



**PRIVATE SCHOOLS  
FOR THE POOR:  
A CASE STUDY  
FROM INDIA**

**James Tooley and  
Pauline Dixon**



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A CASE STUDY FROM INDIA**

James Tooley and Pauline Dixon 2003

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## FOREWORD

The CfBT Research and Development Committee currently has the capacity to reinvest over one million pounds annually of surpluses generated from CfBT's activities, into educational projects in this country and abroad. These funds are used to support many exciting and interesting projects (such as the Private Schools for the Poor study in India).

In 2002, CfBT committed to a programme of research and seminars, resulting in a series of publications, which examines international experience of alternative models of education provision, with a view to encouraging more diversity of provision in this country. By means of this current cluster of publications, CfBT's Research and Development Committee seeks to show that:

- ♦ there are advantages to recirculating profits – or the dividend - generated by education within education. As a not-for-profit or social enterprise which makes a surplus, CfBT shows, by the use which it makes of its funds, that private companies extracting shareholder value and governments spending and taxing are not the only ways forward for educational development. The twenty-first century 'silent revolution' in all-age learning will come in many shapes and sizes.
- ♦ there are ways in which people paying directly for their own learning can contribute to the silent revolution among populations infinitely poorer than those in 'the West'. Paying fees is not always

a way of buying privilege, but it may be the quickest and best way of securing elementary rights to elementary learning. It was in first industrial revolution Britain: why not in twenty-first century developing economies?

- ♦ there are ways in which stakeholders in schooling, as well as in lifelong learning, can generate, own and govern their own organisations for learning and teaching. In a word, 'mutual improvement', by means of co-operative and mutual enterprise. 'The state' and 'the economy' are not the only – rather abstract – stakeholders in learning and its results. Other stakeholders include: teachers as active professionals rather than passive servants; parents as skilled and interested parties rather than as nuisances; pupils and students as co-producers rather than as consumers of the processes of schooling; and 'the community' as communities of real people rather than as an abstraction.
- ♦ there are ways of organising schooling and lifelong learning other than the ways which currently characterise the British way.

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## EXECUTIVE SUMMARY

It is the accepted wisdom in development circles that it is a matter for governments and bilateral/multilateral agencies to solve the problem of achieving 'education for all'. This is curious, for in other areas of our lives the opposite assumption is accepted – even by Nobel Laureate, Amartya Sen, who points to the crucial role of markets in achieving high economic growth, poverty reduction and freedom. Why is education an exception? Why isn't the education community worried about the impact on the poor of the unaccountable 'powerful bureaucracies' cited by Sen as dangers of state-sponsored development? The emphasis of development experts is especially odd given studies that have shown the relative superiority of private over public education in developing countries, in terms of achievement and cost-effectiveness. However, although such studies have controlled for socio-economic status and self-selection bias, the assumption is that private schools serve the upper classes and so are irrelevant to debates about the poor.

This report challenges this assumption. It outlines research investigating the phenomenon of private schools serving low-income families in Hyderabad, India, and suggests that the development community's dismissal of a valuable role for the private sector in meeting the educational needs of the poor is unwarranted.

In particular, the research set out to explore how an external agency might be able to assist with capacity building in private schools serving the poor. To this end, fifteen schools were opportunistically selected from the huge number of private schools serving low-income families in Hyderabad. Within these

schools, random samples of parents and children, all of the teachers and all but one of the entrepreneurs, were interviewed in-depth to build up a comprehensive picture of the schools, their successes and shortcomings. The official regulations were also examined in detail and interviews with senior politicians and civil servants conducted to explore the extent to which the regulatory environment was met in practice.

The study revealed a huge private sector serving poor families in the slums. Official figures from Hyderabad District revealed 61% of pupils in the private unaided sector, in a thousand such schools. The project schools were found to have average fees of about £2 per month, an average student-teacher ratio of 29:1 and a majority of teachers who were graduates. Perhaps not surprisingly, given the burgeoning of the sector, it was found that running schools, even for low-income families, was potentially a profitable undertaking, with estimated profits of about 25%. Fathers were found to be largely daily-paid labourers and 30% of mothers were illiterate, but families were active in the school choice process, with over two thirds having investigated at least two schools in addition to the one finally selected. Finally, the mystery of how so many schools could be established, when there was such an all-embracing regulatory framework, was solved when the extra-legal sector was revealed, with the great majority of regulations ignored, subject to the payment of bribes.

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## 1 INTRODUCTION

Something remarkable is happening in India, likely to be repeated in developing countries across the world. In the slums and villages, an extraordinary burgeoning of private schools serving poor families is occurring. For instance, official figures from Hyderabad, the capital of the state of Andhra Pradesh, show 61% (and rising) of all students are in private unaided schools. But far from being schools for the elite or upper middle classes, large numbers serve the poor in the slums, serving children whose parents are daily-paid labourers or market traders, many earning significantly less than the minimum wage.

The reaction of government and international agencies to this phenomenon is curious. Official reports acknowledge dismal and widespread failings of government education for the poor. Officials are aware, too, of the fact that private schools for the poor are growing, partly in response to these shortcomings. Yet still government and international agencies focus their attention on government schools as the only way forward to 'education for all'. It is this counter-intuitive – and arguably counterproductive – mindset that this report sets out to question.

Why do poor parents choose private schools, when there are free government alternatives available? Some government schools even provide free uniforms, free lunches and free books. But instead of patronising these schools, parents choose to pay fees – and although fees are low, even £2 per month could be as much as 10% of a daily paid labourer's potential monthly earnings. So why do parents use these schools, when there is a free state alternative? Recent research offers a compelling reason.

### THE MALFUNCTIONING OF GOVERNMENT SCHOOLS FOR THE POOR

The Probe Report <sup>1</sup> gives a detailed picture of how public schools serve low-income families in four Indian states, Bihar, Madhya Pradesh, Uttar Pradesh and Rajasthan. Descriptions from officials in other states suggest that the bleak picture painted is not uncharacteristic. For the Report describes the 'malfunctioning' in public schools for low-income families. The schools suffered from poor physical facilities and high pupil-teacher ratios, but what is most disturbing is the low level of teaching activity taking place in them. When researchers called unannounced on their random sample, only in 53% of the schools was there any 'teaching activity' going on. In a third of schools, the headteacher was absent.

The report noted 'several cases of irresponsible teachers keeping a school closed ... for months at a time', many

cases of drunk teachers, and headteachers who asked children to do domestic chores, 'including looking after the baby'. And the deterioration of teaching standards is not just to do with disempowered teachers. Significantly, the low level of teaching activity occurred even in those schools with relatively good infrastructure, teaching aids and pupil-teacher ratio. Even in these schools,

"... teaching activity has been reduced to a minimum, in terms of both time and effort. And this pattern is not confined to a minority of irresponsible teachers – it has become a way of life in the profession."

Most significantly, the Probe report points to the existence of the private schools serving the poor and low-income families, and concedes – apparently rather reluctantly – that the problems that were found to exist in the government schools were not apparent in the private alternative. In the great majority of private schools – again visited unannounced and at random – there 'was feverish classroom activity'. So much so, that the majority of parents reported that 'if the costs of sending a child to a government and private school were the same, they would rather send their children to a private school.'

Exactly the same finding comes from other research comparing private and government schools in Uttar Pradesh. Here, Drèze and Gazdar report that in the government schools they researched, 'no active teaching was taking place in any of the fifteen sample schools at the time of our visit'. The government schools were regarded as 'no more than childminding centres', with absenteeism of pupils the norm. Interestingly, the authors seek to excuse this absenteeism by pointing to the season and the need for children to become involved in harvesting. However, in the private schools visited at the same time they found them:

'... packed with enthusiastic children (boys as well as girls) while the local government school exudes a familiar atmosphere of desertion, apathy, and decay.'<sup>2</sup>

Clearly, it was more than the exigencies of the season that was leading to the private schools' greater attentiveness.

### THE MISSING INGREDIENT: ACCOUNTABILITY

Indeed, the literature also points to what the crucial factor might be, the factor that is present in the private schools but singularly absent in the government alternative. For the Probe Report stresses that the key feature of the private schools, that makes them better than the public schools, is their accountability:

<sup>1</sup> The Probe Team, 1999, pp. 47, 63, 102,

<sup>2</sup> Drèze and Gazdar, 1997, pp. 66, 72.



'In a private school, the teachers are accountable to the manager (who can fire them), and, through him or her, to the parents (who can withdraw their children). In a government school, the chain of accountability is much weaker, as teachers have a permanent job with salaries and promotions unrelated to performance. This contrast is perceived with crystal clarity by the vast majority of parents'.<sup>3</sup>

Accountability is also the factor highlighted by Drèze and Saran, who note of one government primary school that, 'since the salary of the teacher was not related to his work performance, and since his appointment was technically a 'permanent' one, he had little incentive to take his job seriously. In fact he rarely took the trouble of turning up at all'. And again, they note that such problems are not found in the private sector:

'Private schools have the advantage of being 'incentive compatible', in the sense that it is in the interest of the parents to keep an eye on the teacher, and in the interest of teachers to be responsive to parental demands (unlike in the government primary school, where the teacher is paid irrespective of his performance)'.<sup>4</sup>

With this level of accountability to parents, private unaided schools are better able to serve the poor.

### THE SUPERIORITY OF PRIVATE UNAIDED SCHOOLS

The emphasis of the international development community is also odd when one considers the evidence that is available on the general superiority of private education in developing countries. There have been many studies over the years comparing the relative merits of public and private schools, in developed and developing countries. All have shown the relative superiority of the private sector, even when controlling for socio-economic status and school selection bias<sup>5</sup>. Private schools, moreover, always come out as significantly more cost-effective in these studies.

