for design and implementation of cash transfers for primary and secondary education and examines the associated risks and benefits. The recommendations will help the government identify best practices and the impact of cash transfers on educational outcomes.

⁸ Baird, et al. 2013

⁹ *ibid*

¹⁰ Shakeel, Anderson and Wolf 2016

¹¹ Muralidharan and Sundaraman 2015

¹² Shakeel, Anderson and Wolf 2016

Acronyms

AAY	Antyodaya Anna Yojana
APBS	Aadhaar Payment Bridge System
AEPS	Aadhaar Enabled Payment Systems
APSCP	Andhra Pradesh School Choice Project
ARK	Absolute Return for Kids
ASER	Annual Status of Education Survey
BPL	Below Poverty Line
CCS	Centre for Civil Society
CCT	Conditional Cash Transfer
CEA	Children Education Allowance
DBT	Direct Benefit Transfer
DoE	Department of Education
DFID	Department for International Development
ENABLE	Ensure Access to Better Learning Experiences
FSSAP	Female Secondary School Assistance Program
GoI	Government of India
JFPR	Japan Fund for Poverty Reduction
LPG	Liquefied Petroleum Gas
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MHRD	Ministry of Human Resource and Development
NAS	National Achievement Survey
NEP	National Education Policy
NER	Net Enrolment Ratio
NFSA	National Food Security Act
NMMS	National Means-cum-Merit Scholarship
NSAP	National Social Assistance Programme
OGIP	Odisha Girls' Incentive Programme
PFMS	Public Financial Management System
PMSS	Pre-Matric Scholarship Scheme
PMJDY	Pradhan Mantri Jan Dhan Yojana
PoS	Point of Sale
PPRS	Promoting Low-Cost Private Schooling in Rural Sindh
RCT	Randomised Controlled Trial
RTE	Right of Children to Free and Compulsory Education Act 2009
RWA	Resident Welfare Association
SSA	Sarva Shiksha Abhiyan
UIDAI	Unique Identification Authority of India
UCT	Unconditional Cash Transfer



“Humanitarian assistance could be more effective, more efficient and more transparent if aid was given in the form of cash directly to people struggling to survive in crises.”

- Overseas Development Institute 2015

Introduction

DBT allows for transfer of entitlements to beneficiaries' bank accounts as opposed to in-kind transfers of goods and services. India has made significant advances in the infrastructure required for direct transfers: 80% of India's population now has a biometrically verifiable Unique ID, and 99.7% of households have a bank account through the Pradhan Mantri Jan Dhan Yojana (PMJDY).¹³ Benefits and social assistance under 380 schemes from 55 ministries of GoI are now delivered to beneficiaries through DBT, first launched in 2013.¹⁴ DBT now covers wages under MGNREGS, pensions for old age, widows and disabled (NSAP), Pahal (LPG subsidy), and scholarship schemes.¹⁵

In education, several scholarships schemes run by different ministries including Ministry of Tribal Affairs, and Department of Social Justice and Empowerment are being on boarded to DBT. These scholarships help address a household's purchasing power constraints, and nudge behaviour change such as in the case of girl child education.

However, there is a greater opportunity to use DBT for system transformation. When applied to education more systematically, such transfers can allow parents and students to be the primary stakeholders of the system since funds follow the student rather than the school. In the current structure of school education, school principals, teachers and administrators are the primary stakeholders, with parents and children playing a secondary role. The skewed distribution of power has led to parents to vote with their feet, exit the government schools, and move to private schools. Consequently, those who cannot afford a private school stay in government schools. This is regressive as it does not afford the poorest parents any relief and does not address their lack of power in public schools. If designed correctly, DBT can help alter the power structure in public schools, and address concerns of school and teacher accountability.

For DBT in education, the government will first need to develop a formula to calculate per child funding, and set up mechanisms to transfer this funding to the family, or to the school based on enrolment, retention and learning outcomes. It will also need to select the most appropriate type of transfer, unconditional or conditional cash transfers, vouchers or some combination of these.

Unconditional and conditional transfers are commonly used to increase enrolment, and ensure attendance and grade completion, alleviating demand-side constraints. A school voucher contrastingly is used to prioritise parental choice and improve quality of education through competition among public and private schools. Different programmes attach varying importance to objectives such as encouraging use of services, choice, productive efficiency, social cohesion, and equity and select the instrument most appropriate to their context.¹⁶

Figure 1 illustrates the theory of change for types of DBT in education and the hierarchy of outcomes that can be achieved. The immediate impact of DBT is on recipients' income and intermediate impacts include school enrolment and attendance through covering direct and indirect cost of education. In the long run, cash transfers impact final outcomes including improvement in learning outcomes, cognitive and non-cognitive development, equity, and school efficiency. The impact on final outcomes is dependent on a number of factors such as enforcement of conditions and transfer size.

¹³ *The Times of India* 2015

¹⁴ *Government of India 2017-18*

¹⁵ *ibid.*

¹⁶ *Levin 2002*

Intervention	Unconditional Cash Transfer	Conditional Cash Transfer	Voucher
Immediate Change	Income	Income; high opportunity cost of non-compliance	Income; usage limited to only education goods
Intermediate Change	Enrolment, attendance, pass rate, grade competition		
Final Outcome	Learning outcome gains, school efficiency		
Influencing Factors	Enforcement of conditions, transfer size, baseline enrolment rate, transfer recipient, program size, quality of suppliers, restriction on the kind of supplier e.g. CCT valid only for use in government schools		

Figure 1: Theory of change for unconditional cash transfers, conditional transfers, and education vouchers.¹⁷

This blueprint examines evidence of the impact of cash transfers and vouchers on various education outcomes from developed countries such as the US and developing nations including Pakistan and Bangladesh. It also explores a variety of Indian programmes to understand the impact on intermediate outcomes such as enrolment, attendance and on final outcomes such as learning achievement and effective fund utilisation.

Like any other solution, however, the success of DBT programmes is significantly influenced by design and implementation. This blueprint lays out different design options which can be optimised to meet defined objectives, and suggests implementation guidelines for beneficiary identification and enrolment, technological preparedness, and programme administration. To address current challenges in primary and secondary education in India, this blueprint also presents areas of opportunity to pilot DBT programmes.

¹⁷ Adapted from Baird, et al. 2013

Global Evidence on Direct Benefit Transfers in Education

CCTs in education, first tested in Mexico and Brazil, are now present in over 40 countries globally. School vouchers were first tested in the US in the 1980s and have since been adopted by 25 countries.

Education Cash Transfer

A review of global cash transfer programmes suggests similarities in their design.¹⁸ A majority of programmes are implemented at the national level with transfers conditional on school attendance. Some ambitious programs, such as in Colombia, add conditions like grade completion for improved performance. The evidence, summarised in Table 1, shows that cash transfers stem dropouts while increasing school enrolment and attendance. The impact of CCTs on learning outcomes is less emphatic. A World Bank report notes that lower impact on learning outcomes may be due to factors not addressed by the CCTs, such as poor quality of education delivery in schools or constraints at the household level including poor parenting practices. The report also notes that

some governments have tried to address quality of schools by offering monetary incentives for improved learning outcomes.¹⁹

School Vouchers

School voucher (or quasi-voucher) programmes have been implemented in 25 countries which includes developed countries such as US and Sweden and developing nations such as Pakistan, Bangladesh and Colombia. Vouchers have a positive impact on expansion of school choice, and increase incentives for the poor to enrol and pass grades. The result on learning outcomes is positive but defined by the quality of private schools compared to public schools.²⁰ Table 2 summarises findings from two systematic reviews that cover evidence from US, Colombia, India and Pakistan.

