

Private Schools for the Poor

Educating Millions in the Developing World



OUR NEXT ENDEAVOUR

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Picture on title page:
 Children at the Tagore’s High School in Hyderabad, India take part in an English lesson based on the Jolly Phonics system of synthetic phonics.

Photo: James Tulloch

About “Our next Endeavour”

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“Our next Endeavour” is Endeava’s working paper series on current issues in enterprise solutions for development. The papers explore topics we consider relevant and topical for inclusive business. The papers are based on research and analysis. They are targeted at practitioners from companies, development agencies and NGOs. With this, “Our next Endeavour” aims to inspire forward thinking, stimulate dialogue and spark new collaborations.

If you wish to wish to comment on this paper, please write to Aline Krämer (a.kraemer@endeva.org)!

We are keen to hear your reactions.



// A teacher leads an English lesson at a branch of the M.A. Ideal High School in Hyderabad, India.

Photo: James Tulloch

Executive Summary

Low-cost private schools can help the poor bridge the basic education gap. Indeed, they already play a significant role in educating the children of millions of poor families throughout the developing world – charging the equivalent of just a few dollars a month in tuition fees. The bottom-up, demand-driven nature of low-cost private schools allows them to meet the specific needs of poor parents, many of whom choose to send their children to fee-paying private schools rather than have them attend free public schools. Low-cost private schools succeed where poor parents believe public schools frequently fail – meeting their demands for **Affordable** and **Accessible** education for their children, provided by teachers and administrators who are held **Accountable** for the quality of instruction and educational outcomes. This “**Triple-A rating**” that families are giving low-cost private schools suggests that they are an educational choice for low-income parents that is here to stay.

However, there is plenty of room for improvement. While research shows that low-cost private schools often offer education of a higher quality than that offered by neighbouring public schools, they still fall short of the standards of private schools catering to middle-income families. In order to expand access to and enhance the quality of education, “**edupreneurs**” need support: They often operate in embryonic education ecosystems in low-income sectors and thus face significant constraints, particularly when it comes to: Accessing Finance to develop their school, navigating complex **Regulatory Environments**, and **Enhancing Education Quality**. Creating the right conditions for low-cost private schools to flourish and improve requires a concerted effort by various players including financial institutions, governments, development partners, non-profit organizations, foundations, and researchers.

For example, financial institutions of all kinds can widen access to the funding channels available to school proprietors; governments can dismantle regulatory hurdles and implement policies that incentivize low-cost private schools; companies can create innovative solutions for improving education and increasing transparency in low-income education markets; NGOs can act as service providers and intermediaries to schools, providing teacher training, assisting with developing curricula or rating schools. **Action by all players in nascent education ecosystems in low-income markets is needed to help them thrive.**

// → SEE BOX BELOW

Nurturing the education ecosystem – a role for each stakeholder

Low-cost private schools are already providing millions of underprivileged children with accessible, affordable and accountable schooling. However, they would benefit from an ecosystem of partners supporting their development.

Financial institutions

To improve the quality of their services and their facilities and to reach larger numbers of low-income students, edupreneurs need access to growth capital. Microfinance providers, impact investors and development finance institutions can play a crucial role. They can provide targeted financial products that can absorb larger risks, or set up guarantee funds that enable smaller organizations or local banks to do so. To ensure their investments will make a return, they can couple their loans, debt or equity investments with training about financial and school management, or cooperate with NGOs to do so. At the same time, education companies such as Pearson may choose to invest directly in the sector.

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Governments

Governments could recognise low-cost private schools as partners in the quest to provide universal access to basic education. Removing regulatory hurdles and dismantling corrupt practices associated with official school registration/certification would be a good start. Undoubtedly a certain level of infrastructure provision (e.g. sanitation, drinking water) should ideally be guaranteed by private schools. However, learning outcomes should be the primary basis for official recognition. Also, governments could recognise the special character of these for-profit enterprises with a social mission by granting a favourable legal status that would make them eligible for other types of direct or indirect support, whether school vouchers, tax exemptions or utilities subsidies, as well as capital investment.

And as low-cost private schools deliver more standardized education, there may well be ways to develop PPPs between accredited schools and education authorities, emulating the historical success of non-profit educators like Fe y Alegría.

