Enhancing Excellence: Trade-off Between Socially Motivated and Profit Motivated Private Schools in Nepal

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Introduction/Motivation

- Investment in schooling is central to economic growth

- Recent decades have witnessed rapid growth of private schooling, showing that private sector can be an important provider of investment in education

- There is a general consensus that in most countries students in private (relative to govt) schools score higher on exams
  - There are exceptions too: Beegle & Newhouse (2006) for Indonesia, Somers et al. (2004) for Latin America, & Chudgar & Quin (2012) for India.

- There are, however, two issues that remain rather underexplored:
  - First, the existing literature largely treats the private education sector as a monolithic entity by assigning a common dummy variable to all non-state schools, which is at odds with the coexistence of heterogeneous private schools
  - Second, existing studies seem to ignore the cost of provision and implicitly rely on inefficiency of public schools to establish private school efficiency. As such most studies do not explain why the private schools are superior.

- We aim to bridge these gaps in the literature.

Aims and Objectives

- ## We assess the impact of school choice on school efficiency
  - We take account of the diversity of private schools and distinguish between profit-motivated and socially-motivated private schools.

- ## We highlight the importance of relative efficiency
  - We highlight the importance of departing from the conventional absolute efficiency measure as it does not take account of the costs per student incurred by school or the efficiency with which these costs are incurred.
    - We therefore consider <u>relative efficiency</u>: gain in standardised test score per unit expenditure incurred by the school, i.e. the value for money .

- The rationale for our hypothesis that private school diversity may differentially affect school performance is derived from a simple theoretical model of non-state school competition.
  - This explains why different types of private schools may pursue different objectives, which in turn induce them to choose different inputs, thus explaining the provision of differential qualities of education

- Using a unique dataset from Nepal, we then test the implication of our hypothesis that private school diversity may lead to differential absolute and relative efficiency.

Diversity in the Private School Sector

- Unlike many of the existing studies, the private education sector may display extreme diversity.
  - Profit-motivated private schools which are generally well funded, but may not necessarily maximize student achievement.
  - Some private schools may be socially motivated and as such may pursue non-profit objectives, partly or entirely education-oriented.
    - Faith schools are a common example of this; so are schools run by NGOs for under-privileged children.
  - Such socially motivated schools are free from the public sector bureaucracy and hence are in a better position to provide good education.
- Education is a public good and the importance of social objectives in providing public good is now well recognized (Besley and Ghatak, 2007).
- There is also evidence that engagement with religious and social organizations can compensate for disadvantages (such as broken family, extreme poverty and loss of parents) suffered earlier in life (Dahejia et al., 2007).

The case of Nepal

- Nepal has undergone two remarkable experiences in recent times.
  - First, it made transition from monarchy to multi-party democracy in 1990
  - Secondly this transition was followed by a ten year long (1996-2006) serious conflict between the Maoist Communist Party and the government.
  - The conflict ended with the Communist Party joining mainstream politics.

- During this entire period the country has witnessed a dramatic growth of private schools, perhaps due to a growing sense of optimism arising from the introduction of multiparty democracy.
  - The English-medium instruction offered in most private schools emerged as an important source of differentiation

- Nevertheless, Nepal's multilingual, multi-ethnic and multicultural character presents a great challenge to achieving the target of 'education for all' with a view to ensure decent job opportunities and better lives for young people.

Private schools in Nepal

- There are broadly two types of private unaided schools in Nepal, company-run schools and trust-run schools
  - The trust-run schools in Nepal have a long history of being funded by philantrophers, religious groups and now by NGOs to promote education (and plausibly other social objectives). Though these schools are a minority (3% in our sample), they are widely respected for their social roles.
    - For example, **Pahar Trust Nepal** is a well-known trust that aims to promote education in poorest areas.
    - **Nepal Schools Trust** is a Scottish charity working to educate children among farming communities.
  - In contrast, the company-run schools are more of a recent phenomenon, that has emerged after 1990 with Nepal's transition to multiparty democracy and has proliferated rapidly (about 15% in our sample for 2004) since then.
- These two types of private schools have often disagreed on shaping the education policy of the government of Nepal, which suggests that the trust-run schools are taken seriously; see Caddell (2007), and Carney and Bista (2009).

