Our schools are like our hospitals: those run by the government are not up to the mark; those run privately cost the world.

Schools for profit

Some states, most recently Uttar Pradesh, are trying to put curbs on profiteering by private schools. How realistic are such efforts?

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The private sector in education should not be driven by the profit motive alone. Private educational institutions are necessary, but commercialisation of education must be checked. The supreme court struck an optimal middle, allowing private schools to generate reasonable surplus for sustaining themselves but warned against commercialisation. It has advised state governments to come up with regulatory provisions to check and monitor arbitrary fee hikes. The belief is that a balance between schools' autonomy and the interests of students and parents can only be achieved by setting up a proper regulator.

Recently, the Uttar Pradesh government came up with a draft bill to regulate schools that aren't government-aided and outside of government control. It has got a thumbs-up from parents, but a closer look indicates several backdoor channels for school managements to raise fees year after year. Moreover, the basis for capping fees/charges under many heads is not clear. Generally, state governments set a cap on annual fees and set an escalation clause to check yearly increases. While this is seen as protecting students' and parents' interests, it won't work effectively. Because the supreme court is clear that state governments cannot decide what fees a school should charge; they can only regulate. Besides, without baselines, caps on annual fee hikes will have little meaning for they will not take into account the many factors that affect a school's revenues. So such caps will lead to much litigation.

Going for the details

What is needed is a regulatory framework that goes into the details of the major revenue and expense heads under which a school operates; the services offered to students; and provisions under which additional revenue requirements may be cleared with regulators before they are passed on to students.

This is not very different from the regulatory framework in the power sector. Distribution companies have to provide complete details of their investments and costs to justify the price they set for consumers. The companies are questioned on any discrepancy noted by the regulator and they are not allowed to make wanton profits. While the sheer numbers of schools may make such point-by-point regulation difficult, baseline rates and estimates of annual increase may easily be worked out.

If one goes by the regulations some states have put in place, there is enough scope for school managements to increase fees with other charges, such as development fees. Some of the regulatory laws or rules provide no rationale for the caps set, so they have drawn severe criticism. The government of Andhra Pradesh, for instance, capped the fees at ₹12,000, resulting in long-pending litigation between school managements and the government.

Instead, some predefined criteria should be established and managements must be made to explain in clear terms the cost elements going into the fee structure and show clearly how they provide benefits to students in terms of knowledge enhancement or in terms of improving their career prospects. Any proposed increase in fees should be scrutinised through open discussion involving parents and organisations working in the education sector. Such procedures will establish transparency and improve communication between parents and school managements.

Cost elements like land, building, construction and other infrastructural expenses should be identified and benchmarked. If land is allotted by the government on concessional rates, that may also be taken into consideration. These must be categorised as fixed or variable costs; revenue sources may also be clearly marked out and audited regularly.

What states have done

The Uttar Pradesh government has come up with a bill to regulate fees at private schools. Here's what other states have done.

Gujarat: Annual fees have been capped at ₹15,000 for primary classes, ₹25,000 for secondary classes, and ₹27,000 for higher secondary classes. Fee hikes have to be cleared by a regulatory committee. There are fines (and cancellation of recognition) for default.

Tamil Nadu: Schools are required to get clearance from the state government before raising fees.

Maharashtra: Disputes between school managements and parents or students are referred to a committee.

Punjab: Schools are allowed to hike fees, but the hike should be no more than eight percent over last year's fees.

The UP bill

In this perspective, the proposed Uttar Pradesh bill on fee regulation has few things to cheer about. The draft has three chapters: one defining the terms, the second describing the fees, disclosure, formation of zonal regulatory authority and state appellate authority; and the final one on maintenance of accounts, delegation of powers, jurisdiction and exemptions, and other miscellaneous items. The section on school fees addresses cost of prospectus, registration fees, admission fees, examination fees and tuition fees. It's proposed to have tuition fees as a single head, recurring annually. There are components for transport, boarding, mess, excursion and so on, which are voluntary. It's proposed that development fund charges be capped at 15 percent of the total fees, but the basis for this cap is not defined. Moreover, the inclusion of additional school building or premises from the management side under the development fund makes no sense. It is like giving tacit approval for fees hike under the garb of development fees. School managements would like to use this clause to increase the fees.

Some of the welcome steps in the bill are provisions for uploading the statement of fees on a school's website, no capitation fees and issuance of proper receipts. There are clear directions that no student shall be compelled to purchase books, shoes, socks, uniform, etc. from particular shops. This is to break the nexus between managements and suppliers, which works on kickbacks.

There is a provision for schools to indicate income and expenditure, but it's not clear how these claims will be verified. The disclosure policy under the proposed bill is a step forward to create a proper channel of communication between managements and parents. Another clause for permitting increase of fee for old student capped on consumer price index (CPI) plus five percent, subjected to average per capita increase of monthly salary of teachers, also makes little sense and seems to be an alternate way of passing on a fee hike under some garb or the other.

The bill proposes a zonal fee regulatory committee, with the divisional commissioner as chairman and seven members, including a CA, a PWD engineer, regional director of education, principal of a self-financed institution, president of a parent-teacher association and so on. Its jurisdiction shall be at the level of schools under the particular division, and it will be empowered to take action on complaints from aggrieved students, parents or guardians. School managements will be allowed to submit proposal for fee hike three months in advance of the commencement of an academic year. Defaulters will be fined ₹1 lakh for first time offence, ₹5 lakh for the second time, and if they default a third time, recognition will be withdrawn.

The way ahead

Though there are provisions that any fee hike proposal exceeding the capped limit of 15 percent would be passed through the zonal regulatory committee, it is unclear on what basis the regulator would pass judgement. As there is scarcity of data to set a benchmark on cost elements, it requires further study and research to properly establish the norms and conditions of cost and revenue elements. Moreover, the regulator authority should properly facilitate a channel to hear the arguments from all stakeholders before passing judgement. The proposed bill, of course, is at a very early stage and will go through a lot of evolution. Nonetheless, it's a good initiative and all stakeholders should join hands to bring about much-needed transparency and accountability in our educational institutions. ■

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