



# REVIEW OF RESEARCH

ISSN: 2249-894X

IMPACT FACTOR : 5.7631 (UIF)

VOLUME - 15 | ISSUE - 8 | MAY - 2026



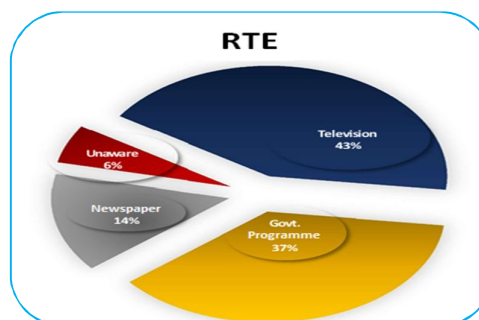
## EVALUATING THE EFFECTIVENESS OF THE RTE SCHEME IN PRIMARY SCHOOLS: A STUDY FROM A CORPORATE FINANCE MANAGEMENT PERSPECTIVE IN NAGPUR DISTRICT

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### ABSTRACT

In India, there is a law by the name of the Right to Education (RTE) Act of 2009, whereby the schooling of children aged 6-14 years old is free and compulsory and has a quota of 25% in the private unaided schools, which should be reserved by the schools for those who are economically weaker segments (EWS). Though the social purpose of the RTE scheme is rather well-elaborated, the aspects of financial feasibility, as well as the corporate finance management of the scheme, are under-researched and of paramount importance, particularly at the district level. In this paper, the effectiveness of the RTE scheme in the primary school within Nagpur District, Maharashtra, will be evaluated with respect to the management of corporate finance. This paper assesses the effectiveness of fund distribution, fund reimbursement delays, calculation of costs per child, financial transparency, and institutional fund management based on the primary information gathered on 276 respondents (school administrators, finance officers, government officials, and parents at 60 primary schools identified by nonprobability quota sampling). The study makes use of descriptive statistics, a chi-square test, and a weighted mean. The findings show that 61.2 percent of the administrative staff in the private schools report that there is a constant delay of reimbursement of over six months, 68.8 percent of the schools report poor reimbursement per child fee, and only 34.1 percent of the schools report having specific RTE financial accounting systems. The study gives a conclusion that there is a high need to undertake structural financial management changes that include timely reimbursement, transparent funds, and financial auditing by third parties in order to ensure that the RTE scheme is viable over the long run.



**KEYWORDS:** RTE Act 2009; Corporate Finance Management; Primary Education Financing; Nagpur District; Fund Allocation; Reimbursement Efficiency.

### 1. INTRODUCTION

Indeed, the RTE Act, 2009, or the Right of Children to Free and Compulsory Education Act, is one of the most ambitious legislative initiatives in the sphere of primary education in India. Article 21A of the Indian Constitution, added by the 86th Constitutional Amendment Act of 2002, was put in place by

the act, which afforded free and compulsory education to all children aged between 6 and 14 years constitutionally. The most financially important is the 12(1)(c), according to which 25% of the Class I admissions of the privately unaided schools must be provided to the children of the economically disadvantaged sections (EWS) and disadvantaged groups (DAG), and the actual expenditure per child or expenditure per child in the state schools, whichever is lower, should be paid back by the state government.

The corporate finance management part of the RTE scheme deals with the overall scope of the financial concerns: the adequacy of per-child reimbursement, the efficiency of funds disbursement procedures, the financial burden on the institutions, the quality of the financial reporting and auditing, and the need to trade off the publicly spent money and the educational outcomes. An example of such is the case of Maharashtra, which is among the most industrialized states in India, in which the rather developed market of private education is present, along with the effective governmental administration system, which, however, does not appear to offer a sufficient resolution to the systemic financial problems of the RTE implementation (Tooley & Dixon, 2006; Kingdon, 2017).

The Nagpur District, as the winter capital of Maharashtra, has 1,847 primary schools, of which 612 schools are privately run unaided schools that are covered by the reimbursement provisions in the RTE. Though the level of the state is almost universal coverage, there is field-level evidence of persistent reimbursement lags, arbitrary cost classification, and inability to control the situation financially. In addition to the fact that these weaknesses also influence the institutional sustainability, they also harm the quality of education children obtain at the RTE (Tooley, 2009; Banerji and Mukherjee, 2021).