Most pertinently here, Kingdon's study<sup>6</sup> in urban Lucknow, Uttar Pradesh, showed that, when controlled for a range of variables, including student cognitive ability, parental background and number of books in the home, students in private unaided schools scored up to 30% higher on standardised tests in mathematics than in other school types. Most significantly, when the cost per achievement point was computed, private unaided schools could achieve the same results for less than half the cost of the government schools.

Similarly, Govinda and Varghese<sup>7</sup> compared public and private schools in the Indian state of Madhya Pradesh. Using questionnaires and observation schedules, and controlling for school infrastructure, teacher characteristics, learner and parental background, again they found that whether or not the schools were public or private was the most significant factor influencing learner achievement. The private schools had a large achievement advantage, even after controlling for teacher behaviour, absenteeism, and teacher utilisation of time.

However, even though most of such studies have controlled for socio-economic status and possible self-selection biases, the assumption in development circles seems to be that such private schools are predominantly serving the elite or upper middle classes, and so are irrelevant to debates about reaching the poor<sup>8</sup>. This current research project suggests that this assumption is untenable, that in fact the private education sector is serving the poor, as much as, or even more so, than the rich.

### FOCUSING ON PRIVATE SCHOOLS FOR THE POOR

The parlous state of government schools has led to an extraordinary growth in the private sector. But of course, everything is not perfect in these schools. In India, in particular, whilst there is a tremendous entrepreneurial spirit and reasonably good management, private schools suffer from a lack of investment and a somewhat stultifying curriculum. Parents suffer from the information problem – how do they know whether they can trust the quality of education on offer? The sense of variable quality may also underpin government and international agency suspicion of the private sector.

The unprecedented demand for private education, together with the issue of variable quality and the information problem, raise the question of whether it is possible for an external funder to stimulate and assist the growth and improvement of such schools for low-income families. It is this question which led to this research and development project, funded by CfBT Research and Development Committee, that has gathered data from, and explored improvements in, a sample of fifteen such 'budget' private schools, all located in the slum and low-income areas of Hyderabad, AP. This report sets out the aims and objectives of the research and development project, its findings, and some of its recommendations.

<sup>3</sup>The Probe Team, *op. cit.*, p. 64.

<sup>4</sup>Drèze and Saran (1993), pp. 36, 39-40.

<sup>5</sup>Coleman, Hoffer and Kilgore, 1982, 1987, Jimenez *et al* 1988, 1991.

<sup>6</sup>Kingdon (1996).

<sup>7</sup>Govinda, and Varghese, (1993)

<sup>8</sup>See for instance, Tilak, 1990, 1997, World Bank 2002, Kumar, 1986, 1987.



## 2 THE HYDERABAD STUDY: AIMS, METHOD AND CONTEXT

### AIMS AND OBJECTIVES

The research and development project 'Private Schools for the Poor in India' set out to identify ways in which capacity building and improvement in private schools aimed at low-income families in India, could be assisted. This aim led to objectives concerning:

- ♦ Business – to create a sustainable business model that could help with capacity building and school improvement; to engage in market research; and to explore ways of improving school management;
- ♦ Education – to explore appropriate pedagogy, teacher training, curriculum and accreditation models for the schools;
- ♦ Regulation – to comprehensively catalogue the regulations under which schools operate, and to outline alternative models of self-regulation;
- ♦ Finance – to explore the possibilities of creating a loan scheme for the schools and a private scholarship fund for the poorest students.

For one year the project employed three researchers based in the NIIT regional offices in Hyderabad, S.V. Gomathi, Abu Bakran and (for six months) Praveen Kumar, supervised and informed by the team based at the University of Newcastle Upon Tyne, directed by Professor James Tooley, assisted by Pauline Dixon, and advised by Michael Latham, CfBT USA. Inputs on pedagogy and teacher training were provided by Dr Fay Smith, Dr Frank Hardman and Dr Jan Leeke, all of the University of Newcastle Upon Tyne.

### METHOD

For the research, 15 schools were selected by the research team by cold-calling on schools during visits to low-income and slum areas of the city. The 15 schools chosen satisfied the following conditions:

- ♦ The school served low-income families only, with fees roughly in the range Rs. 50 – 150;
- ♦ The manager agreed to have a researcher in their school for significant amounts of time to talk to teachers and students, to observe classes, and to divulge all financial information to the researcher;
- ♦ The manager agreed to the researcher interviewing parents of children in the school;
- ♦ The manager appeared to be aware that improvements could be made to the school and expressed at least some interest in working with the team in such improvements.

In the event, many more than 15 schools wished to take part, and an arbitrary selection was made from the list to ensure a balance of neighbourhoods and fee ranges.

Whilst we cannot claim that this is a random sample of private unaided

schools for low-income families, we have no particular reason to believe that the selected schools are not representative of the much wider swathe of private unaided schools across the city. They are not in one area only, but are located across the low-income areas of the city. We have visited a hundred such schools before and after the project began, and our schools would seem to be typical of this much larger sample. There is no way, too, that the managers would think of their schools as anything other than typical private unaided schools serving low-income groups.

The only way in which we cannot claim to be representative is of the huge numbers of private unaided schools that are operating below Grade VII level and are not recognised at all. Our informal observations suggest that these schools have more or less the same features as the schools in our group, but we have not collected formal evidence to support this.

The three Hyderabad-based researchers were then engaged in survey interviews and questionnaires, class observations, and collection of other relevant data, under the guidance of the Newcastle-based team. With regard to data collection in phase one of the project, 315 parents and 315 students, and 244 teachers were interviewed using detailed questionnaire protocols. Much of the information asked of the teachers, parents and students was used to triangulate that given by the 'correspondents' – the official name for the school manager, usually the entrepreneur who set up the school. Fourteen of the correspondents gave information relating to business issues, leaving one of the fifteen declining to provide details of income and expenditure.

There are two education districts covering the city of Hyderabad<sup>9</sup>: Ranga Reddy and Hyderabad Districts. Both District Education Officers (DEOs) were interviewed to gauge their views on the private sector, as well as the (political) Minister for Education for Andhra Pradesh, and the Director of School Education, the leading education civil servant in the state. All relevant regulatory documentation was reviewed and discussed with these officials and the school managers.

The setting up and planning for the project commenced in July 2001, with the intention of recruiting researchers and commencing field work in mid-September 2001. On the advice of contacts in Hyderabad, the events of September 11th led to a postponement of the project, while the director gauged the impact of global events on the likely communities involved. This report largely focuses on the findings of Phase 1 of the project, while Phase 2 informed the recommendations for future action.



## CONTEXT: HOW MANY SCHOOLS ARE THERE?

Private unaided schools in Hyderabad are not a small-scale phenomenon. It came as a surprise how widespread they were, and how candid officials were about their existence. Official figures from the Hyderabad district show that 61% of total students are enrolled in the private unaided sector, with 67% at upper primary, 62% at high school and 31% lower primary school level. 20% of pupils are enrolled in private aided, and the remaining 19% in state schools. There are also three times as many teachers in the private unaided sector as in the government sector. Altogether, the official figures show almost 1,000 private schools in the Hyderabad district, or 46% of the total number of schools. Of the remaining schools 41% are state and 13% are private aided. (See tables 1, 2 and 3 below).

Similarly, the figures from the Ranga Reddy district show that 45% of total student enrolment is in the private unaided sector, (55% at upper primary and 61% at high school levels), while 65% of the total number of teachers in the Ranga Reddy district are employed in the private unaided sector, double the number of teachers in the government sector. Again the number of private schools in Ranga Reddy totals

almost 1,000, this time accounting for, according to these government figures, 26% of the total.

However, these government figures are likely to overestimate the proportion of children in government schools, in part because of corrupt over-reporting, something about which officials were surprisingly candid. They are also likely to underestimate the number of private unaided schools, because they only report those that are recognised. But many private unaided schools will be unrecognised, particularly at the primary school level – in part because there is no need to be recognised at this level in order for children to take state examinations, and it is at this lower level that there is the smallest official percentage of private schools, as we saw above. Observations from the streets suggest that the figure for private unaided primary schools should be considerably higher than this.

The ubiquity of such private unaided schools meant that many of the projects schools were surrounded by other competitors: from the roof of one, for instance, we could see seven other private unaided schools; on the same street of another there were five others.

**TABLE 1 HYDERABAD SCHOOL DISTRICT: PUBLIC AND PRIVATE SCHOOL PUPILS, 2000-2001**

Type/management	Primary schools	Upper Primary	High schools	Higher secondary	Total
State/central govt.	35,472 (58%)	34,563 (22%)	63,945 (13%)	3,464 (24%)	137,444 (19%)
Private aided	6,558 (11%)	18,109 (11%)	120,388 (25%)	-	145,055 (20%)
Private unaided	19,206 (31%)	105,597 (67%)	301,792 (62%)	11,100 (76%)	437,695 (61%)
Total	61,236	158,269	486,125	14564	720,194

Source: data obtained in writing from the DEO of Hyderabad 2002

**TABLE 2 HYDERABAD SCHOOL DISTRICT: PUBLIC AND PRIVATE SCHOOL TEACHERS, 2000-2001**

Type/management	Primary schools	Upper Primary	High schools	Higher secondary	Total
State/central govt.	695 (46%)	889 (18%)	2,541 (17%)	179 (28%)	4,304 (20%)
Private Aided	164 (11%)	518 (10%)	3,127 (21%)	-	3,809 (17%)
Private Unaided	660 (43%)	3,596 (72%)	9,187 (62%)	463 (72%)	13,906 (63%)
Total	1,519	5,003	14,855	642	22,019

Source: data obtained in writing from the DEO of Hyderabad 2002

**TABLE 3 HYDERABAD SCHOOL DISTRICT: NUMBER OF INSTITUTIONS: 2001-2002**

Type/management	Primary school	Upper Primary	High school	Total
Government	528 (80%)	120 (24%)	132 (18%)	780 (41%)
Private Aided	33 (5%)	51 (11%)	153 (21%)	237 (13%)
Private Unaided	100 (15%)	322 (65%)	447 (61%)	869 (46%)
Total	661	493	732	1,886

Source: data obtained in writing from the DEO of Hyderabad 2002



### 3 THE PROJECT SCHOOLS

The aim of the project was to discover ways in which a company such as C/fBT could help with capacity building and school improvement in the private unaided schools serving low-income families. To this end, the project team set out to discover as much as they could about the fifteen sample schools – known locally as the ‘PIPE’ schools (the Project for the Improvement of Private Education). In this section, we report at the level of the school – on school size, fees, finances, curriculum, ethos and teaching methods, and the people who run them.