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Development partners

Development partners such as international and bilateral donors can work with governments and edupreneurs to develop industry best practices, facilitate the free flow of ideas, expertise and capital, and encourage sound regulations. They may also support the establishment of PPPs that expand access to education. In addition, they may support the provision of access to finance, for example by setting up guarantee funds or simply by building up the capacity of local banks. Development partners can also sponsor research on low-cost private school models, and contribute to the dissemination of best practices. For example, the Center for Education Innovations, which is funded by the United Kingdom's Department for International Development, identifies, analyses, and connects non-state education innovators.

|| → SEE [HTTP://WWW.EDUCATIONINNOVATIONS.ORG/](http://www.educationinnovations.org/)

For- and non-profit organizations

Non-profits, charitable foundations, but also for profit organizations like educational material providers can fortify the education ecosystem by providing learning aids, digital expertise and training services to schools. For example, ZMQ Software Systems supports edupreneurs offering e-learning and m-learning tools targeted at both students and teachers that are tailored to the means of low-cost private schools. They may also act as independent assessors of school quality through school rating or certification systems, following the example of Gray Matters Capital (GMC). Such services not only support parents in their decision-making, but may also help schools become recognized. Non-profits can also act as intermediaries. For example, microfinance providers and banks are often reluctant to lend to edupreneurs, as they may not be financially literate. As the IDP Rising Schools Program demonstrates, cooperation between MFIs and NGOs that build the capacity of borrowers to manage their loans is one solution. Alternatively, non-profits can connect low-cost private schools with potential partners such as MNCs aiming to distribute learning equipment to schools as part of their corporate social responsibility (CSR) activities.

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Universities, think tanks and other research organizations

Rigorous, independent researchers play an important role raising awareness of the realities of low-cost private schooling, particularly as the sector has become the focus of a somewhat polarised debate between advocates of markets in education and more statist commentators. Robust analysis of educational and social outcomes is required to inform policymakers and other stakeholders such as financial institutions. In particular, more longitudinal studies assessing changes over time are required to complement the snapshots in time provided by many researchers. These assessments play a crucial role in disseminating information about best practices, long-term sustainability and social equity implications within the sector, and alerting other potential ecosystem actors to what is happening on the ground.

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Methodology

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The purpose of this paper was to broaden understanding of the contribution that low-cost private schools are making to the education of the poor in many parts of the developing world. In addition, we aimed to document key challenges these schools face and explore how they can overcome them. Stimulating discussion about how this phenomenon could be supported, we further identified which types of support are required and who might provide assistance.

The research was initially inspired by conversations with Professor James Tooley and Dr. Pauline Dixon, both of the E.G. West Centre at the University of Newcastle, whose pioneering research on private schools for the poor has brought this topic to international attention (see Box 1: Uncovering hidden markets). These discussions illuminated and reinforced many of the lead author's own impressions and experiences gained while teaching in India on behalf of a UK charity.

In addition to the work of Tooley and Dixon, this paper draws on extensive desk research of existing literature on the low-cost private school sector in various countries. This was reviewed to identify the scale and character of the phenomenon, the reasons for its existence, specific examples of low-cost private schools, their core strengths and weaknesses, as well as some of the organizations that support them and the levels of support required.

Finally, in September 2012, the lead author conducted a field visit to the city of Hyderabad in India, arguably one of the most advanced markets for low-cost private schools in the world. The owners of low-cost private schools were interviewed, along with other stakeholders, primarily to ascertain the prevailing perceptions of these schools' most fundamental needs, and how those needs could be met, either through the existing educational ecosystem or by new actors and partners entering the marketplace to support these schools.

Introduction

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Millions of parents in the developing world are choosing to send their children to private, fee-paying schools. Surveys in some of the most deprived corners of Africa, Asia and Latin America, have shown that private schools educate more children than the government does.

- In the Indian city of Hyderabad, within slums that are home to 800,000 people, two out of three children attend private schools⁰¹
- In deprived areas of the Ga district of Ghana and Lagos state in Nigeria, private schools educate about 65% and 75% of children respectively⁰²
- In the largest slum area of the Colombian city of Cali, 85% of the schools are private, and they teach 64% of pupils⁰³

How is this possible? Surely, private schools are too expensive and socially exclusive for the poor: this commonly held assumption is culturally conditioned to see only the private schools that serve the middle- and upper-income sectors of society. There is, however, another kind of private school: the low-cost private school. It charges just a few dollars a month and it caters to the poor.

These schools have long been overlooked by mainstream discourse about education in the developing world, which has focused attention squarely on top-down government initiatives to increase enrolment in public schools under the UNESCO-led Education for All agenda,⁰⁴ part of the global drive to meet the Millennium Development Goals (MDGs).