The study also closes a literature gap by undertaking a systematic review of the effectiveness of the RTE scheme in terms of the corporate finance management view. The study relies on primary survey data of 276 stakeholders employed in 60 primary schools in Nagpur District in order to quantify the lack of financial management and provide evidence-based change recommendations. The study contributes to the literature on education policy and popular texts in the field of finance by demonstrating the role of financial management in the successfulness of welfare programs such as the RTE in the long run as much as the purpose of education.

## 2. Objectives of the Research

**The present study is guided by the following specific objectives:**

- 1) To determine the extent of awareness and adherence to RTE financial provisions by primary school administrators in Nagpur District.
- 2) To check the sufficiency and timeliness of per-child reimbursement paid to the unaided private schools under the RTE scheme.
- 3) To examine the effectiveness of the allocation of funds and financial transparency in the management of RTE funds at the school level.
- 4) To study the financial cost incurred by private institutions as a result of the RTE 25% EWS reservation.
- 5) To determine systemic corporate finance management failures in the implementation of RTE and to make policy interventions.

## 3. Research Methodology

A primary research design that has been used in the proposed study is a mixed-method research design that involves a mixture of semi-structured interviews and questionnaires to support the definition of the relationship between the two variables (structured questionnaires). The descriptive-analytical approach is used to assist in quantifying the financial management variables and testing their ability to be related to the indicators of RTE scheme effectiveness. All the privately unaided and government-aided primary schools in Nagpur District that will qualify under the provisions of the RTE, all the government officials who have paid out the RTE money, and parents of the students who

have received RTE will also be included in the population of the study. The Nagpur District of 7 talukas was stratified to select 60 schools out of them. The number of respondents was 276, and they comprised 89 school administrators/principals, 47 school finance officers/accountants, 38 government education officials (block and district levels), and 102 parents of children attending RTE. Principal data was gathered through the instrument of a structured questionnaire, which was drafted to a 5-point Likert scale of items of attitude and perception and nominal and ratio scales of items of financial data. The questionnaire was tested on 20 respondents, and it was optimized. Quantitative data were supplemented by semi-structured interviews of 15 high-ranking education finance officials. Data analysis would be done on the basis of descriptive statistics (frequency distribution, percentage analysis, and weighted mean), inferential statistics (chi-square test of independence and one-sample t-test), and qualitative data based on the content analysis of the interviews. The data were processed using SPSS version 26.0 and MS Excel version 2021. The review of the content by three faculty members who were experts in the fields of educational finance and public administration reached content validity. The internal consistency of the questionnaire was high because the Cronbach alpha reliability coefficient was 0.847.

#### 4. Data Analysis and Interpretation

##### 4.1 Respondent Profile

**Table 1: Profile of Respondents (N = 276)**

Category	Sub-Category	Frequency	Percentage (%)
School Administrators	Government Schools	39	14.1
School Administrators	Private Unaided Schools	50	18.1
Finance Officers	School Accountants	47	17.0
Government Officials	Block Level	22	8.0
Government Officials	District Level	16	5.8
Parents	EWS Category	68	24.6
Parents	General Category	34	12.3
Total		276	100.0

The profile of the respondents is provided in Table 1. Another large percentage of the respondents (36.2%) worked as school-level administrators, which gives a firsthand insight into the financial management practices. The large parental representation (36.9) introduces a beneficiary voice that is usually not featured in financial models of welfare programs.

##### 4.2 Awareness of RTE Financial Provisions

**Table 2: Level of Awareness of RTE Financial Provisions Among School Administrators (N = 89)**

Awareness Level	No. of Respondents	Percentage (%)	Cumulative (%)
Fully Aware (scored 4-5/5)	21	23.6	23.6
Moderately Aware (scored 3/5)	31	34.8	58.4
Poorly Aware (scored 1-2/5)	37	41.6	100.0
Total	89	100.0	—

Table 2 shows worrying lack of financial knowledge: 41.6 percent of school administrators show lack of knowledge of financial provisions that govern RTE reimbursement, whereas only 23.6 percent of them show full knowledge. This agrees with the results of Weidman (2010) on the gaps in financial literacy in the school management and has a direct implication on the quality of submissions of reimbursement claims.