Theoretical rationale

- Since the objectives of the private school operators are unobservable, we consider a simple theoretical structure of school competition.

- This helps to explain how profit/social motivation of trust/company schools can lead to different choice of school inputs/expenditure and hence different performance.

- Let us consider school competition involving a public school and two private schools -- one being profit motivated (like the company run schools) and the other being socially motivated (like the trust-run schools) of Nepal.

Analytical structure

- *N* children to attend schools (no ability difference)
- *N* households differing in income, but not in preference
- Three schools:
  - Public school (state-run)
  - Socially motivated trust-run school
  - Profit-motivated company-run school
- Two periods:
  - Period 1: students are admitted and receive a school-specific public good H_i.
  - Period 2: students sit in a test and receive a score <u>randomly</u>

Schools

- Public school:
  - Default option, no fees; funded by government grants
- Trust school
  - aims to maximize average test score of the students plus some non-educational social objective
  - Charges a (small) fee, but admission preference is given to the poor students
  - Receives grants from charitable organizations
- Company-run private schools
  - Maximizes profit
  - Charges a (high) fee

School choice

- School choice is made by considering the average test score for a school

- School specific average test score: $\alpha_i = \alpha(H_i, n_i)$, i=1,2 respectively for trust and company schools

- H_i = Public good (expenditure/student, teaching/management etc.) $\rightarrow$ positively increases α_i

- n_i = Number of students admitted in school i $\rightarrow$ negatively affects α_i (Congestion effect)

Households' school choice
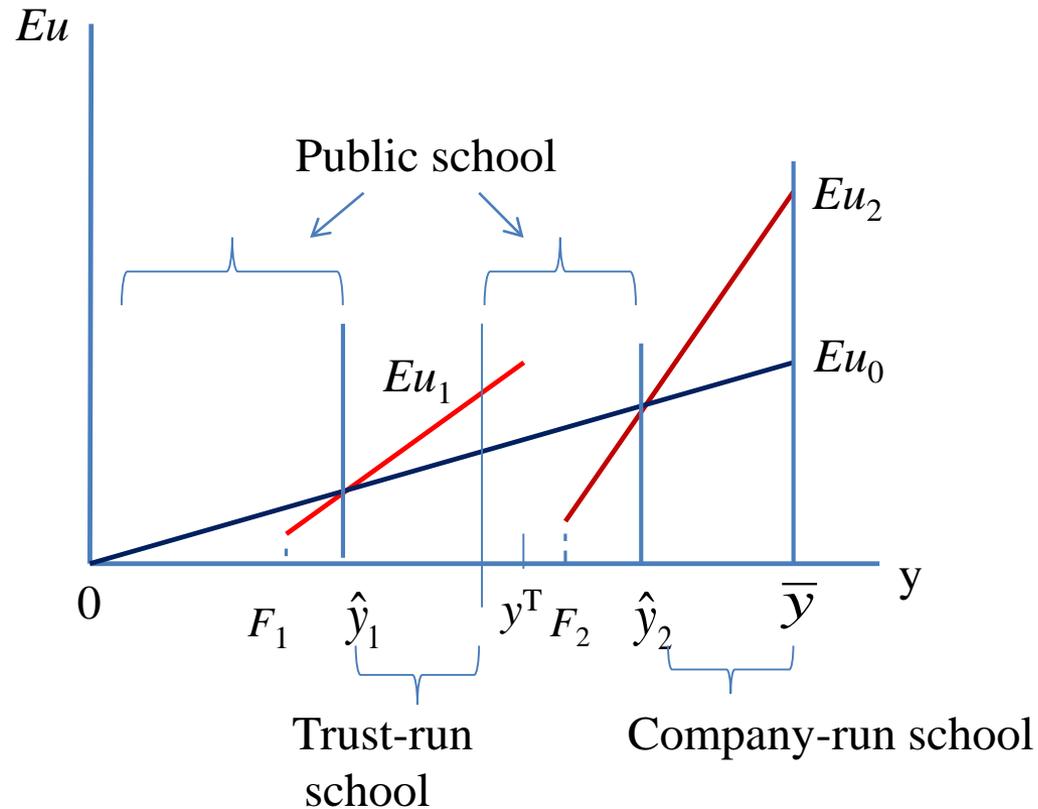
School Choice: Extremely poor will go to the public school
Not so poor will go to the trust school, but some middle class
students may end up in the public school