But thanks to pioneering field research—in particular the work of Professor James Tooley and colleagues (see Case Study 1: Uncovering hidden markets)—and the sheer weight of numbers, the bottom-up, market-driven phenomenon of low-cost private schools has become increasingly visible. “Private participation in education has increased dramatically over the last two decades, serving all types of communities – from high-income to low-income families,” acknowledges the World Bank.⁰⁵ In rural India, for example, private schools enrolments have steadily increased so that in 2012 about 28% of all children aged 6-14 attended a private school compared to just 18.7% in 2006.⁰⁶

Of course, not all private schools serve the poor, and the expanding middle classes in rapidly growing economies such as India account for much of the new demand. On the other hand, official figures may underestimate the true scale of the sector, principally because so much economic and societal activity in areas where the poor live goes undocumented by the state. For instance, in the city of Patna, capital of the Indian state of Bihar, a recent survey found that government statistics exclude three quarters of the schools in the city and 68% of school going children.⁰⁷ In Hyderabad, the percentage of out-of-school children reduced from the official rate of 15% to less than six per cent when all low-cost private schools were included.⁰⁸

UNESCO warns that there are 57 million children of primary school age not attending school⁰⁹ and that the world needs some 1.6 million new teachers to meet the MDG of universal primary education by 2015. But perhaps the real picture is not so bleak: many children missing from official statistics are in fact being educated, just not by the state.

It is not just ambitious middle-class parents that are taking greater control of their children’s education. Parents hovering around the poverty line, instead of waiting passively for the state, religious organizations or aid agencies to provide for them, are turning to a marketplace created by independent school proprietors.

01. Tooley, James, Pauline Dixon, and S.V. Gomathi. “Private Schools and the Millennium Development Goal of Universal Primary Education: A Census and Comparative Survey in Hyderabad, India.” *Oxford Review of Education* 33.5 (2007): 539-60.
02. Tooley, James, and Pauline Dixon. *Private Education Is Good for the Poor: A Study of Private Schools Serving the Poor in Low-income Countries*. Washington, D.C.: Cato Institute, 2005.
03. AlWindi, Joni, and Patrik Åkerman. *Private Schools in the Slums: Do They Provide an Effective Primary Educational Service? : A Case Study of Aguablanca in Cali, Colombia*. Rep. Vol. 106. Stockholm: Stockholm: Department of Economics, Stockholm School of Economics, 2008.
04. “Education for All Movement.” Education. United Nations Educational, Scientific and Cultural Organization, n.d. Web. <<http://www.unesco.org/new/en/education/themes/leading-the-international-agenda/education-for-all/>>.
05. Patrinos, Harry Anthony, Felipe Barrera-Osorio, and Juliana Guáqueta. *The Role and Impact of Public-Private Partnerships in Education*. Rep. Washington, DC: World Bank, 2009. p 2-3.
06. *Annual Status of Education Report (Rural) 2012, Provisional*. Rep. Mumbai: Pratham Resource Centre, January 17, 2013.
07. Rangaraju, Baladevan, James Tooley, and Pauline Dixon. *The Private School Revolution in Bihar: Findings from a Survey in Patna Urban*. Rep. New Delhi: India Institute/EG West Centre, Newcastle University, 2012.
08. Tooley, James, Pauline Dixon, and S.V. Gomathi. “Private Schools and the Millennium Development Goal of Universal Primary Education: A Census and Comparative Survey in Hyderabad, India.” *Oxford Review of Education* 33.5 (2007): 539-60.
09. UNESCO. *EFA Global Monitoring Report 2013-14 Summary. Teaching and Learning: Achieving quality for all*. Rep. Oxford: Oxford UP, 2014. Print. Education for All.

Introduction

Case Study 1

Uncovering hidden markets — the pioneering research of James Tooley and Pauline Dixon

The low-cost private school phenomenon has been documented and championed most prominently by Professor James Tooley and Dr. Pauline Dixon, both of the E.G. West Centre at the University of Newcastle.

