Kerala is widely known for its educational attainments. With a literacy rate of 90.92 in 2001, Kerala continues to be the most literate state in India. In terms of Physical Quality of Life Index (P.Q.L.I.) and Human Development Index (HDI) the achievement of the state is far ahead of other states in India and comparable to those of the middle income countries (Oommen 1984, Thomas 1996). Kerala has achieved universal literacy, reduced school drop out rates to extremely low levels and bridged the gender gap in school education almost entirely. The State has also succeeded in reducing inter-community and socio-economic differences in school enrolment (Nair 1999). It has achieved the goal of universal, free school education envisioned in the Constitution of India. The efficiency of the school system measured in terms of the rate of retention is the highest in the country. What makes these achievements spectacular is that these have been made without the support of a high level of income.

Yet, the educational system in the state is in a crisis. Quality of education has eroded and the system is in a drift. The past few years have witnessed the emergence of numerous unaided schools at a time when a large number of schools in the state sponsored system (Government and Private aided) have been facing a threat of closure, consequent on being declared 'uneconomic'. These are self-financing institutions which have come up avowedly for imparting 'quality' education in English and work on the principles of a business enterprise.
In the spirit of education as a 'private merit good' these institutions impart an ethos of competition in their activities. However, it is likely to perpetuate and augment inequality by creating dual citizens and marginalising the economically and spatially weaker; the efficacy of education as a leveller of social and economic inequalities is at stake.

Kerala has witnessed great changes in the education sector in the past 200 years. Started as a missionary initiative as early as 1806, the educational system has established unique records in the history of the state. Educational development in the state has been the outcome of a long and arduous historical process, involving the activities of the state, the missionaries, the social reformers and the general public. Education, viewed in its intrinsic worthiness as an instrument of enlightenment received early state support from the rulers and was pronounced in the Rescript of 1817: 'the state should defray the whole cost of education of its people, in order that there might be no backwardness in the spread of enlightenment among them' (Velu Pillai, Vol.III. 1940:700).

Educational development ushered into its modern phase during the second half of the 19th century when strong foundations were laid in the enlightening and empowering role of education leading to widespread educational activities in the state. Recognizing the importance of education as the base for administrative reforms on modern lines vide Macaulay's Minutes, the government formulated educational reforms and policies to educate and empower the masses. For the Travancore society in general and for the pioneers of the socio-religious movements in particular, education had a dual role: first, as an instrument of reform within one's community, as the light that dispels darkness – 'Tamasoma Jyothirgamaya', to fight against age-old customs and practices that
bound them and second, as a means of empowerment—a modern resource—
'human capital' to eke out a living in the modern society cutting across the
caste/social barriers. The struggles for educational and employment
opportunities of the backward communities and depressed classes vindicated
the role of education as a leveller of inequality. As a consequence, literacy rate in
Travancore increased from 14.1 in 1901 to 31 in 1931 and further to 54.6 per cent in
1951 (Kabir and Krishnan 1995). Community/caste organisations took the lead
during this period in starting schools and this led to the proliferation of educational
institutions in the state. Social intermediation thus largely explains educational
development during this phase. In the process socio-religious groups have come to
accumulate considerable educational capital and hence socio-economic and
political clout sufficiently strong to challenge the powers-that be on occasions like
the efforts at nationalisation of education by Sir C.P. Ramasamy Iyer in the 1940s',
Private Secondary School (PSS) Scheme in the 1950s', the liberation struggle
against the Communist government in 1959 and others...

Educational expansion during the post-independence period marks the
beginning of a state supported modern education. Various schemes and
incentives offered by the government encouraged private initiative in starting
schools and the private aided system with a share of 59 per cent of schools at
present has become a dominant force in the educational sector. Education as an
investment in human capital capable of yielding good returns in future
encouraged the educational initiatives of various communities during this period.

Education since the 1990s has been more market-determined under the
new economic policy regime of liberalisation and privatisation. Government
encouraged the private investment in education but simultaneously betrayed a
tendency towards withdrawal. Continuous allegations regarding deteriorating quality of the government and aided schools compelled the parents and children to opt out of the state sponsored school system. This has encouraged the emergence in a big way of an educational system in the form of unaided schools. Unaided schools represent a system change: it subserves the spirit of the market where education is an instrument of job competition and a 'private merit good'. The burden of schooling has been shifted to the parents (from the public) and hence private costs of education have risen to higher levels. The role of educational agents has also changed from one doing a divine work to that of a profit motivated entrepreneur. In short, education started as a leveller of inequality seems to perpetuate inequality from generation to generation.