#### THE SCHOOL ENTREPRENEURS: THE ‘CORRESPONDENTS’

State regulations require the creation of a school ‘correspondent’ to report on the school to government. In practice, this term applies to the entrepreneur who runs and manages the school. In some cases, this person is also the headteacher. Who are the entrepreneurs who run these schools? Personal details collected from fourteen of the correspondents gave the following picture:

- ♦ The average age is 39 years of age, ranging from 27 to 52 years.
- ♦ 10 of the correspondents are male and four are female.
- ♦ 10 of the correspondents hold a degree and four of these are educated to masters level.
- ♦ 11 of the correspondents have previously been a teacher.
- ♦ The average length of time of school ownership is 14 years, ranging from 4 years to 31 years.
- ♦ Out of the 14 correspondents, 10 were the original founders of their school and 4 were not.

#### SCHOOL SIZE, FEES AND SCHOLARSHIPS, AND STUDENT/TEACHER RATIO

The average size of the private schools is 559 pupils, ranging from 293 to 1,004 pupils. On average, 55.5% of the students are boys, 45.5% are girls – with a slight advantage to girls in the earlier forms, and a slightly higher number of boys in the highest grades. In each school, there are on average 19 teachers, ranging from 9 to 30 teachers. Hence, the average student-teacher ratio is 29:1. This compares very favourably with the 50:1 found in the government schools highlighted in the Probe Report, and is also significantly less than the 40:1 that is the legal requirement for private primary and secondary schools.

Fees are collected in three ways from students, as:

- ♦ Monthly tuition fees
- ♦ Annual ‘donations’
- ♦ Term fees

Table 4 shows the average fees collected in the project schools in each of these ways. This shows that the average annual fees (from monthly, termly and annual fees) amounts to Rs. 1,635 (£24) per year, or £2 per month. It should be added that fees are lower in the nursery and primary streams, higher in the secondary grades. Now, the average expected earnings of the kinds of male workers who send their children to the project schools - daily paid labourers, market traders or rickshaw drivers – range from about £240 to £500 per year. Hence, the average fees are in the range of 5-10% of the father’s annual income.

	Average
Monthly tuition fees	Rs. 116 (£1.71)
Annual “donation”	Rs. 126 (£1.85)
Term fees	Rs. 39 (£0.57)
Total annual fees per student	Rs. 1,635 (£24 per year)

TABLE 4 AVERAGE SCHOOL FEES

However, not all students pay these fees. We found that the majority of the project schools have free or concessionary places, offered either to those who are too poor to pay fees, or as incentives to the class ‘toppers’. On average, we found 15% of children have free or concessionary places, taking up about 7% of the school’s expenditure.

#### CURRICULUM, PEDAGOGY AND ETHOS

All of the schools are ‘all-through’ schools, teaching from Nursery up to Standard 10 (i.e., up to age 15 or 16). All the schools are English medium – that is, purportedly teaching all subjects in the English language – although one school also has an Urdu medium section, and three schools also have some Telegu medium classes. All of the schools follow the state curriculum at standards 6 to 7, (for the Standard VII state examinations) and standards 8 to 10 (for the Standard X state examinations). However, up to Standard VI, the majority of the schools do not follow the specified curriculum, since there are no government examinations, but prefer to innovate in this phase to respond to parental demand. In particular, we found schools at this level replacing much of the specified curriculum with extra English lessons – because this is often what parental demand wanted.

The schools were also found to devote considerable time and resources to extra-curricular activities, including two-day science fairs, (where children created exhibits to show their range of scientific knowledge, open to parents and the wider community), inter-school sports’, music, art and general knowledge competitions, and individual sports’ days – often taking place in surrounding streets rather than in dedicated sports’ facilities.



It is important to note that all of the schools are secular. Although many of them, by virtue of their locality, do serve predominantly Muslim communities, none of them exclude children on the grounds of their religion (or indeed caste).

The project investigated very closely the kinds of teaching methods used – with a view to informing possibilities for teacher training. Systematic observations, using technology created by Dr Frank Hardman and Dr Fay Smith, of 138 lessons were conducted, confirming the prevalence of rote learning. All lessons observed used a transmission model of teaching in which the teacher often used a textbook and/or chalk board to transmit recipe knowledge for recall. Pupils spent a great deal of time, over 45% of the lesson, listening to the teacher explaining. The teacher would often ask a closed question requiring recall and the response of a single word, taking up nearly 20% of lesson time. Teacher feedback on responses was rare even where individual pupils were concerned. Teachers would also ask questions and provide an answer, thereby closing down opportunities for more exploratory forms of questioning.

### WHO ARE THE TEACHERS?

Often repeated criticisms heard by the researchers were that the private schools in the slums had untrained teachers, and that they had very high teacher attrition rates. Were these criticisms true?

#### TEACHER QUALIFICATIONS

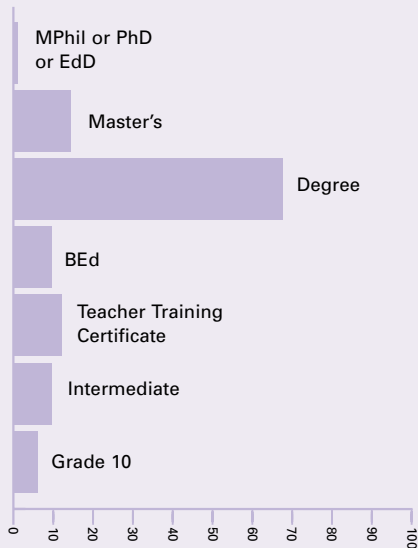


TABLE 5 HIGHEST LEVEL OF TEACHER FORMAL QUALIFICATIONS

#### TEACHER TRAINING AND EXPERIENCE

As far as teacher training was concerned, as table 5 shows, the picture was not quite what the criticisms had suggested. While it was true that only 10% of teachers have the government teacher training certificate (TTC) and 8% a BEd, these statistics obscured the fact that 69% of the teachers were educated to degree level and above. Indeed, fewer than 5% of the teachers are only qualified up to Grade 10 standard.

The teachers are also reasonably experienced within their profession. The average (mean) number of years spent in the teaching profession is 6 years – ranging from a minimum of zero (new teachers) to a maximum of 45 years.

The average age of these teachers is 28 years old, ranging from 16 to 68. Eighty per cent of the teachers are under the age of 35 years. There are predominantly more female teachers than male teachers – 81% female against 19% male. Culture plays a part as teaching is regarded as a profession in which both married and single women are able to partake. It is also a respected profession from a cultural and religious perspective.

#### TEACHER ATTRITION

As far as attrition was concerned, the average length of service in a teacher's current school turned out to be 3 years, ranging from zero (for new teachers) to 19 years, and reflecting the satisfaction with teaching in general, 82% of the teachers were not planning to leave their current position. Interestingly, of the 18% that were planning to leave, over half came from three schools, while in two other schools no teachers were planning on leaving. This suggests that many schools have relatively congenial environments for the teachers. Indeed, the overwhelming majority of the teachers said that they were satisfied with the teaching profession, (97.5%).

#### TEACHER PAY AND CONDITIONS

Regarding their status at the school, 93% of the teachers are full-time and 7% are part-time. Half of the teachers said that they were on permanent contracts, while 44% thought that they were on temporary contracts.

The average monthly salary is reported as Rs. 1,166 (£17.15), ranging from a minimum of Rs. 300 (£4.41), to a maximum of Rs. 3,000 (£44.12) per month. Only about 2% of the female teachers get a salary above Rs. 1,800 per month, compared with about 28% of the smaller number of male teachers.

The minimum salary was paid to a 19 year-old teacher who had been



teaching for only 2 months and was schooled up to grade 10 standard (one of the very few teachers in the schools not educated to Grade 12 standard). Two of the highest paid teachers were male science and mathematics teachers, with over 15 years' teaching experience between them, and either a degree or masters in their chosen subject.

#### IMPROVEMENTS TO PAY AND SCHOOL CONDITIONS

The research explored what improvements teachers would seek for pay and conditions in the schools, in order to gauge their level of satisfaction and the likelihood of improvements that would make them even more likely to want to stay in the job.

Significantly, an increased salary is not deemed the most important aspect for pay and school conditions that can be improved, for this ranks only third in teachers' concerns. The priority is more parent co-operation, followed by better management:

- ♦ More parent co-operation – 75% – very important, 16% – quite important
- ♦ Better management – 68% – very important, 19% – quite important
- ♦ Increased salary – 66% – very important, 22% – quite important
- ♦ Cooperation from co-teachers – 64% – very important, 19% – quite important
- ♦ Better facilities – 59% – very important, 24% – quite important
- ♦ More job security – 58% – very important, 21% – quite important
- ♦ More training – 57% – very important, 24% – quite important

Essentially, there are some important aspects that are in the power of management to solve that would increase teacher attachment to their schools. More parental cooperation, better management, working better as a team with co-teachers and more training could all be brought in and improve the conditions of the teachers. This clearly has implications for the way forward.