Having discovered dozens of private schools for the poor in the slums of Hyderabad in 2000, which contradicted official assurances that no such schools existed, Tooley and

Dixon went on to uncover thriving low-cost private school markets in Hyderabad, Delhi, Ghana, Nigeria, Kenya and even rural China, summarized in Tooley’s book “The Beautiful Tree.” Their ground-breaking field studies found that most of these schools were run as profit-making businesses, in some areas they taught more children than the state, and on common indicators including class sizes, teacher activity and absenteeism, standardized tests of literacy and numeracy, and cost per pupil, they outperformed government schools.¹⁰

Who leads these schools? The literature records that the majority of low-cost private schools, whether in Lagos, South Africa, the Pakistani Punjab or Hyderabad, are managed by individual proprietors running their schools on a for-profit basis from premises they either own or rent. Sometimes described as “edupreneurs”, these school owners may have started out as private tutors or schoolteachers but are businesspeople as well as educators, often with strong personal or commercial ties to the community they serve. Many also claim a philanthropic motivation for their work. For example, Hyderabad businessman Mohammed Khan says he set up the Royal Afhaam Islamic English High School to serve a community of professional beggars primarily as a social enterprise, recalling that he was inspired by “an article in the newspaper saying there was no education here.”¹¹

Frequently, edupreneurs have been prompted to act by a perceived or actual gap in local education provision. “Most of the schools we visited were founded by entrepreneurs who were responding to a clear demand for better schools,”¹² reports one South African study. They often operate without official sanction and so prosper primarily by building relationships with parents based on their perceived commitment and performance rather than official recognition or paper qualifications.

10. Tooley, James, and Pauline Dixon. *Private Education Is Good for the Poor: A Study of Private Schools Serving the Poor in Low-income Countries*. Washington, D.C.: Cato Institute, 2005

11. Lead author interview with Mohammed Khan, September 2012

12. Schirmer, Stefan. *HIDDEN ASSETS: South Africa’s Low-fee Private Schools*. Rep. Johannesburg: Centre for Development and Enterprise, 2010. CDE In Depth 10.

13. Lead author interview with Mohammed Anwar, September 2012

Case Study 2

M.A. Ideal High School, India

In 1987, Mohammed Anwar rented two rooms in the Kishan Bagh slum of Hyderabad and started a school. A recent graduate, he had no formal teaching qualifications or training, but had been a private tutor to many children in the neighbourhood and developed good relations with parents, many of whom were dissatisfied with the local public schools. He charged each of his 40 students 10 rupees a month (\$0.76 at the time). Today, there are nine branches of his M.A. Ideal High School, employing about 130 teachers, and educating around 4,500 children.

The fees range from about 120 rupees (\$1.93) per month for nursery school to 300 rupees (\$4.84) for the final year of high school, which is at the lower end of the fiercely competitive Hyderabad low-cost private school market and a fraction of the cost of a typical middle class private school in India. Students receive their essential schooling as well as sports activities, computer classes and some health checks. Anwar reports that it costs his school 150–180 rupees a month to educate a child, compared to per-pupil costs in government schools of 1000 rupees. “Our average monthly fee is about 200 rupees so we make a 10–20% margin,” he says.¹³

Triple-A Rated Schools: Accessible, Affordable, Accountable

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“ A class of children practices English pronunciation at a branch of the M.A. Ideal High School in Hyderabad, India.

Photo: James Tulloch

What persuades relatively poor people to pay a significant portion of their meagre income to private schools when they could receive free education for their children from the state? Three key characteristics of low-cost private schools have emerged as attractive to parents: they are Accessible, they are Affordable, and they are Accountable.

Accessible

Private schools for the poor have sprung up in many cases because communities are underserved by the state, which often struggles to keep track of shifting populations, particularly in the mushrooming megacities of the developing world. Poor people may not have access to public education because they are effectively invisible to the state or difficult to reach.

In Dhaka, the capital of Bangladesh and one of the fastest-growing cities in the world, one in three people lives in a slum. Yet only one in four slums have a government school, reports a recent survey of school accessibility in the city.¹⁴ Children have to travel long distances and negotiate hazards such as rivers or roads to get to school. “Longer journeys are riskier, and children’s security was a major concern for the parents,” a policy brief based on the study observes. “The slum with the lowest enrolment was separated by a busy road from the nearest schools”.¹⁵

Children from the slums of Makoko and Iwaya in Lagos, Nigeria, face similar obstacles as the only public schools are on the fringes of their community, according to a study commissioned by the UK government’s Department for International Development (DFID).¹⁶ “These schools are essentially inaccessible to those children living on the water [in Iwaya] who would require a canoe to reach the land and would then proceed by foot to the school,” the report concludes.