Rationale of the Study

Kerala has an impressive array of school education with more than 12000 schools, 54 lakhs students and 1,80,000 teachers (Economic Review 2001). Educational accessibility - locational, social and economic has ceased to be a constraint on 'school enrolment'. Even in terms of physical facilities, Kerala schools are better endowed than schools elsewhere. School education in Kerala is avowedly 'free'. However, the cost of such 'free' education borne by the householder is significant and has been rising over the years. Since the government is meeting the recurring expenditure bill of school education under the 'aided' system, the state expenditure on education has been hovering around 40 per cent of its annual budget for several decades (Nair 1999).

Despite the availability of several favourable factors, the quality of education imparted and the levels of achievement of the students have been steadily on the decline. Kerala, has been ranked below 17 other states in
Respect of the levels of learning achieved by school students (NCERT 1997). Excellence and equity which were the hallmarks of Kerala’s educational system have suffered grievously. Within the same system, schools under managements perform disparately. While the ‘fee-charging institutions’ showed a dramatic increase in number, a large number of government and aided schools have been notified as uneconomic or nonviable.

Research studies made so far have not addressed the issues brought about by the recent trends in the education sector in Kerala: issues related to cost of education, school processes, choice of school and returns to investment. Hence the questions taken up in this study would include the following: what were the historical, social and institutional factors that led to the emergence of educational facilities in Kerala? How far public action and community involvement accounted for the educational development in the state? What determines the choice of school by pupils and how has school outcome been related to school process and functioning? How free has been ‘free-education’ in Kerala? What has been the extent of private and institutional cost of education in schools under various managements? Why do private capital invest in education?

Objectives

This study, therefore, has the following objectives.

1. To examine the historical, sociological and institutional factors that led to the emergence of school facilities in Kerala.

2. To identify the school related and household related factors in the choice of schools.
3. An evaluation of the school process and functioning in relation to educational outcome.

4. An estimation of the private and institutional cost of education to arrive at the unit cost of school education.

5. An investment analysis of unaided schools to shed light on aspects of commercialisation in education.

Methodology

Historical and empirical verification of data were required in the present study for the assessment of various objectives. For the historical analysis the study made use of the available secondary data from various sources. For the empirical study, data were collected from a field survey. The study was restricted to one taluk and samples were selected using the random sampling technique. Using information gathered from the survey, empirical analysis on the school process and functioning, private and institutional cost of education and the investment analysis of unaided schools were made. The details of the survey, the methods used for collecting data and the computational and conceptual issues of cost estimation have been explained in the respective chapters.

Limitations

In the title, 'Political Economy of Educational Initiatives', the term 'political economy' is to be perceived more in the Marshallian sense as 'economics' than in the Marxian. This study therefore seeks to examine the costs and returns to education; however references to the socio-economic and political forces that shaped educational initiatives have also been made wherever possible.
Though educational development in Kerala in the last 200 years have a well-documented history, grass roots level evidences have been sparse. Hence the study could not gather such data in the case of certain schools. For cross-sectional analysis, this study confined itself to one taluk due to time and resource constraints.

Estimation of recurring and non-recurring expenditure of schools, required a detailed account of all types of expenditures. But in many cases expenditure accounts were not maintained by the school authorities. For want of such data, valuation norms followed by the Public Works Department (PWD) of Kerala have been used. For investment analysis, the study required information on the various sources of revenue of unaided schools. But the school managements were reluctant to supply with such data. Hence the study made use of fee components only in the estimation of total recurring revenue.

Chapter Scheme

The first chapter outlines the research problem and the methodology. In chapter II, a review is made of the major approaches to economics of education. Chapter III outlines the history of educational initiatives in Kerala in the last 200 years, of the government and private agencies and the changing role of the latter from pioneers to pressure groups. Chapter IV provides a micro level study of public action and the emergence of local leadership in the provision of schooling facilities in Kerala. Some of the early schools started by the prominent educational agencies have been subjected to closer examination. The socio-economic factors that influence choices of school are discussed in chapter V. Chapter VI attempts to estimate the private expenditure on education. Although education is fee-free in government and aided schools, households incur huge
expenditure under non-fee heads. The major components of household expenditure on education have been estimated for various levels of education under different types of managements. Chapter VII attempts to assess the institutional cost of school education by replacement cost approach and the unit cost of education. To capture the extent of commercialisation (in unaided schools) an investment analysis using pay-back period method is attempted in chapter VIII. Chapter IX presents the summary and conclusions.