#### SCHOOL FINANCES

One particularly interesting observation to emerge from the study – with other implications for the way forward – concerned schools' financial situations.

Perhaps not surprisingly, given the ubiquity of these schools, we find that running such schools is potentially a profitable enterprise. The data discussed here was gained from the correspondents and triangulated where possible using other sources, including examining accounts, examining receipts and invoices, and

discussions with parents and teachers (for fees and salaries, etc.). We are optimistic that these accounts are reasonably accurate, that sufficient trust has been built up with the correspondents to allow them to understand the motives of the project to supply reasonably accurate figures. We are hopeful that the two factors that might have led schools to either overestimate or underestimate their surpluses (i.e., desire to show themselves able to manage repayment of loans against the desire to show themselves keeping within the law and not making a surplus) have not impacted unduly on these figures.

#### SCHOOL INCOME

The average school makes an income of about Rs 967,007 (£14,221) per year, 96% of which comes from student fees – monthly, termly or annual donations. The remainder of the income comes from the sale of items such as ties, belts and progress cards, with a small percentage (1.4%) from genuine donations given by family members and other well-wishers.

#### SCHOOL EXPENDITURE

As far as expenditure is concerned, we here give our estimates for the year that inspectors were satisfied that government regulations were met to achieve official 'recognition' status (see Appendix), and a 'normal' year. In a normal year teachers' salaries on average only make up 42% of expenditure. Other salaries (including administration, nightwatchman, ayahs, etc.) make up on average 13% of school expenditure. Other significant expenditures include:

- ♦ rent (on average 14%)
- ♦ advertising and marketing, and meetings and functions, which are in effect, marketing occasions, (on average 9% of expenditure)

It is also interesting to note those proportions of the expenditure budget that are insignificant:

- ♦ Staff training and staff welfare make up a paltry 1% of expenditure on average (with the top school only spending 3% on welfare and zero on training)
- ♦ Educational equipment and books and periodicals also make up a paltry 1% of expenditure on average (with the top school spending about 3% of income here)

The difference between the normal year and the year of recognition comes in the 'unofficial payments', that is bribes paid to officials. These amount to about 7% of expenditure in the year that recognition is achieved, in other years about 1% of expenditure. This is probably the most difficult area to estimate accurately, for schools are understandably chary of making these figures explicit.



#### SCHOOL SURPLUS

Our assessment is that, in a normal year, the average total income per student came to about Rs. 1,730 per year, the average total expenditure per student was about Rs. 1,226 per year, and hence the average annual surplus per student was about Rs. 504, or about £7. In the year of recognition, this level dropped to about Rs. 431 per student, or about £6 per student, that is, about 25% of total income. Clearly, these levels of surplus have implications for the kinds of investment and improvements that schools can afford to make – if finances are managed carefully.

**TABLE 6 AVERAGE SCHOOL EXPENDITURE AND SURPLUS: 'NORMAL' YEAR**

Expenditure	Rs	£	%
Fee concessions	46537	684	6.8%
Teacher salaries	289154	4252	42.2%
Admin salaries	89226	1312	13.0%
Staff training and welfare	8822	130	1.3%
Utilities	34431	506	5.0%
Property and other tax	8579	126	1.3%
Functions and advertising	60055	883	8.8%
Rent	98100	1443	14.3%
Furniture, books and maintenance	10635	156	1.6%
Unofficial payments	6914	102	1.0%
Defaulters	2286	34	0.3%
Other expenses	30700	451	4.5%
<b>Total expenditure</b>	<b>685439</b>	<b>10080</b>	<b>100.0%</b>
<b>Surplus</b>	<b>281568</b>	<b>4141</b>	

**TABLE 7 AVERAGE SCHOOL SIZE AND PER PUPIL SURPLUS**

	Normal Year		Recognition Year	
	Rs	£	Rs	£
Income per student	1730	25	1730	25
Expenditure per student	1226	18	1298	19
Surplus per student	504	7	431	6

**TABLE 8 AVERAGE SCHOOL EXPENDITURE AND SURPLUS: YEAR OF RECOGNITION**

Expenditure	Rs	£	%
Fee concessions	46537	684	6.4%
Teacher salaries	289154	4252	39.8%
Admin salaries	89226	1312	12.3%
Staff training and welfare	8822	130	1.2%
Utilities	34431	506	4.7%
Property and other tax	8579	126	1.2%
Functions and advertising	60055	883	8.3%
Rent	98100	1443	13.5%
Furniture, books and maintenance	10635	156	1.5%
Unofficial payments	47291	695	6.5%
Defaulters	2286	34	0.3%
Other expenses	30700	451	4.2%
<b>Total expenditure</b>	<b>725816</b>	<b>10674</b>	<b>100.0%</b>
<b>Surplus</b>	<b>241191</b>	<b>3547</b>	



## 4 PARENTS AND PUPILS

Moving from data at the school level, we were very interested to find out about the parents and pupils at the schools:

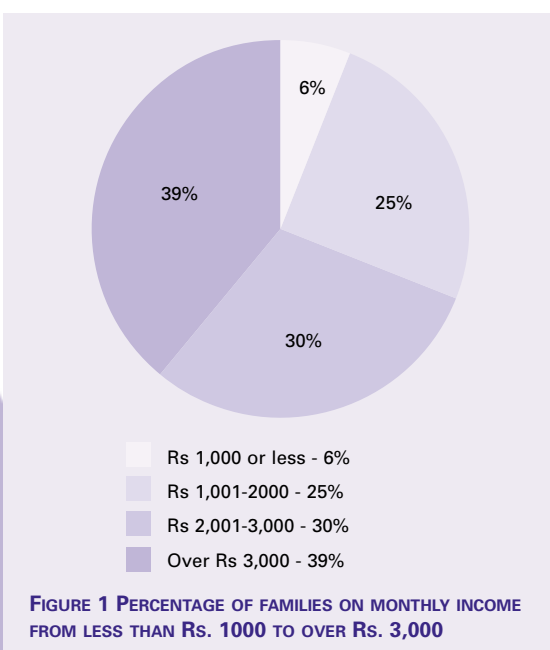
- Who are the parents sending their children to the private schools?
- What are their backgrounds and motivations?
- What do they seek from their schools?
- What do the pupils think of their schools?

Our random sample of parents and pupils gives us some indications of these important issues.

### WHO ARE THE PARENTS?

These budget private schools are patronised by parents who certainly cannot be described as elite or middle class – the common assumption about parents who send their children to private school. The Hyderabad research shows that 15% of fathers have had no schooling at all, rising to 30% for the mothers. Indeed, the great majority of the mothers (63%) have either had no schooling, or are educated at grade VII or below. The great majority of the fathers are daily-paid manual workers, such as market traders, hired porters, and rickshaw drivers. As would be expected in India, the majority of mothers are housewives. More than half the parents indicated that their income is paid on a daily basis, and although some households have two or three breadwinners (around 20% of those sampled) around 33% receive a family income that is below the minimum wage.

Paying the required fees at the school on time is found to be difficult by the majority of parents. 70% of parents said that they had defaulted on their school payments at least once.



### INVOLVEMENT AND ASPIRATIONS

Regarding parental input into students' school work, around 60% of the parents reported making their children do their homework, with the average hours in a day that a child studies at home two hours (with the range from zero to seven hours).

Similarly reflecting a keen interest in children's work, around 75% of parents always or sometimes look through their child's test papers. It must be remembered that some of the parents are illiterate, so looking through the test paper may imply that they do not read or understand the test paper, but instead look at the ticks and crosses provided by the teacher to judge the child's achievement level.

Even though many of the parents are illiterate they have high aspirations for their children. When asked about the highest ambitions for their children, just over 72% of the parents stated that they would like their child to either take a degree or become a professional.

### PARENTS AND SCHOOL CHOICE

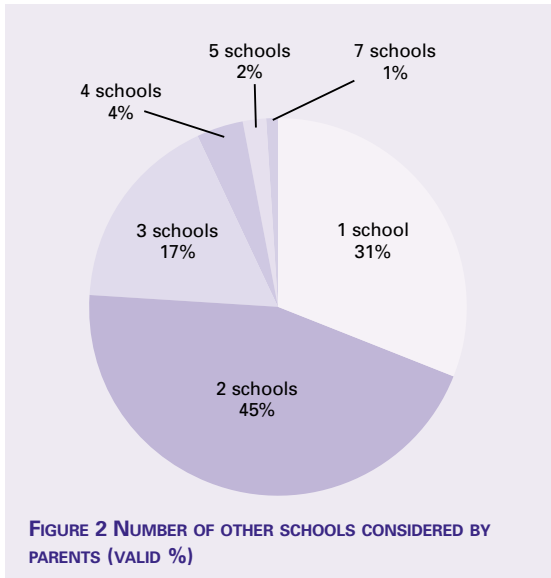
Parents turn out to be active choosers of schools for their children. When asked how many other schools the parents had investigated before they chose the present school for their child, no parent reported that they had not considered any other school. Indeed, 69% had investigated between two and seven other schools: The largest group (45%) had actively considered two other schools, with about a quarter having looked at three or more schools, and about a third investigating one other school, as shown in Figure 2.