Company school maximizes profit.
Test score is not maximum at that point.
It chooses h_2^*,
but socially desirable to have h_2^{**}

α, π

Trust school maximizes
Average score

α_2^{**}

α_2^*

$\alpha_2(K_2)$

$\alpha_1(K_1)+w(x)$

α_1^*

$\pi\,(F_2^*)$

$\alpha_1(K_1)$

h_1

h_1^*

h_2^*

h_2^{**}

h_2
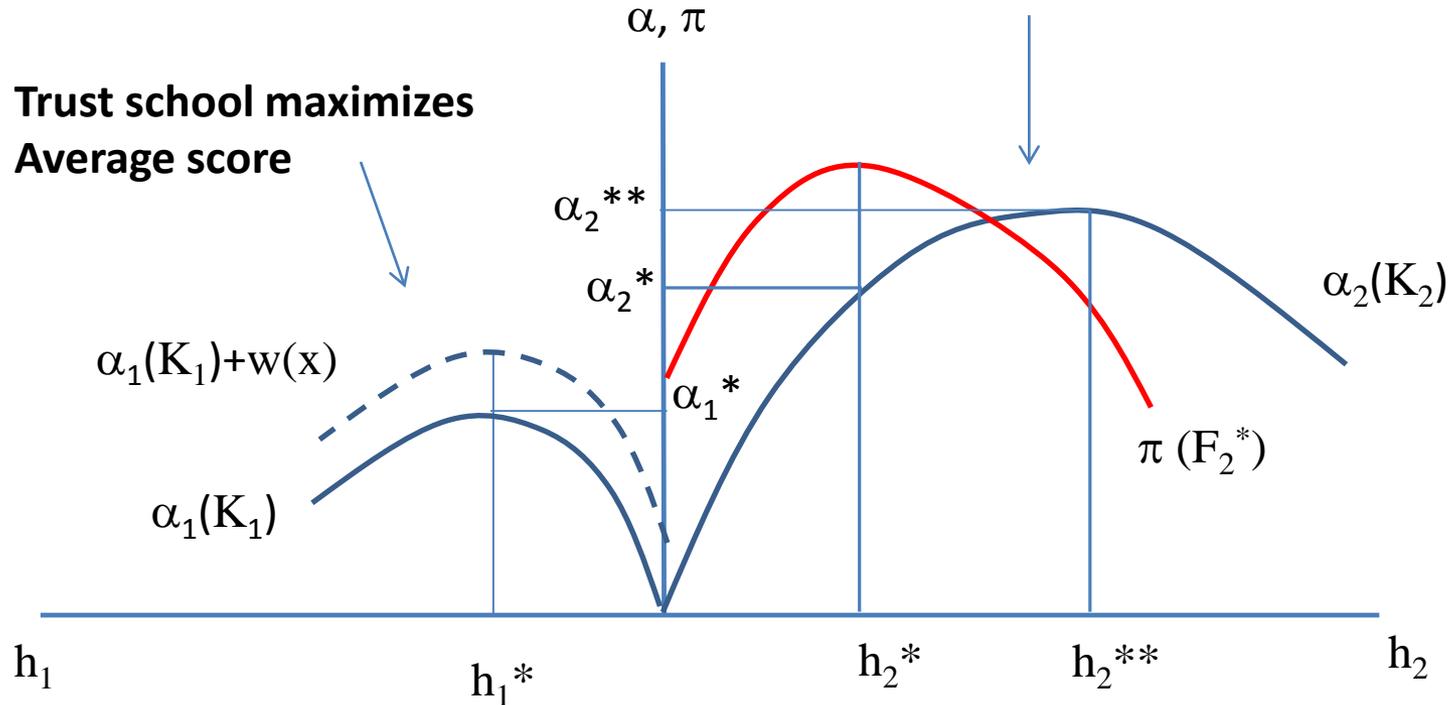
h1: Expenditure per student in trust run school
h2: Expenditure per student in company-run school

Efficiency of expenditure use

- The trust school may have a lower level of average test score, but it is the most efficient user of resources/expenditures, thus highlighting the need to distinguish absolute efficiency from relative efficiency

- The company-run school may have a higher level of average test score on average, but it suffers from a tension between its need to maximise profit and also the average test score.