Table 1: Summary of Impact of Cash Transfers on Education Outcomes

Indicator	Impact
Baird, et al 2013, an assessment of effectiveness of conditional and unconditional cash transfers in developing countries.	
Enrolment	Cash transfer recipients are 36% more likely to be enrolled in school (significance level: 99%). <ul style="list-style-type: none"> Programmes with explicit conditions have a higher impact than those with no conditions.
Attendance	Cash transfer recipients are 59% more likely to attend schools (significance level: 99%). <ul style="list-style-type: none"> Both CCTs and UCTs have a nearly equal positive impact on attendance; CCT may be more effective for girls than a UCT for increasing attendance.
Test scores	CCT recipients have test scores that are 0.08 standard deviations higher (significance level: 90%). No impact of UCTs on test scores.
Saavedra and Garcia 2012, an assessment of impact of CCTs from 15 developing countries.	
Primary vs. Secondary	Average effect sizes relative to baseline: <ul style="list-style-type: none"> Enrolment up: Primary - 6%; Secondary - 10% Attendance up: Primary - ~3%; Secondary - 12% Dropout down: Primary - 1%; Secondary - 4%

¹⁸ Silva 2015

¹⁹ Fiszbein, et al. 2009

²⁰ 3ie 2010

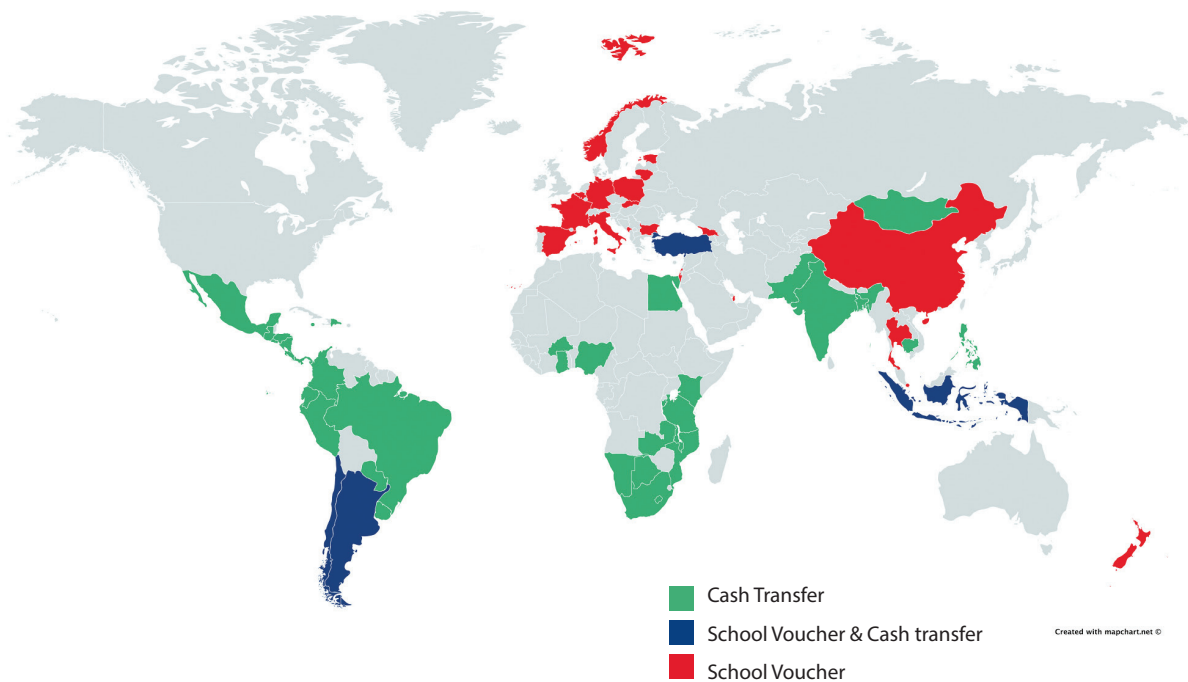


Table 2: Summary of Impact of Vouchers on Education Outcomes

Indicator	Impact
Results from Shakeel, Anderson and Wolf (2016) presents results from 19 Randomised Controlled Trials (RCTs) from 11 school choice projects including two Indian experiments.	
Reading	<ul style="list-style-type: none"> Statistically significant (95%) and positive impact of 0.17 standard deviations. Impact grows with time: zero effect after one year, small impact of 0.04 standard deviations after two years, and larger impact of 0.24 standard deviations in the fourth year.
Math	<ul style="list-style-type: none"> Positive impact of 0.11 standard deviations at 95% significance level.
General finding	<ul style="list-style-type: none"> The impact of vouchers is larger in India and Pakistan as compared to the US. Author notes: voucher programs are more effective in regions where there is a significant gap in public and private school quality.
Saavedra and Garcia 2012, an assessment of impact of CCTs from 15 developing countries.	
Enrolment	<ul style="list-style-type: none"> Pakistan: There was a positive increase in enrolment for boys and girls, with a growth of 33% for girls.
Grade completion	<ul style="list-style-type: none"> Colombia: Voucher recipients completed an additional 0.1 year of schooling compared to those who did not receive a voucher. Students were 10% more likely to complete 8th grade and scored higher by 0.2 standard deviations.
Cost efficiency	<ul style="list-style-type: none"> Pakistan: The programme was cost efficient and cheaper than running government schools. Colombia: The report notes that the programme was expensive, but is likely to be cost-effective if long-term economic gains are taken into consideration.
Learning Outcomes	<ul style="list-style-type: none"> Colombia: Voucher recipients scored higher in Math and Language; girls were less likely to be married while in school and they worked for fewer hours outside of school. Pakistan: Pilot achievement tests of 3rd grade students showed no significant difference between voucher and government schools, but the results were not definitive due to a small sample size.

Why Direct Benefit Transfer in Education?

1

Boost Enrolment & Attendance

India has achieved near universal enrolment in primary schools, however, it remains a challenge in secondary education with the NER in 2015-16 at only 51.3%.²¹ The costs of staying in secondary school is higher, particularly for marginalised groups. DBT programmes that cover educational costs incentivise students to enrol and stay in school, thus reducing the probability of early marriage and child labour.

Recommendation

Government of Odisha, in partnership with Department for International Development (DFID), for example, pioneered the revision of the Pre-Matric Scholarship Scheme (PMSS)²³ in the form of Odisha Girls' Incentive Programme (OGIP). By focusing on generating demand,

and using DBT to eliminate leakages, and lower transaction costs, the programme improved enrolment, attendance and performance (Table 3). There are 52 central and state government cash transfer schemes²⁴ which can be re-engineered to incentivise enrolment and performance.