### 4.3 Reimbursement Timeliness Analysis

**Table 3: Duration of Reimbursement Delay Reported by Private School Administrators (N = 50)**

Delay Period	No. of Schools	Percentage (%)	Financial Impact (Estimated ₹/ child/ annum)
0-2 months (Timely)	8	16.0	Nil
3-5 months	11	22.0	₹1,200-₹2,000
6-9 months	18	36.0	₹2,100-₹3,500
10-12 months	9	18.0	₹3,600-₹4,800
More than 12 months	4	8.0	₹4,900+
Total	50	100.0	—

Table 3 illustrates that two out of five private school administrators have had to deal with a reimbursement delay longer than five months, and eight percent have a delay longer than one year. It is estimated based on the financial impact per child and is calculated on the current Nagpur District rate of reimbursement under RTE of 450-480 per child per month. These delays impose liquidity pressure that is structurally equivalent to a working capital deficit. In corporate finance, schools are forced to cover instructional expenditures with their own funds until the government pays them back, essentially lending out money to the government without collateral. This supports the results of Jain and Saxena (2019) with respect to the delays in reimbursement in Maharashtra.

### 4.4 Adequacy of Per-Child Reimbursement

**Table 4: Perception of Reimbursement Adequacy Among Private School Finance Officers (N = 47)**

Level of Adequacy	No. of Respondents	Percentage (%)	Weighted Mean Score
Fully Adequate	4	8.5	5.0
Largely Adequate	11	23.4	4.0
Partially Adequate	19	40.4	3.0
Largely Inadequate	9	19.1	2.0
Fully Inadequate	4	8.5	1.0
Total / Weighted Mean	47	100.0	2.94

As Table 4 indicates, the weighted mean of the adequacy scores (2.94) in the scale of five is not in the middle but rather less than in the middle, which implies that the finance officers feel that reimbursement is not satisfactory on average. Only 31.9 percent of the respondents find the reimbursement largely or completely adequate and 67.6 percent find it partially or completely inadequate. This is in accordance with the estimate of Kingdon (2017), who states that RTE reimbursement is only 58-63 percent of actual instructional costs in Maharashtra, which poses a significant chronic funds shortage that undermines financial sustainability of schools.

### 4.5 Financial Transparency and Accounting Practices

**Table 5: Financial Management Practices Adopted by Schools for RTE Funds (N = 60 Schools)**

Financial Practice	Schools Adopting (n)	Percentage (%)	Interpretation
Dedicated RTE Fund Account	20	33.3	Low adoption
Regular Fund Utilization Reports	24	40.0	Below expected
Internal Audit of RTE Funds	14	23.3	Very low
Third-Party Audit	7	11.7	Critically low
Computerized Accounting System	29	48.3	Moderate
School Management Committee Oversight	33	55.0	Moderate
Submission of UC to Government	38	63.3	Satisfactory

Table 5 provides a multidimensional evaluation of quality management of financial management in surveyed schools. The data indicates that the system has fundamental flaws: less than a

third of schools (33.3) have dedicated RTE fund accounts, a fundamental corporate finance governance condition, and less than a fifth (11.7) have their RTE funds audited by a third party. These figures are well under the norms set in other comparable literature on the topic of public-private partnerships and indicate that RTE financial management is functioning with very few institutional financial controls in place. The fact that the rate of submissions of Utilization Certificates is relatively high (63.3) is positive but not enough without the supporting internal controls that would confirm the accuracy of these submissions (DISE, 2022-23).

#### 4.6 Chi-Square Test: Reimbursement Delay and School Financial Health

**Table 6: Chi-Square Test — Association Between Reimbursement Delay and School Financial Distress (N = 50)**

Test Statistic	Value	df	Significance Level (p)
Pearson Chi-Square	18.742	4	0.001
Likelihood Ratio	17.891	4	0.001
Linear-by-Linear Association	14.217	1	0.000
N of Valid Cases	50	—	—

The Chi-square test ( $\chi^2 = 18.742$ ,  $4 = df$ ,  $p = 0.001 < 0.5$ ) indicates that there is a statistically significant association between the period (time) the school is waiting to get reimbursement and the amount of financial distress experienced by the private schools. Longer delays are far more associated with a greater institutional financial pressure in terms of a composite financial health index of cash flow measurements, program spending ratios, and frequency of staff payments. The policy consequences of this result are enormous: reimbursement delay is not an administrative inconvenience but a statistically significant contributor to the financial weakness of institutions.