  - As such, test scores would increase more if more funds are directed to trust schools

- Accordingly, we shall examine the effect company/trust school choice on absolute and relative efficiency

Data

- We use a national survey commissioned by the Ministry of Education of Nepal and conducted by the World Bank (Nepal) to assess student- and school-level determinants of success of the School Leaving Certificate (SLC) examinations from 2002 to 2004

- There are a total of 432 schools and 122 of them are privately run.

- We distinguish between three types of schools:
  - Fully funded government schools
  - Partly-aided private schools
  - Fully unaided private schools (PUA) - run by private company or trusts

- We merge school, teacher and individual level data

- While the sample data covers students repeating SLC examinations over 2002-2004, we primarily focus on those who are attempting this exam for the first time.

- Our analysis focuses entirely on about 8000 non-boarding students attending 432 schools;
  - Because choice of schools in the local neighbourhood matters for this group.

SLC Test scores

- There are six compulsory subjects in School Leaving Certificate (SLC) examinations in Nepal. These are Nepalese, English, Maths, Science, Social Studies and Health and Physical Education.

- Students also take two more optional subjects

- We observe both subject-level and total SLC test scores in our data.

- We standardise each test score (total as well as subject-level) by subtracting it from its sample mean and then dividing by its standard deviation.

Efficiency measures

- We have info on detailed expenditure per school which includes staff salaries, expenditure on training and staff development, educational materials, sports equipment and activities, office supplies and stationary, repair and maintenance of physical activities, capital and infrastructure development.

- By aggregating the school's individual expenditure items, we create a school level total expenditure variable and then express it as per student basis.

- We thus generate school expenditure per student for each of the survey years 2002-04 and adjust them by the 2000 price level to generate the three year average school expenditure per student.
  - We prefer this measure of 3 years' annual average school expenditure per student for our analysis as it is a more long-term measure of school expenditure per student and hence a better determinant of student test scores.

- We thus create two efficiency measures:
  - **Absolute efficiency AE**: Standardised test scores
  - **Relative efficiency RE**: Standardised test scores/log(expenditure per student)

Comparisons of sample schools

Variables	Govt. schools	PA schools	Trust schools	Company schools
Mean aggregate (raw) test scores	373.46	370.83	487.13	489.39
	(81.70)	(90.57)	(112.95)	(83.29)
Mean aggregate standardized test scores	-0.10	-0.13	1.04	1.06
	(0.82)	(0.91)	(1.13)	(0.84)
Mean aggregate relative standardized test scores	-0.13	-0.19	0.19	0.17
	(0.39)	(0.62)	(0.37)	(0.21)
Mean pupils per teacher*	43.12	43.42	24.83	19.21
	(22.98)	(21.49)	(9.60)	(3.59)
Mean annual expenditure per student ('000 Re)*	3.87	2.65	5.36	6.00
	(5.51)	(2.72)	(5.32)	(3.844)
Mean annual salary of teacher ('000 Re)	117.13	80.09	85.86	53.75
	(231.17)	(43.90)	(71.13)	(20.00)
Mean share of teacher's salary in total expenditure	0.82	0.83	0.68	0.74
	(0.21)	(0.47)	(0.15)	(0.24)
Share of schools in total schools	0.50	0.22	0.03	0.25
Share of schools in total				

