

Cost Benefit Analysis (CBA)

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Cost Benefit Analysis (CBA)

- It is a process by means of which we are going to know the worth or value of particular program.
- It can be explained as a procedure for estimating all costs involved and possible profits to be derived from a program or proposal.

ORIGIN OF CBA IN EDUCATION

“...a man educated at the expense of much labor and time to any of those employments which require extraordinary dexterity and skill, may be compared to one of those expensive machines. The work which he learns to perform, it must be expected, over and above the usual wages of common labor, will replace to him the whole expense of his education...” Adam Smith [1776] (Smith, 2009).

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"human capital revolution in economic thought" originating at the University of Chicago in the early 1960s, education has been seen by economists as an investment, similar to investment in physical capital (like machinery, technology, buildings). Educating a person entails a series of costs during schooling, and yields a series of benefits to the graduate and to the society at large over his or her lifetime (Mincer, 1958) (Schultz, 1961) (Becker, 1975).

ESSENTIALS OF CBA

- TYPOLOGY OF EDUCATIONAL PROGRAMS
- COSTS AND BENEFITS
- COST BENEFIT MEASURES
- THE ESSENCE OF CBA

Continued -

➤ TYPOLOGY OF EDUCATIONAL PROGRAMS-

- i) General programs- representing nationwide pre-primary, primary, lower and upper secondary, tertiary education and life-long learning.
- ii) Special programs -targeting particular population groups, such as children from lower socio-economic backgrounds, foreigners, gifted children, the mentally or physically disadvantaged, the unemployed, or particular problems, such as early school leaving.
- lii) Educational interventions- leading to specific modifications to educational processes. For example, the introduction of e-tablets or other educational tools, the modification of the performance grading scheme, etc.

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➤ Costs and Benefits

Costs-

- i) **Direct costs** refer to expenses like public expenditure on teacher's and administrative salaries, school buildings, teaching equipment, and so on.
- ii) **Indirect costs** refer to what a working-age student could have earned in the labour market if he/she was not attending school.
- iii) **Private costs** only include schooling expenses that are incurred by an individual. This includes, for example, tuition fees, expenditures on school related materials (private direct cost), and foregone earnings after tax (private indirect cost).
- iv) **Social costs** include all costs of schooling, irrespective of who is paying for it: an individual, other individuals, or taxpayers via public budgets.

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Benefits –

- **Education benefits** refer to the extra earnings or extra productivity of a more educated person relative to a less educated one.
- **Private benefits** are typically measured by the increase in net earnings (after tax) due to educational treatment.
- **Social benefits** are typically measured by incremental before-tax earnings due to educational treatment.

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➤ COST BENEFIT MEASURES-

Two cost-benefit measures have been computed or estimated in the literature, each answering a different question. They are-

- i) **The private rate of return** compares the costs and benefits of education as incurred and realized merely by the educated individual.

- ii) **The social rate of return** compares costs and benefits from the whole country or society's point of view.

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➤ The essence of CBA

It is the comparison of all costs and benefits related to the program considered. In the most general form, the costs and benefits of an educational intervention (program) from the societal point of view (net social benefits) can be summarized as follows:

Net monetary benefits to society =

- + savings to government
- + benefits to participants
- + benefits to rest of society
- public costs
- private costs of the program

Factors Influencing CBT-

- No. of students
- No. of faculties-(a) contract (permanent)
- Nature of Courses
- Nature of medium used for education/institution-(a) Print (b) Electronic
- Procedure of course development- (a) Planning (b) Designing

Need of CBA-

Planning

Decision Making

Evaluation

PROCESS-

ASSUMPTION AND COLLECTION OF DATA



COMPARISON OF SYSTEM COST-(A) MEASURING COST EFFICIENCY (B) MEASURING COST EFFECTIVENESS



APPLICATION TECHNIQUES/STRATEGIES



CONCLUSION-REPORTING

REFERENCES-

- ❖ <http://egyankosh.ac.in/bitstream/123456789/42552/1/Unit-3.pdf>
- ❖ <https://www.sjsu.edu/faculty/watkins/cba.htm>
- ❖ <https://economictimes.indiatimes.com/definition/cost-benefit-analysis>
- ❖ [file:///C:/Users/hp/Downloads/Edu%20\(1\).pdf](file:///C:/Users/hp/Downloads/Edu%20(1).pdf)