What factors lead to school choice for these parents? Parents were asked to rate various factors as to their importance in terms of school choice. What stands out is the requirement that the school of choice is English medium, with 90% of parents stating that this was very important and 6% stating that it was quite important when choosing their school.

Next in importance come three factors:

- ♦ That the fees are affordable (70% very important)
- ♦ That the school is better than the available government school (67% very important)
- ♦ That the school has a good reputation (61% very important)

Less than half (49%) said that being closest to their home was very important in making the school choice. Finally, 56% think it very important that the school is recognised by government – although significantly, 37% of parents did not know if their school was recognised or not.



It is interesting to note the unimportant factors for school choice of these parents:

- About 75% of the parents thought it very or quite unimportant that there was a government school available, and 21% were neutral about this: in other words, it did not matter to the parents that there was a government school that they could send their children to; the great majority did not want to do this.
- About 80% of the parents thought it very or quite unimportant whether or not the school owner was known to the parents.
- About 80% of the parents thought it very or quite unimportant whether or not the child's friends attended the same school.

Parents were also asked what inputs and features of the school their child currently attended were important for a good education. Interestingly, parents judged the quality of the teachers as the most important factor (with 99% ranking this very important). Next in importance was the standard of English in the school, with 98% stating that this was very or quite important. The abilities of the school correspondent (manager/entrepreneur) were also rated as very important by 77% of the parents, as were the particular teaching methods (76% very important) used in the school.

As far as factors of medium concern, about half (48%) of parents thought that extra-curricular activities were very important, while 44% thought that the amount of homework set was important. The least important aspect of the school was considered to be the school buildings. Parents seem to have low expectations of these, with 45% ranking them as very unimportant or unimportant. Finally, school functions were only held to be very important by 38% of parents.

School choice was taken seriously by parents even after they had selected their school – again indicating the role that accountability played in this sector. One illiterate father – who was far from unusual – told us that if the standard of education did not improve in the school his child attended, then he would take him away to another competitor. He said that the teaching was not up to standard, and he was aware that other children were speaking English more effectively than his own child – even though he himself could not speak any English.

### THE STUDENTS

In order to get a complete picture of the private schools, interviews were conducted with a sample of students within the schools too. These were conducted either at school or at the student's home, and the interview questionnaire was orally translated into the mother tongue by the Hyderabad researchers.

#### CHILDREN'S SATISFACTION WITH SCHOOL

A range of questions asked children to rate what they think about certain elements in their school. It turns out that children are basically happy with most things about the school, apart from one aspect: the lesson length, which was the only case where a majority (57%) expressed neutrality or dissatisfaction. This finding was discussed in detail with the correspondents, where it was concluded that the children were probably bored with the teaching methods and thus the lessons seemed too long.

	<i>Satisfied</i>	<i>Neutral</i>	<i>Dissatisfied</i>
Teachers	70%	20%	10%
Correspondent	65%	16%	19%
Classroom	66%	28%	6%
Classmates	83%	14%	3%
Learning	78%	17%	5%
Lesson Length	43%	36%	21%
Homework	70%	24%	6%

TABLE 9 CHILDREN'S SATISFACTION WITH ASPECTS OF THEIR SCHOOLS

#### HOMEWORK AND EXTRACURRICULAR ACTIVITIES

The children were asked about the frequency of homework within their schools. The great majority (79%) said that they were given homework very regularly, 17% said often; only 3% said infrequently and 1% said never. And teachers were also, in general, praised for the ways in which they checked the children's copies:



the great majority (71%) said that their teachers checked their books daily, 28% weekly and 1% never.

One of the criticisms that we have heard levied against the private schools for low-income families is that they are like 'crammers', focusing only on getting children through examinations. The children's questionnaire results gives the lie to this. The great majority of children (74%) say that they undertake extra curricular activities at schools. Of these children, the following were the most common form of extra curricular activities: Sport: 61%; Drama: 54%; Inter-School competition: 33%; Quiz/debates: 28%; Science exhibitions: 28%; Music: 7%.

#### **ABSENTEEISM**

The children were asked whether they were ever absent from school. 89% of the children reported that they had been absent from school in the past year. We asked them the reasons for this, and the results reveal some interesting facts. The great majority (71%) had been absent for health reasons. Only a tiny minority (less than 2%) reported that they had been absent because of lack of interest in their studies. However, it seems significant that about 7% of students reported absenteeism because they were

'afraid of the teacher'. Disaggregating the results by school, it is clear that no school stands out where the children indicate that they were absent because of this fact – in other words, it is something that pervades, in a small but significant way, all of the schools.

#### **CHILDREN, HOME AND WORK**

Children were asked about their parents, their homes and whether or not they work. The great majority (81%) of the children indicated that their parents went through their schoolwork, to check that they were doing this correctly. Perhaps surprisingly, given the very crowded conditions in which children live, 87% of the children said that their home was a good place to study and do homework.

Finally, again challenging the notion that most of the children also work after school, in our survey, we found that only 2% of the children reported that they undertake work/employment after school (that is only 7 out of 315 children). All of these are boys, aged between 10 and 15 years old. Their hourly rate ranges between Rs. 2 – Rs. 20. Only one of the seven boys reported that this working interfered with his schoolwork.



## 5 REGULATION, LEGAL AND EXTRA-LEGAL

Earlier studies have shown that private schools are more accountable to parents; and furthermore through this study much evidence has been found of parents in the role of active choosers – with nearly 70% actively considering at least two other schools to the one to which they eventually sent their child. But for accountability to work, the school entrepreneurs – the correspondents – must be able to respond and innovate in order to meet parental demand. For this they require the freedom to be able to do so.

But when one considers the regulatory environment under which the schools operate, a conundrum emerges. For the Hyderabad study found that under the ‘official’ regulatory environment in Andhra Pradesh, the private unaided schools are extensively controlled by government, through a wide range of regulations including teacher salaries and qualifications, class size, playground size, school facilities, composition of governing bodies, examinations, syllabus and curriculum adherence. The mystery when one looks only at this official regulatory environment is how, if regulations are apparently so comprehensive and onerous, so many schools are able to be established, with innovations such as the extra English curriculum brought forward to satisfy consumer demand? This sense was compounded early on in the work when we discovered that in most of the schools, government inspectors came some three to five times per year to ‘inspect’ the schools. This seemed to both illustrate a surprising dedication on behalf of government officials to quality and to deepen the mystery of how so many schools could operate under such a strict regulatory regime.

The answer became clear as a rapport was established with school correspondents, and they were willing to share with us the reality. It became evident that the regulations are widely ignored, subject to the payment of bribes. The inspectors call, but they do not visit the classrooms. Indeed, it could be argued that more or less a self-regulatory regime at the individual school level is currently in operation, monitored by parents as consumers, who will take their child to a competitor if their current school is perceived to be failing, and enforced by the school entrepreneur who controls the inputs into his school. Freedom in this situation evidently can be bought for about 1% of average total expenditure – although this figure is for a typical year: when a school is seeking recognition, then the bribes, as well as the official fees, are considerably higher than this. See Appendix for details of a number, but not all, of regulations, under which schools operate.

### THE ‘UNOFFICIAL’ REGULATORY ENVIRONMENT

The official regulations (as outlined in Appendix) are detailed and prescriptive. In practice, as we discovered, the vast majority of these rules are simply ignored, subject to the payment of bribes. Government officials in our study in Hyderabad were quite candid about this. One said: “there is no way of enforcing the regulations. ... Bribes are offered by the school owners in order for them to become recognised. They also will lie in order to become recognised initially and then there is no way of checking up on the schools. ... We can’t go into every individual case, we have 3 inspectors for 600-700 private recognised schools”.

Indeed, the District Education Officers told the researchers that because of constraints on their resources, there are only four rules that a private unaided school needs to comply with in order to be recognised:

- ♦ Playground of the required size;
- ♦ Rs. 50,000 (£740) endowment fund in a joint school-government bank account (in order to pay teachers’ wages if the school goes bankrupt);
- ♦ All teachers officially trained;
- ♦ Library.

Interestingly, of these four ‘minimal’ requirements, none of the sample private schools complied with more than one of them. Yet, all but one of the schools is recognised.

Although inspectors reportedly make frequent visits to the private schools, the teachers participating in this research commented how, instead of doing actual inspections, the officials spend their time in the school entrepreneur’s office discussing ‘business’. No teacher interviewed in the course of this research had participated in an inspection process. Officials were also quite open about accepting bribes. One stated that:

“The whole system is corrupt, the regulations are flexible, open to bribery and corruption... Bribery is a possibility, they can bribe me too!”

Similarly, the school entrepreneurs are also very open about the ways in which bribes are paid to inspectors, government officials as well as tax collectors.

For instance, one correspondent said:

“If you don’t pay the bribe they will give us notice so it is cheaper to pay the



bribe and not have the inconvenience... it would be much more inconvenient for me not to pay the bribe as that would attract attention from those officials that are higher up the hierarchical ladder and therefore they would come to me for much higher bribes. I paid Rs 25,000 to get recognition and on top of that my yearly expenses in bribes total between Rs. 7,000 – Rs. 11,000. I count that as a cost to my business. If I didn't pay the bribes then my school would lose its recognition status and that would affect my business."

One correspondent provided the following details as laid out in Table 11 below. According to this information, in the year that this correspondent applied for recognition he paid 'unofficial' payments, in bribes, to government officials and tax inspectors of around Rs. 67,000 (approximately £1,100), as well as the official payment, including 'Building soundness certificate' and the appointment of a Chartered Accountant each costing Rs. 500 not featured in the table, of Rs. 58,454 (approximately £900).