Table 3: Case Study on Odisha Girls' Incentive Programme, 2013-16

Type	Target	Annual Amount (Rs)
Transfer conditional on 70% attendance in any school	Grade 9 & 10: SC, ST girls and boys with an annual family income less than Rs 2 lakh	Day scholars: 2,250; Hostellers: 4,500; Additional stipend of 950 for girls by DFID funding
Intervention Impact		
<ul style="list-style-type: none">• Enrolment rates improved significantly by 14% over a period of 3 years. Retention rate increased by 15%.• Attendance rates increased from 70% in 2012 to 79% in 2015.• Grade 10 pass-out rates increased by 12% from 2012, 15% for girls and 9% for boys.²²		

²¹ National University of Educational Planning and Administration 2015

²² Department of International Development 2016

²³ Government of Odisha with financial assistance from DFID and technical assistance from IPE Global modified Pre-matric Scholarship as a conditional cash transfer programme for a limited period under the aegis of OGIP over 2013-16.

²⁴ Ministry of Electronics & Information Technology, Government of India 2017



2

Promote Equality of Opportunity and Access to School of Choice

38% households with a monthly income of Rs 5-10,000 had children enrolled in private elementary schools in 2014.²⁵ The movement away from public schools to private schools by the poorer households raises affordability and equity concerns. Moreover, quality private schools require investment and are often only accessible to middle and upper class families reproducing social inequality. Keeping these concerns in mind, the RTE mandated reservation of 25% seats in private schools for children from economically and socially weaker sections, paid for by the government.²⁶

Recommendation

The per-student reimbursement for the 25% seats under RTE Section 12(1)(c) is currently transferred to the schools. This can be used as a test case for implementation to evaluate DBT in education and its impact on access, equity and quality for the marginalised community. Involving parents in the financial transaction of

payment to the school increases the negotiating power of parents and can have implications on school accountability to the parents of economically backward students, which is missing in the current framework. It will also allow portability across private schools as students will not be limited to only the school allotted by a lottery but may access any school of their choice.

3

Improve Learning Outcomes

Despite an 11-fold increase in the elementary education budget between 2001 and 2013, Annual Status of Education Survey (ASER) 2016 reports that 58.4% of grade 5 children in government schools cannot read grade 2 texts, and 78.9% cannot solve simple division problems.²⁷ Data from APSCP²⁸ and World Bank research²⁹ show that private schools yield equal or better learning outcomes at a significantly lower cost than government schools.

²⁵ NSSO Education Survey 2014

²⁶ Ministry of Human Resource Development, GoI 2012

²⁷ Dongre, Kapur and Tewary 2014

²⁸ Muralidharan and Sundararaman 2015

²⁹ World Bank 2016

Recommendation

- Cash transfers conditional on minimum scores may incentivise parents to pay more attention to instructional quality and student performance, and engage with schools.
 - Vouchers/Smart cards that create choice among public and private schools, if carefully designed and monitored, enables parents to enrol students in schools that further their development.
 - Linking school funding to enrolment can push schools to compete to retain students and improve quality, especially if parents' decisions are supported by information on school performance.
- A combination of parent and school incentives is crucial, as only parental incentives may not raise achievements in economically backward areas where the overall quality of schools is poor.³¹

Table 4: Case Study on Ensuring Access to Better Learning Experiences, Delhi, 2011-13

Type	Target	Annual Amount (Rs)
Unconditional cash transfer for low cost private schools	800 underprivileged children (5-7 year olds) in Shahdara, Delhi	7,300 per student: Break up includes 4,800 for annual tuition fee; 900 for books; 600 for uniform and 1,000 for meals. There is marginal annual increase to adjust for inflation.
Intervention Impact		
<ul style="list-style-type: none"> • Enrolment rates improved significantly by 14% over a period of 3 years. Retention rate increased by 15%. • Learning Outcomes: Positive and statistically significant impact for all students on English, with voucher students scoring 2.2 points higher after two years, and a gain of 4.5 months of learning. <ul style="list-style-type: none"> ◦ Statistically significant results for girls in Hindi and Math equating to 8.3 points after two years, and 4 additional months of learning respectively.³⁰ 		

4

Value for Money in Public Spending

The shift to a per student, electronic cash transfer system, allied with freedom to access any school of choice can increase the efficiency and effectiveness of government expenditure in four ways:

1. **Greater transparency:** The entire fund flow is digital and money can be tracked at every stage;
2. **Increased productive efficiency:** Allocating funds to schools that bring maximum benefit to the student as a result of facilitating informed parental choice;
3. **Improved school quality:** By tying funds to learning outcomes and eligibility criteria for receiving public funds; and
4. **Scope for public-private partnerships:** Findings from a World Bank study indicate that private schools produce higher or better learning outcomes than government schools, but at a lower cost.³²

Table 5: Case Study on Andhra Pradesh School Choice Project

Type	Target	Annual Amount (Rs)
Voucher	5 districts across 180 villages with at least one recognised private school.	Value of the voucher was set at the 90th percentile of the distribution of the private school fees in the sample villages.
Intervention Impact		
<ul style="list-style-type: none"> • Learning outcomes: No difference between test scores of voucher lottery winners and losers on Telugu (native language) and Mathematics but lottery winners had higher scores than losers in English, Science, Hindi and Social Studies. Averaged across all subjects, voucher students scored 0.23 standard deviations higher. • Cost: Private schools produced higher or equal learning outcomes at less than a third of the per student cost in government schools.³³ 		

³⁰ Wolf, Egalite and Dixon 2015

³¹ Bastagli, et al. 2016

³² World Bank 2016

³³ Muralidharan and Sundararaman 2015

How to Design a Direct Benefit Transfer?

In setting up a DBT programme for education, administrators first need to contend with design and implementation choices across various parameters. We recommend a pilot programme to evaluate the feasibility and readiness for DBT in education coupled with RCTs to assess suitable design options before a scale up. Table 6 summarises the key design and implementation considerations for a DBT programme in education.

Table 6: Cash Transfers- Design and Implementation Options

Type	Target
DESIGN	
Conditionality	<ul style="list-style-type: none"> • Unconditional transfers to parents to resolve income constraints. • Conditional transfers to induce behavioural change. • Vouchers/smart cards to incentivise suppliers and to link school funding to performance.
Labelling/Information dissemination	<ul style="list-style-type: none"> • Can labelling cash transfers as 'education support' replace conditionality? • What can be some of the Information dissemination mechanisms?
Transfer Structure	<ul style="list-style-type: none"> • Amount: What should be the size of the transfer? • Tranching: What should be the frequency of payments? • Recipient: Who should be the recipient of the amount?
Targeting	<ul style="list-style-type: none"> • Universal entitlement. • Targeted entitlement, e.g., targeted only at those Below Poverty Line (BPL).
IMPLEMENTATION	
Enrolment Mechanism	<ul style="list-style-type: none"> • Based on knowledge of the recipient, or • By an agency responsible for identification and enrolment.
Mode of Payment	Two payment options: <ul style="list-style-type: none"> • Aadhaar Payment Bridge System. • Smart card.
Fund Flow	<ul style="list-style-type: none"> • Direct transfers to beneficiary bank account from Central Government. • Direct transfers to beneficiary bank account from State Government. • Through any Implementing Agency as appointed by Central/State Governments to beneficiaries.
Interdepartmental Coordination	<ul style="list-style-type: none"> • Who are the different stakeholders for successful implementation of the programme?
Monitoring and Evaluation	<ul style="list-style-type: none"> • Did the tool have any impact on enrolment and attendance? • Does putting resources in the hands of parents improve the learning outcomes of children? How? • What were the implementation failures or challenges?
Grievance Redressal	<ul style="list-style-type: none"> • Well-designed mechanisms for stakeholders to submit complaints and appeals. • Official feedback mechanisms, such as meetings, or go-to officers. • Participatory mechanisms, that empower the recipients to voice their preferences.
COMPLEMENTARY INTERVENTIONS	
Stimulate Supply	<ul style="list-style-type: none"> • How can the supply of schools be stimulated in areas with few schools?
Information Dissemination	<ul style="list-style-type: none"> • Establish accountability systems: Measure learning outcomes and improve information flow for parents.