Comparison of trust and company schools

VARIABLES	(1) All Trust school	(2) Urban Trust school	(3) Rural Trust school
Age	0.00563***	0.0107***	0.00236***
	(0.000792)	(0.00146)	(0.000814)
Founder-head	0.177***	0.165***	0.109***
	(0.0165)	(0.0218)	(0.0275)
Pupils per teacher	-0.00280***	-0.00677***	0.00145**
	(0.000795)	(0.00113)	(0.000631)
Has parent-teacher association	0.0285	0.0364	-0.0362**
	(0.0176)	(0.0280)	(0.0160)
Exp. Per student	-0.00533***	-0.00607***	0.000418
	(0.000384)	(0.000492)	(0.00205)
Has trained teachers	0.491***	0.526***	0.361***
	(0.0330)	(0.0389)	(0.0875)
Rural	-0.0397***		
	(0.0118)		
Constant	-0.124***	-0.114***	-0.144***
	(0.0228)	(0.0312)	(0.0409)
VDC dummies	Yes	Yes	Yes
SLC year dummies	Yes	Yes	Yes
Observations	2,509	1,567	942
R-squared	0.497	0.442	0.807

Comparison of school expenditure across school types

VARIABLES	(1) All Log(exp/std)	(2) Urban Log(exp/std)	(3) Rural Log(exp/std)
Trust school	-1.494***	-1.906***	0.264
	(0.167)	(0.191)	(0.350)
Company school	0.411***	0.375***	0.371***
	(0.0405)	(0.0900)	(0.0534)
Private aided school	-0.116***	-0.116**	-0.113***
	(0.0225)	(0.0459)	(0.0264)
Age	0.00474***	-0.00221	0.00669***
	(0.000988)	(0.00165)	(0.00122)
Founder head	0.117***	-0.0205	0.261***
	(0.0229)	(0.0426)	(0.0278)
Pupils per teacher	-0.00428***	-0.00669***	-0.00376***
	(0.000528)	(0.00213)	(0.000534)
Has parent-teacher asso	-0.295***	-0.736***	0.0349
	(0.0209)	(0.0438)	(0.0221)
Trained teachers	0.0857***	0.188***	0.1000***
	(0.0204)	(0.0544)	(0.0240)
Rural	0.0253		
	(0.0213)		
Constant	1.490***	1.994***	1.027***
	(0.0599)	(0.136)	(0.0743)
VDC dummies	Yes	Yes	Yes
SLC year dummies	Yes	Yes	Yes
Observations	8,226	3,050	5,176
R-squared	0.337	0.418	0.369

Social motivation of trust schools

- We consider the dominant characteristics of trust (as opposed to company) schools in our sample:
  - Trust schools tend to be older and are more likely to have heads who are also the founder, thus minimising the agency problems prevalent between owners and managers
  - Trust schools tend to rely more on trained teachers, but does so at a lower expenditure per student;
  - Trust schools tend to have a lower PTR (except for the rural areas) and greater parental involvement.
- This evidence tend to strengthen the argument for social motivation of trust (as opposed to company) schools in Nepal

School type dummies

- Schools thus differ significantly in terms of choice of teaching and non-teaching inputs
- This justifies the inclusion of controls for various private school types: private aided, company and trust schools, which account for key differences between these schools (relative to government schools):
  - Teachers' incentives and efforts
  - Pupil-teacher ratio
  - Access to non-teaching inputs
  - Head teacher's autonomy in disciplining teachers
  - Pedagogical method
  - Parent-teacher communications
- School choice is captured by the school type dummies which in turn allow us to examine the differential effects of school choice on absolute and relative efficiency scores.

Standardised SLC test score equation

- For <u>homogenous private schools,</u> the test score equations (absolute/relative) are:

$$T_{is} = b_0 + b_1 S_i + \gamma(fc_i) + u_{is}; \ T_{is}/S_x = c_0 + c_1 S_i + \gamma(fc_i) + u_{is}$$

- where S denotes any private school attended by the i-th student
- S_x is the school expenditure per student
- T_{is} *measures absolute efficiency (AE);* T_{is}/S_x measures relative efficiency (RE);
- Considering <u>heterogeneous private school</u> case, we have:

$$T_{is} = a_0 + a_1 S_{1i} + a_2 S_{2i} + a_3 S_{3i} + \gamma(fc_i) + u_{is}$$

$$T_{is}/S_x = d_0 + d_1 S_{1i} + d_2 S_{2i} + d_3 S_{3i} + \gamma(fc_i) + u_{is}$$

- School diversity is captured by including three school type dummies: S_1: company-run school; S_2 : trust-run school; $S_{3:}$ PA school; thus fully funded govt schools act as the reference category; we also control for family characteristics fc of the i-th student.
- We also control for unobserved VDC and SLC year-level fixed effects.