#### 4.7 Parent Awareness and Satisfaction

**Table 7: Parent Awareness of RTE Entitlements and Satisfaction with Scheme Delivery (N = 102)**

Parameter	Fully Aware/Satisfied	Partially	Unaware/Dissatisfied
Awareness of 25% RTE Reservation	31 (30.4%)	44 (43.1%)	27 (26.5%)
Awareness of Free Textbook Provision	52 (51.0%)	33 (32.4%)	17 (16.7%)
Awareness of Uniform Entitlement	44 (43.1%)	38 (37.3%)	20 (19.6%)
Satisfaction with School Quality	28 (27.5%)	47 (46.1%)	27 (26.5%)
Satisfaction with Fund Utilization	19 (18.6%)	41 (40.2%)	42 (41.2%)

Table 7 indicates that there is a huge awareness and satisfaction discrepancy among parent beneficiaries. Parents know only 30.4% about the entitlement of their children to the 25% RTE reservation, the main financial system of the scheme. Worst still, 41.2% of parents are not satisfied with the transparency of fund usage, which means that the financial performance of the scheme is not in sight of the main stakeholders of the scheme. These results are consistent with the fact that Azam and Kingdon (2015) indicate that the net benefit of the RTE scheme is significantly reduced by indirect costs and information asymmetries to families that are EWS.

#### 4.8 Government Official Perspective on Financial Monitoring

**Table 8: Assessment of RTE Financial Monitoring Adequacy by Government Officials (N = 38)**

Monitoring Dimension	Adequate (n/%)	Partially Adequate (n/%)	Inadequate (n/%)
Fund Disbursement Timeliness	7 (18.4%)	14 (36.8%)	17 (44.7%)
Claim Verification Process	9 (23.7%)	19 (50.0%)	10 (26.3%)
Utilization Certificate Review	12 (31.6%)	17 (44.7%)	9 (23.7%)
Inter-Agency Coordination	5 (13.2%)	13 (34.2%)	20 (52.6%)
Digital Financial Reporting	14 (36.8%)	16 (42.1%)	8 (21.1%)

Table 8 has the self-evaluation of the government officials on financial monitoring dimensions. The information proves that even the officials themselves admit a lot of deficiencies: 44.7% of them believe that fund disbursement timeliness is not sufficient, and the most shocking fact is that 52.6% of them evaluate inter-agency coordination as insufficient. The latter observation is especially crucial from the corporate finance management perspective in that it suggests that the structure of governance of the RTE financial management is dispersed among various agencies of the District Education Office, State Finance Department, Sarv Shiksha Abhiyan (SMSA) Society, and municipal bodies, without effective coordination mechanisms, generating systemic delays and gaps in accountability.

#### 5. Findings of the Study

**The key findings of the empirical analysis are the following and are arranged in terms of the dimensions of the Corporate Finance Management Effectiveness Model:**

- The weighted mean perception score of the adequacy of reimbursement by finance officers on the weighted mean score on the aforementioned is 2.94/5.0, which means that there is a wide perception that the per-child reimbursement is inadequate to meet actual instructional costs. The root cause of this financial inadequacy lies in its structural nature in the reimbursement formula whereby the government school per-child costs are used as a ceiling, rather than the real costs of a private school.
- 62 percent of the private schools have a reimbursement lag of more than five months. This comparison is confirmed by the chi-square analysis ( $p < 0.001$ ) that there is a statistically significant cause of institutional financial distress that is due to these delays. The missing inter-agency coordination noted by 52.6% of the government officials is a major structural cause of disbursement inefficiency.
- Only 33.3% of schools have dedicated RTE fund accounts, 23.3% have internal audits, and 11.7% of schools have third-party auditors. These values show that the financial transparency standards of RTE funds leave much to be desired when it comes to the financial governance of companies.
- The quality of financial management at the School Management Committee is meaningful in only half of the schools. Inadequate awareness of RTE financial provisions by school administrators is also a substantial issue reported by 41.6 percent of the school administrators, which undermines quality financial decision-making at the institutional level.
- Parent beneficiaries are only well-informed of their RTE entitlements (only 30.4%) and unhappy with the transparency of fund use (41.2%). This is a major information asymmetry between the government and scheme beneficiaries, which has a direct effect on the effectiveness of the scheme.