Key Design Considerations

1. Conditionality: Are Conditions Necessary? If Yes, When, What Kind and on Whom?

While DBT in education has the underlying advantage of economic efficiency through better targeting of welfare benefits for a narrowly defined population, the various design options allow us to target particular problems that hinder educational attainment:

a. Unconditional Cash Transfer: Resolving Income Constraints

Poverty is one of the primary challenges to educational attainment. Economic disadvantage limits access to educational opportunities in many ways, for example, insufficient means to enrol or the opportunity cost of staying in school as opposed to earning income or early marriage and leaving home. An unconditional transfer relaxes the underlying income constraints

without any additional conditions based on the assumption that parents see value in education and want to send their children to school. A recent UCT pilot programme for food security in three Union Territories directly transferred cash to beneficiaries instead of providing food grains. Table 6 analyses the benefits and limitations, and the basis for choosing a UCT programme in education.

b. Conditional Cash Transfer: Inducing Behaviour Change

There is a fundamental difference of assumptions in an unconditional and a conditional transfer. An unconditional transfer assumes that poor people are rational but are limited by income, which if enhanced is likely to create efficient outcomes. A conditional transfer, however, uses a cash incentive to nudge beneficiaries to change behaviour which exists due to socio-cultural context, ignorance or bounded rationality.³⁴

Table 7: Unconditional Cash Transfer - Benefits, Limitations, and Basis for Choice

Transfer: UCT; no conditions Recipient: Parents Example: DBT in food in Chandigarh, Puducherry and Dadra and Nagar Haveli ³⁵	
Benefits	<ul style="list-style-type: none"> • Low administration costs in comparison to a programme that delivers goods or services. • Parents regain control of their budgets and can spend according to their priorities. • Cheaper to run than a CCT which requires additional expenditure on monitoring compliance with conditions. • Fiscal efficiencies and savings by removing intermediaries and reducing leakages. • Reduces intermediary discretion in the transfer of benefits. • May result in increased overall well-being by improvement in nutrition, education, and reduction in child labour.
Limitations	<ul style="list-style-type: none"> • Uncertain impact on enrolment, attendance or learning outcomes. • No control over the use of cash. • Political risks associated with a change in focus from provision to financing.
Basis for Choice	<ul style="list-style-type: none"> • Need to eliminate a dual price system. • Ensure fiscal efficiency through better-targeted transfers.

³⁴ Bastagli, et al. 2016

³⁵ Muralidharan, Niehaus and Sukhtankar, *Direct Benefit Transfer in Food: Results From One Year of Process Monitoring in Union Territories 2017*

With a CCT, the government provides something ‘extra’ other than free education. Incentives conditional on enrolment, attendance or performance ensure positive parental behaviour. The cash acts as a predictable source of household income. Depending on the context, additional conditions can be attached such as not allowing underage recipients to take up any jobs (detering child labour), or prohibiting them from getting married for the time they receive benefits (detering child marriage) (FSSAP)³⁶. Some schemes also try to engage parents in the education process, such as through participation in parent-teacher meetings (Brazil’s *Bolsa Família*)³⁷. Table 8 analyses the conditions, benefits, limitations and basis for choice for a CCT programme in education.

c. Vouchers/Smart-cards: Per-student Funding to Schools to Improve Performance

Parents preference of fee-charging private schools over ‘free’ elementary government schools indicate supply-side challenges in education delivery that are equally or more important than demand-side problems, especially in light of near universal enrolment. Cash transfers that increase school choice to include private providers have shown promising results on final outcomes including learning achievement. A few countries have experimented with such transfers including neighbouring countries such as Bangladesh and Pakistan.

Table 8: Conditional Cash Transfer - Conditions, Benefits, Limitations, and Basis for Choice

Transfer: Incentive/Scholarship Recipient: Students/Parents Example: Odisha Girls’ Incentive Programme	
Conditions	<ul style="list-style-type: none"> • Proof of enrolment: Examples include OGIP, and Bangladesh’s Female Secondary School Assistance Program (FSSAP). • Minimum-attendance: NMMS - a scholarship scheme, requires students to have a minimum of 80% of attendance, while FSSAP requires a minimum of 75% attendance. • Grade completion: Examples include FSSAP, which requires students to attain 45% or higher score in the final exam, and NMMS, which requires a minimum score of 40%.
Benefits	<ul style="list-style-type: none"> • Ensures the first step toward education, i.e. enrolment in schools. • No restrictions on the use of money. • Shared responsibility between the state and the beneficiary to provide optimal results; nudge to behaviour change. • A demand-side transfer may lead to an increased and improved supply of services by creating competition. • Programs found to reduce poverty and induce growth can be politically beneficial.
Limitations	<ul style="list-style-type: none"> • Enforcement requires the timely availability of information which may be a challenge. • Sign-off on whether or not conditions are met increases opportunity for side-payments and corruption. • Political risks to the withdrawal of benefits in case of non-compliance. • Transfers that only target parents/students do not take into consideration the quality of supply and do not necessarily translate into better learning outcomes.
Basis for Choice	<ul style="list-style-type: none"> • Addresses any income constraints to access. • Cost of monitoring conditions. • Number and value of transfer defines the administrative and private cost of the transfer. E-transfers for a small amount may impose high administrative and private costs.

³⁶ World Bank 2014
³⁷ Fiszbein, et al. 2009

The evidence from Bangladesh's cash transfer programme, FSSAP, shows that a significant increase in enrolment post-1990s was achieved through an expansion of the private supply of schools.³⁸ Experiments in health also indicate that if the supply-side is improved sufficiently through monetary incentives, usage remains high even without demand-side incentives. A well-designed scheme to incentivise supply may therefore address existing challenges of access and quality.³⁹

Setting minimum conditions around recognition and academic performance for participating schools can be an effective way of regulating the provision of services, improving quality of education and ensuring accountability (Table 9). Additional regulations on schools, however, may have an impact on cost, reflected by an increase in tuition fees. A Cost-Benefit

Analysis (CBA) exercise should be undertaken to ensure that the cost of compliance is justified and can bring improvements to learning outcomes.⁴⁰

There are two ways for governments to make payments to schools:

1. Directly to schools based on number of students enrolled.
2. Routed through parents via school vouchers or post-purchase reimbursement to parents.