**TABLE 10 UNOFFICIAL PAYMENTS BY ONE TYPICAL SCHOOL**

<i>Regulation</i>	<i>Official Cost</i>	<i>'Unofficial Payment'</i>	<i>Who receives the payment</i>
Sanitation Certificate	Rs. 3 per student (818 pupils): Rs. 2454 (£36 approx)	Rs. 500 – Rs. 1,000 per annum (£7 - £14 approx)	Inspector
Inspection: Primary	-	Rs. 2,000- Rs. 3,000 per annum (£29 - £44 approx)	Inspector
Inspection: High School	-	Rs. 5,000-Rs. 8,000 per annum (£73 - £117)	Inspector
Property tax	Rs. 2,500 (£37) (dependent upon the size of the school)	Rs. 6,750 (£100) (when the tax is being collected)	Municipal department: tax collector
Professional tax	Rs. 2,500 (£37)	Rs. 500 (£7) (per annum)	Tax collector
Application for Recognition: Upper Primary	Deposit: Rs. 25,000 (£367)	Rs. 10,000-Rs. 15,000 (£147 - £220) (One time payment)	Deputy DEO
Application for Recognition: High School	Deposit: Rs. 50,000 (£735)	Rs. 30,000 – Rs. 50,000 (£441 - £735) (One time payment)	Deputy DEO



## 6 CONCLUSIONS AND A WAY FORWARD

### SUMMARY

Inspired by other research findings showing the superiority of private unaided schools over government schools – in terms of achievement and cost-effectiveness, after controlling for socio-economic factors and the school choice process – and the failings of government schools serving low-income families, the Hyderabad study set out to find out more about private unaided schools serving the poor. In particular, it set out to examine how an external agency might assist with capacity building and improvement in these schools, by focusing on the business, financial and educational models used in the schools, and the regulatory environment in which they operate.

Fifteen schools were selected to explore these issues in depth, they were opportunistically selected from the huge number of schools in Hyderabad, but are likely to be representative of the broader population of schools. Within these schools, random samples of parents and children, all of the teachers and all but one of the entrepreneurs were interviewed in depth to build up a comprehensive picture of the schools, their successes and shortcomings. The official regulations were also examined in detail and interviews with senior politicians and civil servants conducted to explore the extent to which the regulatory environment was met in practice.

The study revealed a huge private sector serving poor families in the slums. Official figures from Hyderabad district, for instance, revealed 61% of pupils in the private unaided sector, in a thousand such schools. The project schools – known locally as the PIPE schools, (“Project for the Improvement of Private Education”) – were found to have average fees of about £2 per month, an average student-teacher ratio of 29:1, and a majority of teachers who were graduates. It was found – not surprisingly, given the burgeoning of the sector – that running a school even for low-income families was potentially a profitable undertaking, with estimated profits of about 25% in the year of recognition. Fathers were found to be largely daily-paid labourers, and 30% of mothers were illiterate, but families were active in the school choice process, with over two thirds having investigated at least two other schools to the one they finally made their choice. Finally, the mystery of how so many schools could be established, when there was such an all-encompassing regulatory framework that had to be met, was solved when the extra-legal sector was revealed, with the great majority of regulations ignored, subject to the payment of bribes.

The project school entrepreneurs and headteachers

met regularly to discuss the findings, and each was given a detailed report, based on school-level findings and the project norms, to help them evaluate their schools. From these evaluations, school improvement packages were trialled, with the aim of discovering methods that could yield improvements at a low enough cost to make them accessible to other schools (although of course the project schools did not pay for these interventions). These included various management training workshops, some run in conjunction with the Vivekananda Institute – a for-profit education company based in Chennai, covering the following themes:

1. Effective schools
2. Teaching methods in the project schools
3. Investment requirements of project schools
4. Financial management
5. Interaction with customers – the parents
6. Staff management
7. Effective classrooms and teaching methods
8. Teachers’, parents’ and students’ views of the schools, and what managers can do about this.

Teacher training was also conducted in conjunction with the Vivekananda Institute and the NIIT regional offices, with five teachers from each of the project schools taking part in English language, teaching methods and computing courses – based in part on the findings of the classroom observation process. Finally, improvements to the English language courses offered were explored, using low cost audio cassette materials. Each of these interventions had the aim of discovering cost-effective ways of school improvement to inform the recommendations for future involvement.

What recommendations arise from the project, in terms of the ability of external agencies to assist in capacity building and improvement in these schools? Furthermore, what implications does the study have for the wider picture? In particular, what role could private schools such as those in the Hyderabad study have for attaining ‘education for all’?

These issues are addressed in the context of some of the objections to private schools in the literature, to establish whether the study has any impact on these criticisms.

### COUNTERING OBJECTIONS TO PRIVATE EDUCATION FOR THE POOR

Despite private education serving a population that – it is widely acknowledged – is ill-served by public schools, it turns out that many still argue against a greater role for private schools in meeting the needs of the poor.



For instance, the Probe Report balked at recommending a greater role for the private sector, even though the team admits that its report painted a 'relatively rosy' picture of the private sector, where 'accountability to the parents' leads to 'a high level of classroom activity ... better utilisation of facilities, greater attention to young children, responsiveness of teachers to parental complaints.' But there are three relevant reasons why such findings do not convince them that a greater role for the private sector is desirable or required:

1. Private schools are out of reach of the vast majority of poor parents.
2. Private schools 'often take advantage of the vulnerability of parents', as many 'parents have little idea of what goes on in the classroom'.
3. Private teachers teach to the test: They have 'little reason to promote the personal development of the children, to treat them with sensitivity, or to impart a sense of values. Their overwhelming objective is to cram the heads of the pupils, so that they may pass the relevant tests and examinations'<sup>10</sup>.

The first objection was also raised by the Uttar Pradesh researchers who, as noted above, found the government schools inadequate compared to the private schools. However, they point to a major problem:

'The drawback of private schools, of course, is that they charge substantial fees. This consideration is very serious for poor parents, who rarely send their children to private schools'.

Now, they also note that such 'substantial fees' were on average Rs. 15 per month, equivalent to 'the daily wage of an agricultural labourer in central or eastern Uttar Pradesh'<sup>11</sup>, which, whilst not minimal, could hardly be described as 'substantial'. The issue of not everyone being able to meet the fees, however, is an important one.

#### FEES - AN OBSTACLE TO EDUCATION FOR ALL

Fees even as low as the ones found in schools in this study are out of the reach of some – they may amount to up to 10% of a rickshaw puller's annual expected income, and with many families having five or more children, such sums will be out of reach. However, is this an objection to a greater role for private education, or does it in fact point to a range of solutions involving the private sector?

It has already been noted that, on average, the schools in the Hyderabad study offered 15% of all places as free or concessionary places, and, indeed, in the schools with the largest profits, free and

concessionary places amounted to about 20% of all places offered. So the schools themselves are aware of the need to serve the poorest. In effect, the poor are already subsidising the poorest. This activity points to two possible solutions, and hence two recommendations:

First, it suggests that it would be desirable to create a private scholarship or voucher scheme, to enable the very poorest to access private education, funded by philanthropists. Such a scholarship scheme could relieve some of this burden from the schools themselves, and help them to pour more resources into capital investment. The project took this possibility seriously, and has created a small scholarship scheme, with an (anonymous) donation of \$10,000, to provide scholarships for 20 children in each of the 15 PIPE schools, to show the efficacy of such a system. The poorest parents have been selected by the schools, and they (not the schools) are given a voucher to cover most (but not all) of the monthly fees. Once each school has collected all of the monthly vouchers, these are submitted to the project office, and the school is then reimbursed for the required amount. There are safeguards in place to ensure that the parents really are sending their children to the schools, and to ensure that the fee levels set are realistic. The project team is currently seeking more funds to continue and extend this scheme – the key point is, with fees so low, a little can go a very long way.

Second, it raises the possibility of channelling state funds, through parents, to the school of their choice. The Probe Report revealed an overwhelming majority of poor parents who would prefer to send their children to private schools, if they had the funds, based on their awareness that the private schools were accountable to them. Why not devise a system that capitalises on parental concerns, that capitalises on private schools' greater accountability and cost-effectiveness, by giving parents vouchers to allow them to send their child to the school of their choice? Of course there may still be problems with corruption, but if these could be overcome – perhaps through channelling funds through private charities – then this would seem to fundamentally challenge this objection to the private schools, opening them up to all who wanted to send their children to them, and providing a valuable competitive spur to government schools to improve in order to retain children.

#### QUALITY AND THE INFORMATION PROBLEM

The second and third criticisms are of the quality of private education. Significantly, they are not themselves based on the evidence in the Probe Report. Certainly the research from Hyderabad,

<sup>10</sup> The Probe Team, *op. cit.* p. 105.

<sup>11</sup> Dreze and Saran, 1993, pp. 39-40, p. 72.



which has investigated the quality of what is offered in the private schools, would not concur wholeheartedly with these conclusions. The project schools were not simply teaching to the test, but were engaged in teaching the whole curriculum, and a multiplicity of extra-curricular activities. As noted, they had inter-school sports' competitions, science fairs, general knowledge and music contests, and were actively involved in other in-school singing, drama and sporting activities. Where they were teaching 'to the test', this was primarily because the government curriculum required that they had to. Parents were not as ignorant of what was happening in the schools as the Probe Report suggests – but were active choosers, and keen to move their children if the quality of the school was not what they wanted.

