

Changing Schools

THE GOVERNMENT SHOULD ALLOW PRIVATE COMPANIES TO SET UP SCHOOLS.



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ENSURING ACCESS TO education is the responsibility of the government. But no matter how much it tries, the government alone cannot provide good quality education to everyone. It has to rely on the private sector to shoulder the mammoth task of 'Education for All'.

Some of the best schools are private schools.

Even parents from lower income groups prefer low-cost private schools over government schools. As the role of the private sector is so crucial, why isn't the government making it easier for them to function?

Education is a capital-intensive sector, and money is required to buy/lease/hire land, building, infrastructure, facilities, staff, technology, et al. The government is certainly not in a position to meet these capital requirements. It is barely able to provide (if at all) right-to-education reimbursements to private schools.

Private schools, therefore, depend on their earnings, private grants or third-party borrowings to meet their capital requirements. Lenders are not comfortable about financing schools because of the 'not-for-profit' format as schools need to be set up by a public charitable trust or a registered society.

Different states have different society and trust laws (some do not even have trust laws), and the provisions are

not uniform across states. The functioning of these trusts and societies can be very opaque as much of it is governed by their internal charters. Regulatory oversight is at the bare minimum, and it affects the comfort level and business structure of investors and lenders.

A private limited company, on the other hand, is a well-established form of entity. It sits within a robust legal and regulatory framework, and there is transparency in its functioning. If schools are permitted to be set up as companies, not only will it be easier for them to raise capital, but their functioning will also become transparent. It will improve corporate governance across the education landscape and benefit all stakeholders.

Then why is the government hesitant to allow a private limited company to set up schools? Shouldn't the laws change with changing times?

State governments need to realise that earning from educational activity is not a bad thing. And let us be honest, it is happening even now. The Supreme Court has also said that educational institutions are entitled to have a surplus or generate profits, provided the surplus so generated is used for the benefit of the educational institution. This principle can be easily followed in a school set up by a private company.

While we are, in principle, against fee regulation of private schools, laws dealing with capitation fees, if not misused, do have a purpose to serve. There are adequate checks and balances in place to ensure that there is no capitation fee charged and the school is functioning within its permission parameters.

Haryana is one state that has already allowed private companies to set up schools. Recently, the Medical Council of India has allowed private limited companies to set up medical colleges. Such progressive changes are to be welcomed.

To conclude, allowing or not allowing a for-profit structure in K-12 is nothing but a form over substance issue. State governments should realise that private schools, at all levels, need to function in a structure that is more transparent and easier to finance. **BT**

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