School choice equation

- The estimates of *school type dummies* would however be biased if the choice of specific type of school by students/parents is correlated with unobserved factors that determine test scores.
    - In order to redress, we adopt a 2SLS IV method
- We start with the school choice equation for the i-th child from the j-th household attending s-th school and residing in the v-th community (proxied by Village Development Committee)

    - Homogenous school: $Y^*_{ijsv} = a_0 + a_1 S_{IVijs} + a_2 W_{ijv} + u_{ijsv}$
    - Heterogeneous schools: We have three school choice equations each for S1, S2 and S3 schools using at least one IV for each choice:
        - S_{1IV}(no of private schools in the vdc);
        - S_{2IV} (if the head is the founder: which minimises the agency costs)
        - S_{3IV} (minutes taken to walk to schools)
    - The variable Y^* is related to a observable school choice variable, which takes a value 1 if the child goes to a company-run school, 2 if the child goes to trust-run school and zero otherwise.
    - W includes a set of individual (e.g. gender, age) and household (e.g. parents' education, income and caste) and community characteristics (variables also included at the 2nd stage) plus VDC and SLC- year level unobserved factors

IV estimates of school efficiency

- We use the first stage estimates to predict the value of the potentially endogenous variables, namely $S\,IV$ for S (case of homogenous private schools) or $S_{1i}\,IV$, $S_{2i}\,IV$ and $S_{3i}\,IV$, respectively for S_{1i}, S_{2i}, S_{3i} (case of heterogeneous private schools), which are then used to estimate the IV counterparts of the linearized equation (5) for the following cases:

- <u>AE</u>: Homogenous pvt schools: $T_{is} = a_0 + a_1 S_{IVi} + \theta(X_i) + u_{is}$

- <u>AE</u>: Heterogeneous pvt schools: $T_{is} = b_0 + b_1 S_{1IVi} + b_2 S_{2IVi} + b_3 S_{3IVi} + \gamma(X_i) + u_{is}$

- <u>RE</u>: Homogenous pvt schools: $T_{is}/S_x = c_0 + c_1 S_{IVi} + \delta(X_i) + u_{is}$

- <u>RE</u>: Heterogeneous pvt schools:
  $$T_{is}/S_x = d_0 + d_1 S_{1IVi} + d_2 S_{2IVi} + d_3 S_{3IVi} + \beta(X_i) + u_{is}$$

X: all other controls

Linear probability estimates of school choice

VARIABLES	(1) Pvt sch.	(2) Company sch.	(3) Trust sch.	(4) PA sch.
Number of Pvt sch/vdc	0.0251**	0.0384***		
	(0.0100)	(0.0109)		
Founder is the head	-		0.109**	-
			(0.0506)	
Minutes to walk to Sch.	-			0.000850*
			-	(0.000479)
Constant	1.354***	1.060***	0.117	-0.0318
	(0.183)	(0.180)	(0.0975)	(0.214)
SLC year dummies	Yes	Yes	Yes	Yes
VDC dummies	Yes	Yes	Yes	Yes
Other control variables	Yes	Yes	Yes	Yes
Observations	7,070	7,070	7,573	7,573
R-squared	0.633	0.576	0.150	0.044

Other control variables are the same as in the second stage

OLS and IV estimates of AE

VARIABLES	(1) OLS AE	(2) IV AE	(3) OLS AE	(4) IV AE
Pvt Sch.	1.006***			
	(0.0245)			
Pvt Sch. IV		0.944***		
		(0.0975)		
Private aided sch			0.0760***	
			(0.0268)	
Company Sch.			1.026***	
			(0.0250)	
Trust Sch.			0.978***	
			(0.0558)	
Private aided sch IV				-0.991***
				(0.276)
Company Sch. IV				0.855***
				(0.0564)
Trust Sch. IV				2.685***
				(0.211)
Constant	2.262***	1.789***	2.247***	2.178***
	(0.179)	(0.215)	(0.179)	(0.209)
IV exclusion: F-stat		0.02 (0.89)		2.539 (0.15)
IV over-id F (p-val)		0.00 (1.00)		0.00 (1.00)