14. Cameron, S. *Access to and Exclusion from Primary Education in Slums of Dhaka, Bangladesh*. Rep. N.p.: CREATE Pathways to Access, Research Monograph, 2010.
15. Cameron, S. *Education for the Urban Poor in Bangladesh*. Brighton: CREATE, University of Sussex, 2010.
16. Härmä, Joanna. *Study of Private Schools in Lagos*. Rep. no. LG 303. N.p.: Education Sector Support Programme in Nigeria (ESSPIN), 2011.

Triple-A Rated Schools: Accessible, Affordable, Accountable

In response to this scarcity of public provision, edupreneurs in Lagos, Dhaka, India and elsewhere have established low-cost private schools closer to children's homes, leveraging their local knowledge and social capital to secure or construct school premises, thereby expanding access to education in ways familiar to many other cities in the developing world. In South Africa, the "Hidden Assets" study found that, between 1994 to 2009, more private schools were established in the research areas than public schools. These private schools were found in "abandoned factories, shopping centres, shacks, and high-rise buildings."¹⁷

According to James Tooley, the emergence of these schools is "a tremendous success story in terms of access; hundreds of thousands of entrepreneurs have set up private schools serving the poor."¹⁸

Affordable

If there is no public school available, it's unsurprising that poor children enrol in low-cost private schools. However, even where there is widespread and recently expanded access to state education, as in Nigeria, India and Ghana for example, large numbers of parents are choosing fee-paying alternatives instead.

This is partly because **state education is rarely free**. Costs come in many forms, from registration and exam fees to uniforms and textbooks. The World Bank discovered in 2005 that only 16 of 93 countries surveyed charged no school fees at all, even though the majority professed to make free education available to all.¹⁹ "In reality, free primary schooling remains the exception rather than the rule," concludes UNESCO.²⁰ These costs can be surprisingly high. In the Kibera slum in Nairobi, Kenyan parents complained to James Tooley about prohibitively expensive school uniforms and building maintenance fees demanded by government schools.²¹ One structural reason for these charges may be that government education spending in Africa is disproportionately skewed towards higher education, according to UNESCO.²² This effectively subsidizes the wealthy that access higher education, leaving the poor to make up the shortfall in basic education funding.

At the same time, private schooling has become affordable. In Pakistani villages, for example, the median annual fee "roughly translates to \$1.50 a month," according to one study titled "A Dime a Day".²³ It ascribes the dramatic rise of private schooling in the country to fees which are affordable for parents living near the poverty line. In Hyderabad, Tooley and Dixon found that the fees for fourth-grade primary students surveyed ranged between \$1.63 and \$2.15 per month, equivalent to between 4 and 6% of the monthly minimum wage at the time. In Ghana and Nigeria, parents were paying between 5 and 10% of monthly earnings.

How can these schools be so cheap? By paying their teachers, many of whom are unqualified, salaries that reflect local realities. "Teachers in the government sector are paid on the basis of a pay scale that rewards experience and training," explains "A Dime a Day" as it outlines the low-cost private school business model. "Private schools have kept their costs low through basing hiring decisions on and linking pay with local labour market conditions."

17. Schirmer, Stefan. HIDDEN ASSETS: South Africa's Low-fee Private Schools. Rep. Johannesburg: Centre for Development and Enterprise, 2010. CDE In Depth 10.

18. Lead author interview with James Tooley, September 2011

19. World Bank and UNICEF. "Abolishing School Fees in Africa: Lessons Learned in Ethiopia, Ghana, Kenya and Mozambique." Washington, DC/New York, World Bank/UNICEF. (Development Practice in Education.) 2009.

20. UNESCO. Reaching the Marginalized: EFA Global Monitoring Report. Rep. Oxford: Oxford UP, 2010. Print. Education for All. p. 189.

21. Tooley, James. The Beautiful Tree: A Personal Journey into How the World's Poorest People Are Educating Themselves. Washington, DC: Cato Institute, 2009.

22. Financing Education in Sub-Saharan Africa: Meeting the Challenges of Expansion, Equity and Quality. Rep. Montreal: UNESCO Institute for Statistics, 2011.

23. Andrabi, Tahir, Jishnu Das, and Asim Ijaz Khwaja. "A Dime a Day: The Possibilities and Limits of Private Schooling in Pakistan." Comparative Education Review 52.3 (2008): 329-55.

Triple-A Rated Schools: Accessible, Affordable, Accountable

Consequently, when poor parents come to choose a school, the actual cost difference between low-cost private schools and public schools may be marginal. Furthermore, the relatively informal and often negotiable payment structure of private schools can be adapted to the needs of their customers. The poor often have an irregular income and no means to save money and so require flexibility. In Ghana, for example, some school owners have responded by charging a daily rather than a monthly fee.