While both ways create incentives for schools to enrol and retain students, payment routed through parents to schools empower the parents by augmenting their purchasing power and enhancing their bargaining power with schools. Parents may exercise pressure in case

Table 9: Per-student Funding For Schools: Conditions, Benefits, Limitations and Basis for Choice

Transfer: Voucher/reimbursement Recipient: Payment routed to schools through parents Example: Andhra Pradesh School Choice Project, Project ENABLE, Delhi School Voucher Project	
Conditions	Three levels of conditions may be imposed on participating private (or government) schools depending on state capacity and programme objective: <ul style="list-style-type: none"> • Recognition: E.g. in Bangladesh, registered non-government providers were eligible for the programme. • Results: E.g. in Pakistan, 50% of enrolled students are required to score over 40% in a third party test. • Retention: While the above two conditions are explicit, retention is an implicit condition. If a school does well to satisfy the student and parent community, it will be able to retain students. • Other conditions include experience (e.g. a minimum of three years of experience), management structure (e.g. for-profit versus not-for-profit), etc.
Benefits	<ul style="list-style-type: none"> • Money can only be used for education purposes. • Parents can switch schools: Portability across government and private schools. • Competition effects: Schools are incentivised to retain students and therefore compete to provide higher quality learning. • Political benefits associated with increased parental/voter satisfaction and reduced financial burden; currently poor parents have to pay out-of-pocket for low-cost private schools.
Limitations	<ul style="list-style-type: none"> • Political risks associated with an equal treatment of public and private schools for government funding. • Uncertain results in rural areas where there is insufficient economic incentive to open a private school and if there is only one public school, in which case a voucher may not make a difference. • Routing money through parents carries some additional logistical/implementation challenges. Instead of one lump-sum transfer to each school, the funding agency will need to make transfers for each parent.
Basis for Choice	<ul style="list-style-type: none"> • Supply-side nudge to improve quality of education: Create supply where there is none (by guaranteeing revenue through vouchers); where there is a market, create competition. • Cost of compliance for schools.

³⁸ Fiszbein, et al. 2009

³⁹ Regalia and Castro 2009

⁴⁰ Nayar and Roy 2017

of dissatisfaction with services and this makes it easier for them to exit and change schools. Post-purchase reimbursements may create challenges for the economically weaker sections as income flow is unpredictable and cost of education high. Direct payments to schools reduces the number of transactions for the government, but increases the risk of fee hikes by private schools in an attempt to attract more funds.⁴¹

There are examples of quasi-voucher schemes operating already for selected segments. The Children Education Allowance (CEA) scheme, available for central government employees covers Rs. 1,500 per child (for two children per employee) for educating their child in any school of their choice.⁴² Vouchers to all children (or to children from designated disadvantaged groups) are an extension of the same principle.

Vouchers Only For Government Schools

Although the benefits of vouchers are maximised if it is accompanied by the choice to access non-government providers, vouchers can also be applied only to government schools. Currently, schools are funded based on the number of teachers; A per-student approach to funding, however, incentivises government schools to enrol and retain students for financial sustenance and creates incentives for schools and teachers to perform.

2. Can Labelling a Programme as 'Education Support' Work as Effectively as Conditions?

To what extent are participants punished for not following the conditions? In the FSSAP programme in 2005, 4% of the girl students dropped out because of inability to comply with one or more of the three requirements (school attendance, passing grades, and remaining unmarried).⁴³ For most programs, non-compliance was followed by a gradual reduction of benefits, before full termination of benefits. Since CCTs

target the poorest of the society, the approach to noncompliance is not uncompromising. In some countries such as Brazil, non-compliance is used as an indicator of a need for further support, and a social worker looks into the case to encourage parents to exercise their right to education.⁴⁴

Community support in the process of implementing conditions could be particularly valuable, such as engaging and educating parents about the importance of education or providing additional help to students struggling with grades. Some degree of flexibility in the enforcement of conditions could also contribute to tackling this issue. For example, administrators could more strictly enforce "action-based" conditions like enrolment and attendance while allowing a case-by-case evaluation of "outcome-based" conditions like grades.

Developing awareness of the program in partnership with the local government and community/religious leaders, as observed in the case of OGIP, can be beneficial. Conducting marketing campaigns in areas where enrolment is less than desired can ensure higher take-up. Kiosks, student rallies, using e-rickshaws with posters and loudspeakers promoting the scheme, meetings with Resident Welfare Association (RWA) heads in urban areas, and community heads in slum areas are some ways to generate awareness.

Additionally, a UCT with strong labelling and information dissemination programmes may be as effective as CCTs in education. Recent evidence shows that it may not be necessary to make conditions strict. Rather, these desired effects may be natural side effects of the programme if it is accompanied by awareness programmes. For instance in OGIP, although it was communicated to the students that the stipend was contingent on 70% monthly attendance, it was not imposed. Results included improvements not only in attendance but also pass rate.⁴⁵ However, more research is required to establish the costs and benefits of labelling versus imposed conditions.

⁴¹ The Hindu 2013

⁴² Press Trust of India 2014

⁴³ Fiszbein, et al. 2009

⁴⁴ *ibid.*

⁴⁵ Rath 2015

3. Transfer Structure

a. Amount

Applicable Only For Government Schools

Tying a government school's funding solely to a student voucher will create competition among government schools to attract and retain students and will enhance the bargaining power of parents over schools. There are two ways to calculate the transfer amount:

1. **Equal funding for all government school students:** Dividing the total state and central expenditure on elementary education in a state by the number of students enrolled in government schools in the state.
2. **Premium for under-served communities:** Differentiated funding/weighted student formula takes into consideration the high cost of educating students from an economically backward family due to low initial human capital (family income/education).⁴⁶ An additional amount over the 'basic amount' for socially disadvantaged or disabled students incentivise schools to enrol and retain such students. However, given the quality of data available to the government departments, it might be difficult and corruption-prone to implement a differentiated funding model at this stage.

Applicable Only for Private Schools

RTE Section 12(1)(c): The reimbursement amount currently is the lower of the actual amount charged by the school from students as the fee or the recurring per-student expenditure incurred by the state government. The 'State of the Nation: RTE Section 12(1)(c)' report, however, notes that 'the process and manner of calculating per-student recurring cost incurred by the government continue to be extremely opaque.'⁴⁷ One illustration of the widely range of estimates from different sources comes from Tamil Nadu, where researchers estimated

recurring per student cost in elementary education by the government to be Rs 14,229 (2014-15)⁴⁸ but the Tamil Nadu government itself estimated it to be Rs 28,206 (2016-17)⁴⁹, i.e. about double the research estimates, though the government did not explain the methodology underlying its calculation. Transparency in the methodology, costs, and transfers is important to strengthen supply-side incentives for private players.

Transparency in the methodology, costs, and transfers is important to strengthen supply-side incentives for private players. Money should ideally be transferred directly to parents, to ensure accountability of the school toward parents. Parents should receive an amount equivalent to the per-student expenditure in government schools. If the fee of the chosen private school is lower, the voucher gives additional money to cover other costs or benefits ordinarily provided in a government school such as the mid-day meal and uniforms.

Applicable for both Government and Private Schools

There can be two ways of structuring a unified voucher scheme applicable for both government and private schools:

1. In an ideal scenario, all of the government school's funding should come from the voucher money to ensure a level playing field for all players and to reap benefits of competition.⁵⁰ The only way this is feasible is by setting the voucher value equivalent to the per-student funding in a government school (otherwise the government schools will be underfunded). An amount equivalent to the spend in government schools, often higher than the average private school fee, also serves as a premium for the private player to enrol students from underserved communities.
2. If the option of tying all of a government school's funding to the voucher is not feasible, the amount can be set taking into consideration the

⁴⁶ Sahlgren 2013

⁴⁷ Sarin, Dongre and Wad 2017

⁴⁸ Dongre and Kapur, 2016

⁴⁹ Tamil Nadu Government Gazette Extraordinary, 24 July 2017. Rs 28,206 is the weighted average of the amount reported in the Gazette separately for primary and upper primary classes. There are some explanations for the difference, but none that can explain such a huge difference.