OLS and IV estimates of RE

VARIABLES	(1) OLS RE	(2) IV RE	(3) OLS RE	(4) IV RE
Pvt Sch.	0.497***			
	(0.0434)			
Pvt Sch. IV		0.803***		
		(0.0518)		
Private aided sch			-0.458***	
			(0.154)	
Company Sch.			0.549***	
			(0.0473)	
Trust Sch.			-0.312***	
			(0.114)	
Private aided sch IV				-1.655***
				(0.522)
Company Sch. IV				0.626***
				(0.0740)
Trust Sch. IV				1.209***
				(0.295)
Constant	1.915***	2.550***	1.965***	2.691***
	(0.554)	(0.465)	(0.547)	(0.473)
IV exclusion: F-stat		0.05 (0.81)		2.41 (0.12)
IV over-id: F-stat (p)		0.00 (1.00)		0.00 (1.00)
Observations	8,701	7,464	8,701	7,464

IV estimates of AE & RE by region

VARIABLES	(1) Rural	(2) Urban	(3) Rural	(4) Urban
	AE	AE	RE	RE
Private aided sch IV	-0.766**	-1.228***	-1.376**	-1.514**
	(0.329)	(0.459)	(0.681)	(0.622)
Company Sch. IV	1.225***	0.403***	1.257***	0.0547
	(0.0764)	(0.0787)	(0.120)	(0.0847)
Trust Sch. IV	0.320	5.387***	-0.619	3.038***
	(0.282)	(0.322)	(0.453)	(0.356)
Constant	2.697***	2.019***	3.232***	2.065***
	(0.270)	(0.355)	(0.732)	(0.556)
Other controls	Yes	Yes	Yes	Yes
VDC dummies	Yes	Yes	Yes	Yes
SLC year dummies	Yes	Yes	Yes	Yes
Observations	4,595	2,869	4,595	2,869
R-squared	0.355	0.436	0.158	0.309

Key findings

- We see that private schools as a whole perform better both in terms of an absolute scores and relative scores.

- However, among the private schools, it is the socially motivated trust schools that do systematically better than the profit motivated company-run schools.

- This is borne out by OLS estimates, and more so by the IV estimates, that redresses the potential endoegeneity of school choice variables

- However the national picture hides a regional disparity:
  - It turns out that the supremacy of the trust school holds only in the urban areas, while in the rural areas the company-run schools perform the best.

Effect of school choice on further study

VARIABLES	(1) All SLCpass	(2) studying	(3) Urban studying	(4) Rural studying
Company school IV	0.813***	-0.101	0.0244	-0.247***
	(0.284)	(0.0665)	(0.0818)	(0.0804)
Trust school IV	0.260	0.362*	0.642***	0.0565
	(1.097)	(0.209)	(0.234)	(0.214)
Private aided sch IV	0.385*	-0.0257	0.0966	-0.245**
	(0.231)	(0.0738)	(0.0958)	(0.114)
Rural	-0.330***	-0.0104	Dropped	Dropped
	(0.114)	(0.0231)		
Selection correction		-0.0570***	-0.0379	-0.0804**
		(0.0193)	(0.0270)	(0.0356)
Constant	4.743***	1.244***	1.187***	0.0428
	(0.529)	(0.177)	(0.235)	(2.810)
District dummies	Yes	Yes	Yes	Yes
SLC year dummies	Yes	Yes	Yes	Yes
Other controls	Yes	Yes	Yes	Yes
Observations	5,189	2,821	1,612	1,209
R-squared		0.063	0.074	0.088

Possible explanations

- Trust-run schools appear to be <u>socially responsible</u> (recruits more trained teachers at a lower cost) and have the <u>efficient technology</u> to utilize teachers (even when they are unionised), <u>using smaller ptr, greater parental involvement and complementary non-teaching inputs</u> to deliver schooling excellence in a low income country.
  - This argument gains more ground when we compare the trust school's performance with the PA schools: such schools seems to lack teacher incentive despite high salary ratio, higher ptr and at the same time fall prey to local interest groups.
  - The full sample results are driven by the results for the urban areas where it is easier for trust school to enhance excellence by hiring good teachers as well as ensuring efficient utilisation of good teachers through greater parental involvement.
- While profit can be good driver of private investment in starting new schools, it may fail to generate high test scores over longer time horizon.
- Undoubtedly, the quality of education matters and it is unlikely to be sustained by the profit motive alone.