This still leaves out those who cannot afford any school fees whatsoever, a barrier acknowledged by much of the literature and school owners themselves. “Proprietors stated that many children in their community are out of school because of their inability to pay for private schools,” notes the DFID survey of Lagos. A consistent criticism of the low-cost private school phenomenon is that it does not, indeed cannot, serve the very poorest or marginalized communities. In India, the same author of the Lagos paper, Joanna Härmä, found that lower caste and Muslim children were losing out.²⁴

Many low-cost private schools offer discounts or concessions to parents who struggle to afford school fees, for example waiving the fees for a third sibling attending the same school. The majority of school owners in Lagos say they offer concessionary or free places to the poorest of the poor. In schools surveyed in Hyderabad, 7% of children reportedly paid no tuition and 11% paid reduced fees, thanks to low-cost private schools offering subsidized places.²⁵ Such claims are difficult to verify for certain but in many cases, it appears that the poor are subsidizing the poorest.

Accountable

Above all else, parents want a school that does a good job of educating their children and will be accountable to them. On these measures, many state schools fail to meet expectations. “Even among poor families and disadvantaged communities, one finds parents who make great sacrifices to send some or all of their children to private schools, so disillusioned are they with government schools,” concludes a seminal Public Report on Basic Education in India (PROBE) survey of over 200 villages in five states of India.²⁶

Parents are disillusioned for some of the reasons related to Access and Affordability mentioned above, but also because government schools suffer from problems that have negative impacts on students’ learning.

One is overcrowding. The worldwide drive to enrol more children in free public schools has not always been accompanied by adequate provision for those children, resulting in practices like “double-shifting”—teaching the same class in the morning and afternoon—or mixing different year groups in the same classroom with just one teacher. About 45% of the approximately 13,000 government schools in rural India surveyed by the Annual Status of Education Report in 2010 had 4th grade children sitting with children from other classes.²⁷ In Bangladesh, Cameron discovered that as enrolment rates increased during the 1990s, reading and mathematics achievement declined.²⁸ UNESCO acknowledges that in some countries “the elimination of official fees has led to deterioration in quality, with increasing surges in enrolment.”²⁹

24. Härmä, Joanna. “Can Choice Promote Education for All? Evidence from Growth in Private Primary Schooling in India.” *Compare: A Journal of Comparative and International Education* 39.2 (2009): 151-65.

25. Tooley, James, and Pauline Dixon. “Is There a Conflict between Commercial Gain and Concern for the Poor?: Evidence from Private Schools for the Poor in India and Nigeria.” *Economic Affairs* 25.2 (2005): 20-26

26. De, Anuradha, and Jean Drèze. *Public Report on Basic Education in India*. Rep. Oxford: Oxford UP, 1999.

27. *Annual Status of Education Report (Rural) 2010*. Rep. Mumbai: Pratham Resource Centre, 2011.

28. Cameron, S. *Access to and Exclusion from Primary Education in Slums of Dhaka, Bangladesh*. Rep. N.p.: CREATE Pathways to Access, Research Monograph, 2010. Print.

29. UNESCO. *Reaching the Marginalized: EFA Global Monitoring Report*. Rep. Oxford: Oxford UP, 2010. Print. Education for All.

Triple-A Rated Schools: Accessible, Affordable, Accountable

Another source of parental dissatisfaction is chronic teacher absenteeism and inactivity in public schools. World Bank research has found that nearly one in five teachers were absent from their schools in Bangladesh, Ecuador, India, Indonesia, Peru, and Uganda.³⁰ In India, when the researchers randomly visited government primary schools, they found one quarter of teachers absent and only 50% actually engaged in the act of teaching. When Tooley and Dixon compared teacher activity in public and low-cost private schools in Ghana, only 57% of government teachers were teaching when visited compared to about 70% of teachers in low-cost private schools. In Lagos, Nigeria, the figures were 67% compared to 87% and in Hyderabad 75% and 94% respectively.³¹

These issues have helped propel parents towards low-cost private schools. The Hidden Assets study of South African low-cost private schools recorded that “the main reason cited by parents for sending their children to private schools was that **they achieved better results than public schools** ... They prefer private schools to public schools as class sizes are smaller and teachers can give learners more attention.” In other words, they are accountable. “Proprietors [of private schools] are very tough. If teachers don’t show up and teach, the parents react... So they are tough with their teachers and supervise them carefully,” explained one Ghanaian public school headmistress quoted by James Tooley. “I can’t do that with my teachers; I can’t sack them.”³²