⁵⁰ Sahlgren 2013

private fee distribution in an area.⁵¹ If a student chooses a government school, the amount can be an added source of revenue for the school or be nullified, depending on budget constraints. This may, however, limit the competitive effects on government school performance as it is not dependent on the voucher student to be financially sustainable.

Other Considerations

A Premium for under-served areas: In the Andhra Pradesh School Choice Project, the voucher amount ‘was set at the 90th percentile of the distribution of the all-inclusive private school fees in the sampled villages.’ According to the National Sample Survey 2014-15, the median fee in private unaided schools in 2014 was Rs 292 per month in rural areas and Rs 542 in urban areas. The distribution of fees in private unaided schools is such that a ‘relatively low value voucher of Rs 500 will represent untold riches in remote rural areas, and is likely to produce a strong supply-side response.’⁵² 25% children in unaided schools pay a fee less than Rs 200 per month, 57% pay less than Rs 500, 82% pay less than Rs 1,000, and only 3.6% paid more than Rs 2,500 per month. The recent evidence from the Promoting Low-Cost Private Schooling in Rural Sindh (PPRS) programme in Pakistan also indicates that with sufficient government support, local players can find innovative solutions to their problems.⁵³ In areas with a low density of private schools, we recommend that the amount should have a premium, to incentivise suppliers to open and run schools, with the amount determined by considering the existing fee distribution in the area.

Should students be allowed to top-up fees? While theoretically, a top-up fee allows parents to take financial responsibility and incentivises them to ensure the best education for their child, evidence from the Chilean voucher system that allows top-up fees is mixed. Allowing top-up fees has led to schools competing for advantaged students that positively influence school achievement instead of improving quality.⁵⁴

b. Tranching

Timing and frequency of payments has a significant impact on certain indicators. The evidence from CCT in education indicates that matching school fees disbursement to the time of school fee payment obligation has maximum results on education outcomes.⁵⁵ The Indian experiment with cash transfers, OGIP, reaffirms this: Instalments spread over regular intervals are more effective than one single instalment at the beginning of the academic year. Although reduced frequency has benefits of lower costs, they present a higher risk as families may not retain the money for educational purposes for longer durations.⁵⁶ Staggered payments—taking into consideration fee cycle, administrative cost for the government and private cost for the applicant (e.g. proximity to banks/ATMs)—is recommended.

c. Payee

In most cash transfer programmes, the mother is the recipient.⁵⁷ There is, however, only one study that examines the impact of transfers to women as compared to men and it finds no significant difference in enrolment, attendance or performance.⁵⁸ In some secondary educational programmes such as OGIP in India and FSSAP in Bangladesh, students are the beneficiaries of cash transfers.

4. Targeting

The DBT programme can be either universal or targeted to lower socioeconomic classes. It can also be a combination of the two; for example, a universal programme in an economically backward locality or for primary school students. The decision between the two depends on factors such as administrative costs, state ability to accurately identify and enrol beneficiaries to avoid exclusion, size of the budget and objectives of the programme. Universal voucher programmes, for example, are better suited to create competition effects whereas targeted programs

⁵¹ The fee of private schools is not known, i.e., there is no published data except a recent paper by Geeta Gandhi Kingdon (2017) ‘The private school phenomenon in India: A review’. In this, the mean and median of the fee amount paid by children in private unaided schools are reported from NSS 2014-15 data which shows that private school fee levels are extremely low. For example, only 3.6% of private unaided school attendees pay more than Rs 2500 per month in fee. The paper also cites the estimates of Dongre and Kapur (2016) on per pupil expenditure of government schools in each state, and shows that median private school fee is only 47% of government schools’ expenditure. However, the paper shows in its Annex 1 how the Dongre and Kapur estimates are underestimates of the actual per-pupil expenditure in government schools.

⁵² Kingdon 2017

⁵³ Promoting Private Schools in Rural Sindh (PPRS) Program 2012

⁵⁴ *ibid*

⁵⁵ Bastagli, et al. 2016

⁵⁶ Samson, Niekerk and Quene 2010

⁵⁷ Fiszbein, et al. 2009

⁵⁸ Bastagli, et al. 2016

ensure equity. Although universal programs may be easier to implement and have lower administrative costs, the cost and benefits analysis of a universal versus a targeted program requires empirical assessment.⁵⁹ The recent developments in DBT in India allow for better targeting, especially as the beneficiary database for different schemes is digitised, so a comparison across schemes may reduce exclusion errors.

Table 10 summarises the different targeting criteria used globally. Documentation required

to formally verify income and other qualifying criteria should be simple and flexible. Rigid and unnecessary documentation can be regressive, considering that the poorest lack knowledge and have limited access to bureaucratic resources. Preparedness for documentary compliances can be ensured at a much earlier stage than at the time of registration; e.g. to register for a scholarship in grade 9, the requirements of having an Aadhaar number, bank account and caste certificate can be completed in grade 8 so that registration can be ensured at the time of enrolment.

Table 10: Intended Beneficiary Targeting Criteria and Method

Criteria		Documents required
Age	<ul style="list-style-type: none"> CCTs are commonly used for the 'universal education' period i.e. elementary education. It is also used for secondary education depending on the demographical and local challenges. Examples include Bangladesh's FSSAP; and Cambodia's Japan Fund for Poverty Reduction (JFPR). 	Aadhaar/Birth certificate
Gender	<ul style="list-style-type: none"> Targeting girls can address gender inequality. Common means of pro-girl targeting vary from top-up fees and additional support to girls, to a program purely targeted at girls. 	Aadhaar
Socio-economic class/identities	<ul style="list-style-type: none"> Target disadvantaged groups e.g. SC and ST. Economically backward classes. 	Proof of Caste + Proof of Income + Bank requirements for account opening (Aadhaar)
Geographical	<ul style="list-style-type: none"> Universal interventions can be introduced in select neighbourhoods as most poverty is clustered. 	Self-targeting in economically backward regions

Key Implementation Considerations

This section outlines the various elements involved in implementation from identification to monitoring and evaluation and gives an overview of the decisions/components involved at each step.

1. Identify, Enrol, and Authenticate Beneficiaries

- Beneficiary identification can be based on either the awareness of the beneficiary or through an agency in areas of low-enrollment for identification of all eligible beneficiaries.
- Verifying beneficiary data and creation of the digitised database.
- Authentication of the beneficiary using Aadhaar numbers and linking bank account details: In the absence of Aadhaar, other forms of authentication may be used to avoid exclusion errors.⁶⁰ Wherever necessary, the

implementation agency will have to facilitate the opening of bank accounts and linking details with Aadhaar numbers.

