

# LIBERALIZATION of India's Private Schools



A need for urgent and bold reforms  
targeting quality in private K-12 schools



India's private school  
sector caters to nearly  
**12crore** of India's  
25crore students.



**70%** of these  
students go to schools  
charging less than  
Rs.1000/month.



To survive and  
succeed in the  
21st century,  
these children need  
**foundational learning**  
and moreover,  
21st century  
skills and attitudes.



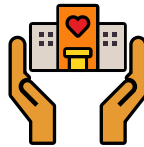
However,  
**learning outcomes**  
in private schools are  
only slightly better  
than those in  
government schools,  
and need to  
improve significantly.



The private school market and the quality  
it delivers is shaped by regulations:



Current regulations are  
focussed on inputs  
(infrastructure, permissions,  
teacher qualifications  
and salaries etc)  
instead of outcomes  
(the delta in student learning).  
Schools therefore focus on  
meeting the licensing  
requirements and input-  
based norms rather than  
focusing on improving  
student learning outcomes.



Schools are supposed to  
be non-profit in India.  
However, running a school  
is a full-time occupation,  
and only very few school  
owners can afford to forego  
a return on their investment  
or a wage for their efforts.  
This deters both quality  
capital and people from  
entering the schooling sector.



Reforms and liberalization  
of the telecom and airlines  
sectors and more recently  
the healthcare sector  
shows that the private  
sector performs best  
under an open regulatory  
framework with  
clear incentives.

Private schools' performance is essential to improving  
India's learning outcomes and can be unleashed  
through these three steps:



i. Rationalize Regulations



ii. Liberalize Schools



iii. Directly Fund Students

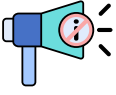
## First, rationalize regulations for the private sector schools by:



Amend the Right to Education Act (RTE) and state-driven input-based norms



Compulsory registration of schools and accreditation that meets a set of disclosure norms and safety standards (which would replace input based norms as part of the RTE and other acts)



Decreasing information asymmetry among parents by

- a) key stage census assessment of learning outcomes as proposed by the NEP and
- b) publishing the scores for schools widely to aid parent choice



Separation of roles of the regulatory bodies that oversee the education sector (as recommended in NEP 2020)

## Second, liberalize schools by:



Allowing schools to operate for profit and allow complete autonomy to schools subject to the safety and disclosure norms above



Changing regulations to allow for various funding models of schools and raising capital (such as making schools a priority lending sector for MSMEs, allowing REITs and InVits).

## Third, directly fund students:



Directly transferring Rs. 5-15k to low income families towards education expenses



### Vision 2035:

**A competitive sector that delivers affordable quality at scale**



The total Indian schooling market is currently estimated at US\$100bn with the private sector pegged at US\$32bn in FY 2017-18. If the reforms and liberalization measures are implemented, a 25% CAGR and a size of US\$200bn of private schools is estimated by 2025.



At a 20% profitability margin, and a 25% net tax rate, taxes from the sector can amount to a significant sum of \$10 billion, or Rs.74,000 Crores, all of which can be ploughed back into education.



A dynamic set of entrepreneurs run innovative and affordable school chains, using tech and economies of scale to drive down costs



A marketplace of investment, loans, and solutions allows the private school sector to adapt to new trends and job market requirements



Professionalization of the teacher cadre, with competition and compensation for skilled, creative, and impactful teachers



Highly empowered parents who can hold schools accountable for learning levels, or choose other providers