Government teachers generally hold permanent positions, enjoy union protection, and as “A Dime A Day” explained, often have salaries and promotions tied to term of service and seniority. By contrast, if teachers in low-cost private schools are not seen to be committed or delivering good results, parents will take their children elsewhere and they may lose their jobs. “This contrast is perceived with crystal clarity by the vast majority of parents,” observes the PROBE report.³³

Parents’ intuition about more accountable low-cost private schools has been buttressed by studies of pupil attainment. When they tested 24,000 children in private and government schools in India, Ghana and Nigeria in English and Mathematics, Tooley and Dixon found that children in low-cost private schools outperformed their peers in government schools, even when controlled for socio-economic and peer group effects.³⁴ An unrelated survey in two slum areas of Nairobi, Kenya reported that “informal private schools have a significantly higher mean score ... above that of public schools.”³⁵

This has guided many parents to the conclusion that paid-for education is likely to be of better quality. “The parents’ psychology is that if it is completely free it is not good education, and they won’t send their children,” explains Mohammed Khan of the beggar community his school serves.³⁶ A parent from the Kibera slum in Nairobi put it more bluntly, reports James Tooley. “If you go to a market and are offered free fruit and vegetables, they will be rotten. If you want fresh fruit and vegetables, you have to pay for them.”³⁷

30. Chaudhury, Nazmul, Jeffrey Hammer, Michael Kremer, Karthik Muralidharan, and F. Halsey Rogers. “Missing in Action: Teacher and Health Worker Absence in Developing Countries.” *Journal of Economic Perspectives* 20.1 (2006): n. pag.

31. Tooley, James, and Pauline Dixon. *Private Education Is Good for the Poor: A Study of Private Schools Serving the Poor in Low-income Countries*. Washington, D.C.: Cato Institute, 2005.

32. Tooley, James. *The Beautiful Tree: A Personal Journey into How the World’s Poorest People Are Educating Themselves*. Washington, DC: Cato Institute, 2009. p. 71

33. De, Anuradha, and Jean Drèze. *Public Report on Basic Education in India*. Rep. Oxford: Oxford UP, 1999. p. 64

34. Tooley, James. *The Beautiful Tree: A Personal Journey into How the World’s Poorest People Are Educating Themselves*. Washington, DC: Cato Institute, 2009. p. 173

35. Ejakait, Epari, Maurice Mutisya, Alex Ezech, Moses Oketch, and Moses Ngware. “Factors Associated With Low Achievement Among Students From Nairobi’s Urban Informal Neighborhoods.” *Urban Education* 46.5 (2011): p. 13

36. Lead author interview with Mohammed Khan, September 2012

37. Tooley, James. *The Beautiful Tree: A Personal Journey into How the World’s Poorest People Are Educating Themselves*. Washington, DC: Cato Institute, 2009, p. 124

Nurturing the education ecosystem

13



Children study in a partially-completed classroom in the Royal Afhaam Islamic English High School in Hyderabad, India.

Photo: James Tulloch

Edupreneurs are educating millions in the developing world, many of whom might otherwise be denied schooling. Low-cost private schools are popular and, barring cataclysmic changes, they are here to stay. They represent an additional solution to the education deficit amongst the world's poor.

However, it is indisputable that low-cost private schools could be better. “Our observation is that even though most of these are ‘English medium’ instruction schools, the level of English is actually pretty low. In Maths too, there is a two to three year gap in numeracy skills,” observes Saahil Sood, Director of the non-profit Teach for India programme in Hyderabad. “Both public and low-cost private schools are left behind compared with high end or middle class schools. That’s where the real gap exists.”³⁸

These schools also operate in unstable environments, characterised by informal arrangements and ad hoc decision making, which makes them nimble and responsive but also potentially inefficient or even exploitative. Moreover, fee-paying schools may inevitably favour the better off if, as some critics suggest, better quality becomes associated with higher fees. This may result in the ghettoization of the poorest in dysfunctional government schools.

So how can these schools improve, and what do they need to do so? These questions were explored with several owners of low-cost private schools and education service providers in Hyderabad.

As one of the most advanced low-cost private school markets in the world, Hyderabad offers perspectives on possible future developments in less mature markets. Most significantly, Hyderabad is cultivating an independent education ecosystem. If we assume that these schools are indeed a necessary tool to not only expand but also enhance education of the poor, how that ecosystem evolves is critical.