2. Mode of Payment

Among the many emerging modes of payment such as mobile wallets and smart cards, the government is increasingly switching to Aadhaar based payments. In 2016-17, the share of ABP in DBT increased from 30.9% to 48.1%.⁶¹ An alternative to this is a smart card which can also store student information including learning outcomes, social profile and academic progression. While ABP necessitates cash-out mechanisms such as bank branches, bank mitras and micro-ATMs, a smart card can be used directly in schools through Point of Sale (PoS) machines and also allow the government to track money usage.⁶²

⁵⁹ Yemtsov 2016

⁶⁰ DBT Mission, Cabinet Secretariat

⁶¹ DBT Mission, Cabinet Secretariat 2016

3. Fund Flow

There are three ways to transfer benefits:

1. Transfer from the central government directly to beneficiary bank account.
2. Transfer from the state government directly to beneficiary bank account.
3. Through any Implementing Agency as appointed by Central/State Governments to beneficiaries.

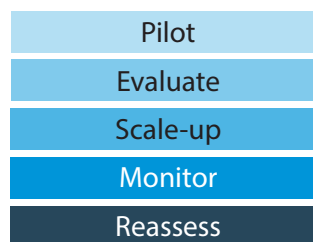
As a rule, a centralised cash disbursement mechanism is more efficient than a decentralised system as it minimises intermediaries between the origin of funds and the beneficiary. The fund flow may, however, vary for different schemes. If the central government is solely responsible for disbursement of the entire scholarship amount, a direct transfer from the central treasury to the beneficiary is optimal. Where the centre and state share the burden, e.g., in SSA, the money is either routed first from centre to state and then to the recipient, or at times, from the state to the recipient, and reimbursed by the central government to the state government afterward.

4. Interdepartmental Coordination

The DBT framework relies on a multi-stakeholder architecture that capitalises on the core competencies of various departments to deliver the transfer within the prescribed timeframe directly to the beneficiary. Some of the stakeholder responsibilities include the Department of Education (DoE) for identification of the beneficiaries, an information technology team for maintenance of the digitised beneficiary database, Public Financial Management System (PFMS) for management of payment disbursement, banks for carrying out payments, and Unique Identification Authority of India (UIDAI) for ensuring Aadhaar enrolment. The success of implementation is dependent on strong political will to coordinate interdepartmental activities and define clear ownership of responsibilities.

5. Monitoring and Evaluation

A robust monitoring and evaluation framework should be put in place to understand the context,



conditionality, suitability of payment modality and assess the political risks to the programme. A rigorous monitoring and evaluation framework should include pilot-evaluate-scale up-monitor-reassess. Findings from the evaluation will inform the implementing agency about adjustments necessary for the expansion of the programme. The implementing agency should have the power to tweak the plan as and when required to meet the objectives of the programme. Some of the questions that the evaluation should answer:

- Did the tool have an impact on enrolment and attendance?
- How does putting resources in the hands of parents impact the learning outcomes for children? How?
- What were the implementation failures or challenges?

6. Grievance Redressal

The objective of a strong grievance redressal mechanism is to ensure consideration of citizen feedback and to strengthen accountability of the programme to beneficiaries. It serves as an independent oversight of the programme, its reach, and communication strategy by the community. A cash transfer programme can leverage either existing child protection mechanisms or create independent mechanisms. Three examples of such mechanisms are:

1. **Well-designed grievance mechanisms** for complaints and appeals. E.g. Odisha has a toll-free Sampark helpline⁶³ for child protection.⁶⁴
2. **Official feedback mechanisms**, such as meetings, go-to officers or suggestion boxes.
3. **Participatory mechanisms**, that empower recipients to voice their preferences. E.g. Citizen Report Cards.⁶⁵

⁶² Chattisgarh provided pre-loaded ATM cards under the post-matric scholarship programme, 'Siksha Sangi Chhatrabruti' which allowed students to withdraw their monthly scholarship through any of the ATM Centers in the State. However, the current status of the scheme is unclear.

⁶³ The use of helplines vary from scheme to scheme and may not suffice as the only mechanism for feedback. For example, an article in The Apolitical informs that over 2014-16, 2384 complaints were received. To put this in perspective, as of August 2017, there were a total of 23.15 crore ration card holders.

⁶⁴ Niti Aayog 2015

⁶⁵ Bastagli, et al. 2016

Complementary Interventions

As learning outcomes stagnate across providers of education despite increased enrolment and input investment into education, it has become increasingly important to introduce reforms based on evidence of their impact on learning outcomes. The latest 'Niti Aayog: Three Year Action Agenda' emphasises the importance of outcome linked incentives, governance and pedagogy reforms.

Altering the incentive structure toward outcomes should not be seen as an isolated reform but as a part of many reforms necessary to stimulate quality supply. Some of the recommended governance reforms include:

Ease of Opening Schools

Parental choice is valid only if there are a sufficient number of players to induce competitive behaviour. It is not just the number of competitors but more importantly, the ease of entry and exit and the economic incentive that defines a market. Ease of opening and running schools prevents the development of local monopolies. Understanding supply dynamics is key to the current debate around fee hikes by private schools in states such as Delhi and Gujarat. Opportunities for new

players keeps a check on the existing players and provides choice to parents.⁶⁶ Today, to open/run a school, one has to comply with difficult and overlapping regulations, go through a lengthy process of application, acquire multiple licenses and be registered as a trust/society. Reforms to simplify the processes are important to ensure healthy competition. The recent proposal by the Karnataka government to allow a private body of individuals (as opposed to trust/society) to open schools is an example of measures that lower barriers to entry.

Establish Accountability Systems: Measure Learning Outcomes and Disseminate Information to Parents

Without measurement of learning outcomes, it is difficult to assess the quality of schools or to link incentives to performance. This is also pertinent for parental choice. Choice based on nuances such as school performance, value education, discipline and value for money (and not just visible factors such as infrastructure) is a necessary condition for a functional education market.

⁶⁶ Sahlgren 2013

Recommendations for Initial Focus Areas

A gradual and regional introduction of DBT in education programmes is essential to evaluate programme design and suitability to education. A well-constructed pilot can identify implementation challenges, provide an opportunity for experimentation and evaluation, and address concerns of reluctant stakeholders, and thus, minimise political and administrative risks associated with innovative interventions. The programmes should create or replicate regular markets to maximise the benefits of choice and competition by ensuring parental involvement in deciding a school and in conducting the financial transaction.

1. Reservation of 25% of Seats in Private Schools: A Test Case for Implementation of DBT in Education

RTE Section 12(1)(c) that mandates reservation of 25% for the economically backward classes in private unaided schools provides the legal framework to implement a national DBT programme. In the current structure, money is transferred directly to the schools based on the number of students enrolled and the fee. Parents are not involved in the financial transaction of making payments. While this change in who-pays-the-school seems like an insignificant logistical detail, it has a significant bearing on parent empowerment and developing a sense of parental responsibility in deciding a school. It

creates pressure on the school to be accountable to the family as negotiating power increases. Direct payments to the school makes it difficult for parents to exit and move to another school and inhibits choice and competition. More importantly, the reimbursement amount should have a premium taking into consideration the additional costs to a school to educate students from a poor socio-economic background and also to incentivise schools to enrol automatically. Students should be seen as an opportunity for growth and revenue and not as a burden.

Different states have implemented Section 12(1)(c) differently. A DBT route to this includes the following steps: 1) Determine the reimbursement value; 2) Identify eligible private schools; 3) Allow parents to choose schools; 4) Determine the tie-break device in case schools are over-subscribed; 5) Transfer amount to bank accounts or issue a smart card to applicants; 6) Monitor the system. This necessitates a second round of lottery and if necessary without the neighbourhood criteria that limits applicants from 1-3 kilometres.