Of course, there are many shortcomings in terms of the quality in these schools, as might be expected in schools that charge £20 per year, and it has to be agreed that there is variable quality in the market. Two incidents illustrate a very real problem that provide some support to the second criticism of the Probe Report:

First, the Project Director was invited to a slightly more up-market school than the PIPE schools, charging fees of Rs. 300 (about £4.40) per month. This was one of the schools that poorer parents might aspire to send their children to, if they could afford the fees. Part of the school's attraction was its glossy brochure – which would not have been out of place advertising a British university, let alone a private school in low-income India. The school also had an impressive façade, and the Correspondent's office had marble floors and air conditioning. It was easy to see how parents could be very impressed by all of this, and wish to struggle to send their children to the school. However, when the project team asked to have a school visit, they saw classrooms which were indistinguishable from the slum classrooms, listened to senior children reading English without comprehension, and saw the same lack of facilities such as libraries and laboratories. It was clear that the school was, to some extent, hoodwinking parents with its outward façade.

Second, one of the PIPE correspondents pointed out that he was in competition with four newer schools in his neighbourhood, none of which had students in high enough streams to enter for the state examinations at Standard VII (schools often start with Nursery to Standard I, and build themselves up over the years). He was having problems with parents because his internal test scores at Standards I to VI were much lower than in these competitor schools. His view was that his tests were of the standard required

for students to enter for the state examinations, and so were giving a realistic assessment of the children's potential achievement. The other schools, however, he contended, were deliberately providing easier tests to inflate their scores, thus encouraging parents to believe that they were better at education. A market test would of course appear when the children finally did sit for Standard VII exams (assuming that there was no corruption with the examination and that it is reasonably reliable), but by then it would be too late – his school may even have been put out of business by his competitors by this stage. Whether or not the school correspondent was accurate in his description of the situation, clearly what he described could plausibly arise in the current environment.

Both examples neatly illustrate the kind of predicament parents find themselves in when making school choices. The market is very competitive, parents literally do have the choice of many private schools, all apparently offering similar fare. How do they choose? The government solution is to provide detailed regulations that schools must meet to be recognised, and so the badge of government recognition ostensibly solves the information problem for parents. Unfortunately, recognition, as we have seen, is able to be bought through bribery, so signifies only that these unofficial payments have been met, not that standards have been reached. In any case, it is not clear that the regulations accurately target those criteria that do lead to school improvement and higher standards (something that the parents would presumably want from any regulations).

But again, these two objections lead to a third possible solution, and third recommendation. If one is genuinely concerned with helping the poor, then it would seem that ways need to be explored which can help these schools to improve and gain standards that are genuine, rather than damning them for failing to reach desired standards. A key possibility here would be to create an education services company, offering cost-effective and tried school improvement and accreditation services for private schools for low-income families, initially starting in Hyderabad, with an exploration of the feasibility of extending this further across India, and to other developing countries. The company could offer at least the following:

1. School improvement package, including accreditation
2. Accreditation only.

Accreditation is clearly important, to provide a 'brand name' in this competitive market that would genuinely show school quality, as opposed to



government recognition that shows no such thing. Any school – including those that are not part of the school improvement process – could opt for the accreditation route. Accreditation could be at various levels, (perhaps Gold, Silver, Bronze), and the criteria could focus where possible on outcomes, particularly those that are of concern to parents, such as teacher and student proficiency in English, and measures such as pupil improvement and progress. Basic facilities, such as separate toilets for boys and girls, could also be included in the inspection criteria, as well as provisions for extra-curricular activities.

The school improvement packages offered would depend on an initial institutional evaluation, and would include measures (such as teacher training and setting targets for improvement with valid means of determining if these targets are reached) that could help achieve accreditation, as well as measures that would be desirable in their own right to improve quality.

Such an education services company could go a long way to overcoming the objections raised by the Probe Report concerning quality in the private schools, providing a valuable solution to the information problem faced by parents.

Coupled with a further recommendation that an education loan scheme is established, to allow schools to borrow funds for capital improvements, this could really allow schools to develop and serve the needs of the poor. Currently schools are hindered in borrowing funds for capital projects by their ill-defined property rights, and by the illegality of making profits – so they cannot give true figures on income and expenditure to banks. Hence, many resort to borrowing from ‘chit’ funds, which bring with them very high interest rates and some uncertainty that the chit company may itself go bust. Creating a new education loan scheme would seem eminently attractive to an international agency such as the International Finance Corporation (IFC, the private finance arm of the World Bank), and a business plan has been developed within the project that points to its feasibility.

#### THE PROBLEM OF REGULATION

Such schemes could substantially be enhanced if the regulatory environment could also be liberalised, particularly on the issue of schools making surpluses.

Significantly, the Andhra Pradesh Government has recently outlined, in its policy document *Vision 2020*<sup>12</sup>, recommendations for education, which include the theme of ‘encouraging private sector initiatives in education’. In order to do this, the Government says that it should, amongst other things, ‘declare education an industry’. This would seem to be a

disguised challenge to the decision of the Unni Krishnan Supreme Court Decision that education was in fact not an industry, as outlined in the Appendix. In this statement, the Government seems to be making it clear that it will not let this ruling get in the way of business involvement in education, nor quibble about the profit motive, both significant developments for potential investors and entrepreneurs. This is further spelled out later, when it is argued that

‘To enable the entry of the private sector, the Government will need to offer appropriate incentives and support, and an appropriate regulatory environment. To enable investment ... the State will provide the education sector with a status that qualifies it for credit from banks and financial institutions.’ (p. 88).

All this is a clear statement of the fact – supported in interviews with senior officials – that the Government does not want to get in the way of private sector investment in education, and that the Unni Krishnan ruling need not be an inhibiting factor to such investment.

#### FIVE RECOMMENDATIONS

In summary, then, the five recommendations are:

1. To develop and extend the private voucher scheme to allow the poorest to attend the private unaided school of their choice.
2. To explore, with Government and international agencies, the feasibility of establishing – initially in pilot areas – a state voucher scheme, again to allow the poorest to attend the private unaided school of their choice, while providing a valuable spur to quality improvements in government schools.
3. To set up an education services company, offering school improvement and accreditation services in private schools serving low-income families, in part to help solve the information problem faced by parents, and to raise standards in the schools.
4. To facilitate the establishing of an education loan company, possibly with IFC funding, to allow schools to borrow to finance capital developments.
5. To encourage the liberalisation of the regulatory environment by the Andhra Pradesh Government, in particular with regard to the issue of private unaided schools making surpluses.

#### EDUCATION FOR ALL?

Finally, what of the larger picture, of private education contributing to reaching the targets for ‘education for all’? In this context, of course, there are limitations to this particular research project. Whilst it has given a detailed picture of the private unaided sector in one city in India, it has not in itself compared public and private provision (only building on other studies that have). Clearly, more research is needed to show if the findings



are applicable elsewhere, in other Indian states and other countries. Certainly anecdotal evidence suggests that the burgeoning private sector serving the poor is not confined to India, and moves are underway to develop research that explores the larger picture. Nevertheless, the research reported here is substantial enough to at least raise questions about the current consensus on the relative roles of government and private sector in achieving 'education for all'.

The problem of low levels of education in developing countries is uncontroversial and the desire of countries to achieve universal primary education to be applauded. However, as noted at the beginning of this report, it also seems more or less universally accepted in development circles that it is a matter for governments and bilateral and multilateral agencies to solve this problem of achieving education for all. For instance, in recent World Bank deliberations on the education targets<sup>13</sup>, the estimate is that reaching them will take \$13 billion a year until 2015, the vast majority of which must be supplied by international agencies and administered through governments.

However, reading further in that report, an interesting peculiarity emerges. The authors note that in many of the countries that require the most assistance, private sector enrolments in primary education exceed their desired target of 10% (arrived at by noting what the 'most successful' developing countries achieve). In India, for instance, they suggest that it is currently 27% of all enrolments. Such levels are only there because of 'the limited supply or poor quality of public schooling'. However, since they envisage 'quality improvement and expansion' in public schools, in such countries enrolment in private schools must decline progressively to below 10%. Such a decline in private sector enrolments they argue is 'an efficiency gain'.

In other words, it is assumed that private education in developing countries is ultimately undesirable, so much so that any successful policy must inevitably lead to its decline as a proportion of the whole. Certainly private education is not seen as a valuable agent in the drive for 'education for all'. The report's authors do seek to justify this position: 'the attainment of universal primary completion is a responsibility of national governments', they argue, and because the very poorest cannot afford private schools, 'therefore' the vast majority should not be permitted such choice either.

It is suggested here that this is not a viable objection to an increased role for the private sector in helping meet the educational needs of the poor. Instead, it points to the desirability of private or state vouchers

to ensure that all parents can access private education. Indeed, if some or all of the five recommendations are put in place, then this would lead to the conclusion that an increased role for the private sector, far from being undesirable, could help achieve the desired goal of education for all – and in schools that are potentially more effective, cost-efficient and accountable than their state counterparts.

A recognition of the desirable impact of the private unaided sector would bring education into the mainstream of recent development discussion. Nobel Laureate, Amartya Sen, has recently spoken of the crucial role of markets in our lives, leading to high economic growth and poverty reduction, and allowing a valuable freedom in itself to be exercised. Sen admits that this acceptance of the role of markets as important for development has been of relatively recent coming:

'There was a time – not very long ago – when every young economist 'knew' in what respect the market systems had serious limitations: all the textbooks repeated the same list of 'defects'. The intellectual rejection of the market mechanisms often led to radical proposals for altogether different methods of organising the world (sometimes involving a powerful bureaucracy and unimagined fiscal burdens), without serious examination of the possibility that the proposed alternatives might involve even bigger failures than the markets were expected to produce... The intellectual climate has changed quite dramatically over the last few decades, and the tables are now turned.'<sup>14</sup>

Why should education be an exception here, so much so that some in development agencies see its decline as an efficiency gain? Should the development community not worry about the impact on the poor of the 'powerful bureaucracies' with 'unimagined fiscal burdens' feared by Sen, rather than assuming their impact will simply be benign? Should development experts not be concerned about the potential of Sen's 'even bigger failures' when it comes to government educational provision, rather than assuming that the market has a monopoly on such failure?