#### 6. DISCUSSION

All the outcomes of this paper are pointers to a root cause of the disconnection between the financial governance structure of the RTE scheme and the needs of good public finance management. The structural underfunding that has been identified, i.e., the reimbursement rate is estimated to be 58-63 percent of what the real cost in the private schools was, is a policy design flaw that cannot be

corrected with the assistance of administrative reform alone. Just as any unsustainable financial system in any corporate setting, the current RTE reimbursement system brings implicit cross-subsidies from the private schools to the public exchequer, which, if this problem is not addressed, will slowly diminish the contribution of the private schools to the scheme and undermine the very reason for its inception.

This phenomenon of delay in reimbursement that was found in this study is analytically equivalent to the accounts receivable issue in corporate finance: government commitments are effectively being funded at the working capital of the private schools, at the expense of implicit financing costs that are neither recognized nor compensated by the state. These long credit terms are suggested by the business finance literature of the best receivables management to result in the cost of capital to the creditor institution being high (Brealey et al., 2020) and, in the absence of any compensating interest, to lead to a form of fiscal extraction of the private schools.

The deficit of a good financial control environment is reflected in the deficit of financial transparency, particularly the low percentage of committed fund accounting (33.3%) and third-party audits (11.7%). This is an internal control system failure under the corporate governance environment of providing a reasonable assurance of the reliability of the financial reporting and regulatory compliance. The New Public Management literature (Hood, 1991) argues that these deficiencies of governance could be particularly costly when it comes to the issue of public-private partnerships, in which the deficiency of information between the government and its counterparts in the business industry offers opportunities to engage in opportunistic behavior in addition to the factual mismanagement.

The inter-agency coordination lack that was reported in this study—over half of government officials of which knew about it—is a structural constraint of the RTE financial management organization structure. At the corporate level, this resembles the matrix organization where accountability lines are not clearly outlined: several agencies are formally in charge of the flow of RTE funds, but none of them is directly accountable. This structural ambiguity is solved through clear mandates, digital fund tracking systems, and the performance evaluation of implementing agencies is predetermined, as a result of which sustainable improvement is achieved.

Parent beneficiaries have poor awareness (30.4 percent are fully aware of entitlements), meaning that the information dissemination side of the RTE scheme is hideously undeveloped. As a tool of financial governance, as well as a communication objective, informed beneficiaries will be in a better position to report financial anomalies and exercise their rights and hold schools accountable in an agency cost savings role between the government, the schools, and families.

## 7. CONCLUSION

This paper has proven empirically that a combination of interrelated corporate finance management failures, including ineffective per-child reimbursement, ongoing disbursement delays, insufficient financial transparency, ineffective coordination of agencies, and low awareness by beneficiaries, is significantly limiting the effectiveness of the RTE scheme in Nagpur District. These results, which are based on primary data of 276 respondents in 60 primary schools, provide empirical focus to a body of literature that has tended to respond to these questions in broad strokes. The Corporate Finance Management Effectiveness Model that has been used in this paper, positioning scheme effectiveness as a product of the adequacy of funds, disbursement efficiency, financial transparency, and quality governance, aids the analytical framework to be used in examining and redesigning welfare education schemes in a practical manner. The policy interventions that will be implemented in the future must be systemic and focus on all the four dimensions at the same time as opposed to the piecemeal administrative reforms. The specific policy proposals based on the study are the redesign of the RTE reimbursement formula to include the actual costs of instruction in the private schools; (ii) legal timelines with penalties of reimbursement default; (iii) compulsory special RTE fund accounting and annual third-party audit; (iv) online inter-agency fund tracking systems with real-time dashboards; and (v) designed The study has implications that are not only limited to Nagpur District or

even Maharashtra. The financial governance issues recorded in this instance are typical of the larger national RTE implementation context and indicate that it is only on the condition of being supplemented by a correspondingly stringent financial governance apparatus that the transformative educational vision of the RTE Act could be brought into existence.

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