Robustness tests

- We now try to rule out several competing explanations.

    – Persistence of learning effects: we estimate a lagged value-added model

- Student's subject-level aptitudes : we use a subject fixed effects estimates that account for the subject-level unobserved heterogeneity for sample students

- We check if our baseline estimates hold in these cases too.

AE & RE estimates of lagged valued added model

VARIABLES	(1) All AE	(2)Rural AE	(3)Urban AE	(4) All RE	(5) Rural RE	(6) Urban RE
PA Sch. IV	-0.301	0.159	-1.095**	-2.063**	-1.198	-2.427
	(0.209)	(0.357)	(0.443)	(0.985)	(0.791)	(1.558)
Company Sch. IV	0.106	1.156***	-0.132	0.373	0.540**	-0.073
	(0.658)	(0.160)	(0.321)	(0.373)	(0.234)	(0.431)
Trust Sch. IV	0.875***	-1.157**	2.983**	0.200	-0.538	1.906**
	(0.172)	(0.568)	(1.208)	(1.598)	(2.097)	(0.762)
Lagged score	0.677***	0.628***	0.738***	0.730***	0.781***	0.683***
	(0.030)	(0.041)	(0.026)	(0.071)	(0.064)	(0.131)
Constant	1.052***	0.891***	0.855	1.563**	1.967**	-8.146
	(0.235)	(0.309)	(2.030)	(0.663)	(0.778)	(6.214)
Other controls	Yes	Yes	Yes	Yes	Yes	Yes
VDC dummies	Yes	Yes	Yes	Yes	Yes	Yes
Time dummies	Yes	Yes	Yes	Yes	Yes	Yes
Observations	4,715	3,097	1,618	3,764	2,619	1,145
R-squared	0.680	0.640	0.757	0.314	0.468	0.368

Subject fixed-effects estimates of AE & RE

	(1) All	(2) Rural	(3) Urban	(4)All	(5) Rural	(6) Urban
VARIABLES	AE	AE	AE	RE	RE	RE
PA Sch. IV	0.113	0.113	-0.095	0.918**	0.870**	1.889
	(0.113)	(0.113)	(0.265)	(0.360)	(0.367)	(1.515)
Company Sch. IV	0.905***	0.879***	0.966***	0.620***	0.798***	0.411
	(0.120)	(0.126)	(0.221)	(0.225)	(0.278)	(0.364)
Trust Sch. IV	1.077***	0.620*	1.897***	1.555**	0.957	2.577**
	(0.292)	(0.316)	(0.372)	(0.778)	(0.698)	(1.187)
Constant	2.081***	1.789***	3.382	1.701***	1.636**	-5.636
	(0.233)	(0.277)	(3.260)	(0.586)	(0.692)	(5.685)
Other controls	Yes	Yes	Yes	Yes	Yes	Yes
Subject dummies	Yes	Yes	Yes	Yes	Yes	Yes
VDC dummies	Yes	Yes	Yes	Yes	Yes	Yes
Observations	21,875	15,310	6,565	21,875	15,310	6,565
R-squared	0.653	0.645	0.683	0.240	0.245	0.286

Concluding comments

- We use unique data to assess the effect of diverse private schools on absolute and relative efficiency in Nepal

- We find that socially motivated schools can outperform both profit-motivated schools and the government schools.
  - Being free from the profit motive, trust schools focus on spending on educational improvements, carefully choosing their teaching and non-teaching inputs to enhance learning
  - Government schools, which are supposed to be socially motivated too, appear to be hamstrung by bureaucracy (difficult to fire teachers) leading to wastage

- Further, education is important for peace building through social inclusion and cohesiveness, especially in a country like Nepal which suffered more than a decade from civil conflicts.
  - We envisage that socially motivated trust schools have an important role to play in the process of rebuilding in the country.