The neighbourhood rules create several inequities. It constricts choice for poorer households and gives advantaged/wealthier students access to better schools. There may also be a low concentration of unaided private schools in areas that are inhabited by families that belong to weaker and disadvantaged groups. In addition to this, since the density of children coming from the groups as mentioned earlier varies across different areas there are chances of over and

under application for seats in schools located in high and low-density areas, respectively. Thus, the neighbourhood criterion restricts choice and access to unaided schools for weaker sections and disadvantaged groups.

2. Secondary Education: Boost Enrolment and Attendance

Rashtriya Madhyamik Shiksha Abhiyan (RMSA), the flagship programme of GoI to improve access to and quality of secondary education, aims to achieve universal access by 2017 and universal retention by 2020. In 2014-15, however, the dropout rate in secondary schools stood at 17.1%, and it is even higher at 24.7% for STs.⁶⁷

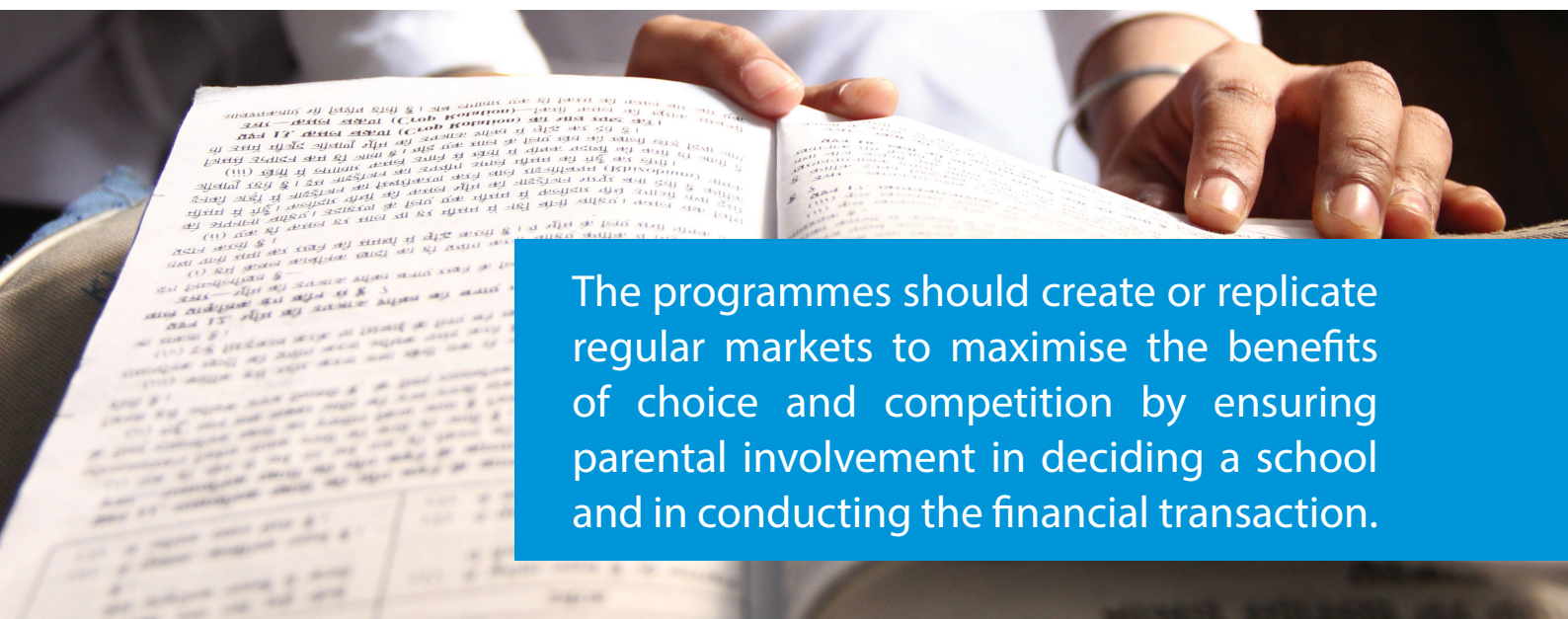
The direct and indirect cost of secondary education hinders affordability and transition from primary to secondary schools. Secondary education is ~2.5x the cost of primary schooling for the poor.⁶⁸ RMSA has set up several scholarships and fee waivers to offset costs to meet the defined objectives such as the NMMS, pre-matric and post-matric scholarship schemes, etc. However, according to an Ministry of Human Resource Development (MHRD) report on ‘Cost and Equity in Accessing Secondary Education’:

- The fee waivers and scholarships by the

government are “vastly insufficient” to meet the needs of the poorest 20% of the population. Fee waivers are awarded to only 5-10% of SCs and STs. Scholarships are more common with vulnerable groups: of the bottom 40% of the poor, only 40% of SCs and 50% of STs access it.

- Caste based distribution has led to inequities with over 20% of the richest SCs and STs receiving scholarships; the amount of fee waivers is also larger for the richest.
- The costs of private tuition as a proportion of household education expenditure is 13% for private schools, 22% for aided schools and 36% for government schools.⁶⁹

This adversely impacts the poorest of the population, who are often limited to government schools. The ongoing push for conversion of central and state government scholarship schemes to DBT is a positive step. It resolves several challenges of targeting and leakages by tracking the money flow from the treasury to the individual. It is also a cost-efficient alternative to government-run schools in areas of insufficient supply and incentivises private suppliers to open schools. Benefits can be linked to poverty and access can be expanded to all students from low-income families.



The programmes should create or replicate regular markets to maximise the benefits of choice and competition by ensuring parental involvement in deciding a school and in conducting the financial transaction.

⁶⁷ National University of Educational Planning and Administration 2015-16
⁶⁸ Ministry of Human Resource and Development, Government of India 2016
⁶⁹ *ibid.*

Conclusion

With universal access to primary education nearly achieved, promoting learning outcomes and ensuring retention after primary education are critical objectives for India over the next decade. Recent assessments such as ASER and National Education Survey (NAS) have demonstrated that learning outcomes are stagnant for all providers but worse for government schools. The 'Three Year Action Agenda' by the NITI Aayog notes that improvement in infrastructure, increase in teacher salaries or training in itself do not result in learning outcome gains. Shifting the focus to pedagogical interventions, outcome linked incentives and governance reforms should be the focus of the government. Financial incentives for parents conditional on enrolment and to schools linked to performance can improve access and quality of all schools.

DBT is a potent tool; different design schemes can solve specific problems of access, equity or quality. Incentives to suppliers, routed through parents, can improve the quality of education in both government and private schools. It enhances equity by allowing all students access to schools of their choice. Incentives to parents can be structured as a UCT or a CCT. While UCT attaches no conditions and assumes parents will make the best use of the cash, CCT provides incentives which are conditional on fulfilment of specific requirements.

DBT provides the government with greater administrative control over the utilisation of funds and allows it to track the impact of investment on each child.

Incentives are compelling, if correctly designed, as they not only reform the political economy of welfare but can also improve education provision through individual empowerment.

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A-69, Hauz Khas, New Delhi - 110016

Tel.: +91 11 2653 7456 | 4160 7006 | 4162 9006 Fax: +91 11 2652 1882 Email: ccs@ccs.in

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