The final conclusion of this report is that the desirability of private sector involvement in serving the educational needs of the poor deserves discussion and debate within the national and international development communities. The case of private unaided schools in Hyderabad, India, suggests that the current dismissal of a valuable role in development for such schools is unwarranted, and likely to be severely counterproductive.

<sup>13</sup> World Bank, 2002, p. 44.

<sup>14</sup> Sen *op. cit.* pp. 6, 111.



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## APPENDIX

### THE OFFICIAL REGULATIONS

In order to give a flavour of the type and range of regulations under which the schools operate, and why the unofficial system may be so pervasive, we here list a few of the regulations. The list, it must be stressed, is certainly not exhaustive, there are many, many more regulations than these. Primary and secondary schools, in general, come under the jurisdiction of the state, under the Indian Constitution. All of these regulations, apart from that concerning profit, are hence from the Andhra Pradesh Government.

#### INSPECTIONS

The statutory Rules for inspection requirements are stated in *The Andhra Pradesh Educational Institutions (Inspection and Visits) Rules 1988*. Inspections up to upper primary level are supposed to be carried out in private institutions every year for a period of three days. All staff must be present and all records made available for examination and possible seizing (Clause 5 (2)). After the inspection, reports are written and have to be acted upon where required: 'the inspecting officer shall record his personal suggestions or observations of irregularities noticed for implementation or rectification' (Clause 8). The school must submit proof of rectification in order to illustrate how the inspection report's issues have been acted upon.

Inspections of High Schools takes place under a panel inspection system, made up of the Deputy Education Officer, Inspecting Officer and five other members made up of heads of secondary schools and senior/competent subject teachers (Clause 13). These inspections last for one or two days, after which the school is awarded one of four grades ranging from excellent through to poor (A-D).

The *Inspection Code* also states that one of the inspectors' duties is to control competition:

'It is the duty of officers ... to discourage by all legitimate means the opening of unnecessary schools in a spirit of mere factious competition' (Clause 144).

### CODE OF CONDUCT FOR EMPLOYEES IN PRIVATE INSTITUTIONS

The Government, through statutory Rules (*The Andhra Pradesh Private Educational Institutions Employees (Conduct) Rules, 1985*), regulates the conduct of employees of private educational institutions. For instance, members of staff are not allowed to participate in demonstrations or strike action (Clause 11), smoke in front of students (Clause 8, Part II), take dowries (Clause 17) or act

in an improper manner in public (Clause 16). Multiple marriages are also taken care of: 'No employee who has a wife living shall contract another marriage without prior permission of Government' (Clause 18).

As well as these clauses stipulating the actions of employees, the duties of every level of staff, from the typist, through teacher, lecturer, headteacher and principal are laid out in meticulous detail. The headteacher must teach eight periods a week, for example, and undertake action research programmes. A teacher must project to 'all concerned', 'an image of personal propriety, culture and decency through his dress and demeanour and shall be a source of guidance and a model for the students in his character and conduct. Women shall wear traditional clothes of non-transparent material consistent with modesty' and under no circumstances is a lecturer allowed to 'prepare or publish book or cheap notes commonly known as guides and made-easy series, or assist directly or indirectly in the publication of such books by others.'

Thus it continues, all the way through each teaching and non-teaching staff position. One of the duties of the library assistant is to 'see that the books are not eaten away by the white-ants etc.' (Clause 30. no. 2).

### RECOGNISED SCHOOLS

All the above rules appear to apply to any private unaided schools, whether recognised or not. There are, however, further rules specifically drafted for recognition status, including the extremely detailed requirements of the *Andhra Pradesh Educational Institutions (Establishment, Recognition, Administration and Control of Schools Under Private Management) Rules, 1993*. Importantly, these rules were seen as liberalising private education from the earlier regulatory regime – what is described below are the simplified mechanisms. The Rules cover in detail everything, from the physical requirements of the school, the curriculum, the teacher-pupil ratio to staffing conditions of service.

First, they set out the basic criteria and prohibitions for the establishment of private schools. These again include the need to prevent competition, requiring the:

- ♦ taking into account of the educational needs of the area;
- ♦ need 'to avoid unhealthy competition among the schools in the locality'.

There are then detailed procedures and criteria for achieving recognition by the competent authority.



These include, out of forty-odd specified conditions:

#### **ENDOWMENT FUND**

- ♦ To establish a new school, an endowment fund must be set up in a specified bank by the management: Rs. 25,000 - (£370) must be deposited for pre-primary to upper-primary, and Rs. 50,000 - (£740) for secondary. This fund may be used, with prior permission of the authorities, and once the school is registered, for purchasing furniture, materials and equipment.

#### **PHYSICAL REQUIREMENTS**

- ♦ At least 6-8 sq. ft. per pupil must be provided in the classroom.
- ♦ Drinking water and sanitation must be provided.
- ♦ A playground 'annexed to the school' must be provided, to a minimum of 1000 sq. m. for primary, 2000 sq. m. for upper primary and 4,000 sq. m. for high schools. (The municipal authorities can relax these requirements by 50% for slum areas).

#### **CURRICULUM AND SYLLABUS**

- ♦ The school must provide Telegu teaching as either a first or second language.
- ♦ The school shall follow syllabuses and text books as prescribed by government, unless the schools are affiliated to central examination boards, 'in which case, they would follow the requirements of the concerned board.'
- ♦ All instructions from government and 'other competent departmental authorities' relating to academic and administrative affairs must be followed.

#### **ETHOS**

- ♦ Religion must not be forced on students.
- ♦ Corporal punishment is outlawed in all schools.

#### **TEACHER-PUPIL RATIO**

- ♦ The teacher-pupil ratio must not exceed 1:40, except in pre-primary, where it must not exceed 1:20.

#### **ADMISSION OF STUDENTS**

- ♦ All instructions from government and 'other competent departmental authorities' relating to the admission of students must be followed.

#### **STAFFING ISSUES**

- ♦ The educational agency must reinstate a teaching or non-teaching staff

member if instructed to do so.

- ♦ The educational agency must adopt the Teachers' Provident Fund, or similar pension scheme, as prescribed by the Government.
- ♦ The authorities can transfer staff from a private school which is closing down, or if staff are removed, to another 'needy private aided or Local Body School within the district'.
- ♦ Staff must be appointed 'as per the staffing patterns prescribed by Government from time to time'.
- ♦ All staff must have the qualifications laid out by government, namely teacher training certificates or BEd degrees.
- ♦ All teaching and non-teaching staff have to be recruited in conformity with the rules laid down. These include that all posts have to be advertised 'in at least two newspapers having large circulation of which one shall be in Telegu', and that all posts in private educational institutions must have the prescribed number of scheduled castes/tribes (SC/STs), as set out in the 'communal rotation roster'. The composition of the Staff Selection Committee must consist of:
  - ♦ The president of the educational agency or nominee;
  - ♦ Correspondent/secretary/manager of the institution;
  - ♦ Headmaster/principal of the institution;
  - ♦ Two subject experts, selected by the educational agency from a panel approved by the District Educational Officer, one of whom must be the headmaster of a recognised school.
- ♦ Taking into account all of these factors, it is further specified that all teaching and non-teaching appointments have to be made with the approval of the authorities.

#### **FIXING STAFF SALARY STRUCTURE**

- ♦ Approximately 50% of the total revenue collected as fees from students shall be earmarked for payment of regular salaries to the staff and 15% of the revenue shall be earmarked for providing various benefits like Teacher's Provident Fund, Group Insurance etc.

#### **FIXING FEE STRUCTURES**

- ♦ While unaided schools can set their own fee structures, the Governing Body must take into account all the costs of the institution (i.e., salaries, rent, utilities,



consumables, books and materials, auditing expenses, and 'miscellaneous expenditure'), and allocate fee income as follows:

- ♦ 5% of fees to personal income to management;
  - ♦ 15% to rent, electricity, water, books, auditors, upkeep, etc.;
  - ♦ 15% to 'developmental activities of the institution', that is opening additional courses, expanding, investment in equipment, purchase of land, etc.;
  - ♦ 50% to payment of regular salaries to the staff;
  - ♦ 15% of the revenue for providing various benefits like Teacher's Provident Fund, Group Insurance etc.
- ♦ Importantly, these specific amounts 'are subject to inspection and auditing', and annual audited reports for each financial year must be submitted to the competent authority.

### PROFIT

Finally, the ability or otherwise of schools to make a profit is regulated through case law, the Unni Krishnan (All India) Supreme Court decision of 1993. The Court's main concern was that education should not 'be a matter of commerce' (par. 167), and in effect

leads to the outlawing of profit in any educational institution:

'One thing is clear: commercialisation of education cannot and should not be permitted. ... Both in the light of our tradition and from the standpoint of interest of general public, commercialisation is positively harmful; it is opposed to public policy'.

Moreover:

'Education has never been commerce in this country. Making it one is opposed to the ethos, tradition and sensibilities of this nation ... commercialisation is positively harmful, it is opposed to public policy.' (Para 164, S. C. 2244)

The issue of what to do with surpluses is also covered by Andhra Pradesh state law. According to the *Andhra Pradesh Education Act 1982*, any surplus funds must be reinvested into the educational institution in order to stimulate its development. Surplus funds are defined as:

'all the monies that remain unused with the institution at the beginning of each academic year, after providing for all the objects, needs, requirements or improvements of the institution during the previous three academic years' (Sec. 47).

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