38. Lead author interview with Saahil Sood, September 2012

Nurturing the education ecosystem

Therefore the key question this paper seeks to open up for discussion is: How can we nurture education ecosystems in low-income sectors so that low-cost private schools for the poor develop from comparatively blunt instruments into precision mechanisms? Three priority areas emerged from the Hyderabad discussions: Providing Access to Finance, Creating an Enabling Environment and Enhancing the Quality of Education.

Providing Access to Finance

“Banks give loans to industry. They don’t give loans to schools. And so the main issue for schools is finance.” (Fazhal Khurram, Director, Dawn High School, Hyderabad)³⁹

School fees alone are often insufficient to enable low-cost private schools to expand and develop. They tend to be swallowed up by running costs such as wages, rent and utilities. Moreover, the payment of fees is not always guaranteed or timely. “We are unable to collect fees on time because the factories where parents work do not pay them on time,” explains Bamdari Sai Kumar, proprietor of Tagore’s High School located on the industrialized outskirts of Hyderabad.⁴⁰

As with other small enterprises, if they want to purchase land and property, construct and equip classrooms, or establish teacher training programs, entrepreneurs need financing. Most of them draw on private funds or rely on friends, family, moneylenders and other informal sources of finance. M.A. Ideal school owner Mohammed Anwar, for instance, uses a traditional monthly “chit fund” administered by a group of 20 local businesspeople who each pay 5000 rupees into the pot and then draw lots to distribute the money.

Beyond these networks, the money begins to dry up. In India, there are regulatory reasons for this. “We are not considered a commercial industry but nor are we considered a public service, only an “educational society;” explains Fazhal Khurram, Director of the Dawn High School in Hyderabad.⁴¹ And because educational societies are not allowed to book profits, this severely curtails schools’ ability to raise finance from banks. A suitable credit market is also missing in Lagos, where seven in 10 proprietors reported that finance was their single biggest obstacle and fewer than three in 10 were able to access funding for school development.⁴² “Banks are not interested in extending services to small and medium enterprises,” concludes the survey.

Microfinance

When faced with closed bank doors, entrepreneurs in developing nations have turned to microfinance. For small-scale development this is an option but many school proprietors’ capital requirements are those of an SME rather than a microenterprise. Furthermore, as Mohammed Anwar points out, microcredit interest rates are high, far higher than the 10% offered by a chit fund. Moreover, they may also have very short repayment periods – for example from three to six months in Lagos – thereby piling the pressure on schools.

39. Lead author interview with Fazhal Khurram, September 2012

40. Lead author interview with Bamdari Sai Kumar, September 2012

41. Lead author interview with Fazhal Khurram, September 2012

42. Härmä, Joanna. Study of Private Schools in Lagos. Rep. no. LG 303. N.p.: Education Sector Support Programme in Nigeria (ESSPIN), 2011.

Nurturing the education ecosystem

Edupreneurs may find themselves marooned between the worlds of microcredit and conventional banking. Nevertheless, there are innovative finance providers offering support. In Hyderabad, the for-profit **Indian School Finance Company (ISFC)** has stepped into the breach. It claims to be the first institution of its kind in the world: a provider of loans exclusively focused on the low-cost private school sector (see Case Study 3).

Case Study 3
Indian School Finance Company (ISFC), India

ISFC lends exclusively to the low-cost private school sector. Set up by Gray Ghost Ventures, a US-owned for-profit social venture fund, ISFC has an expanding loan portfolio of over 550 schools in Andhra Pradesh and Karnataka states, with about 350 in Hyderabad. Its minimum loan is \$2,000 and the maximum is \$160,000, with the average around \$8,000. ISFC charges interest rates of between 21% and 26% fixed for three to five years. It also offers financial management training along with the loans. Most school proprietors use ISFC loans for one of two purposes, explains Manish Kumar, Head of Product & Finance in Hyderabad. “One is construction to expand capacity; that represents about 60% to 70% of loans. The second thing is digital technology; this is selling like hot cakes.” Kumar says that 97% of loans are repaid in full.⁴³

To be eligible for loans, schools must meet “sustainability criteria,” which include government recognition, a minimum size of 400 pupils and minimum per pupil fee of 400 rupees a month. “We must see an existing cash flow to support the loan,” explains Harish Mamtani, head of ISFC Hyderabad. “We also look for collateral and use the CIBIL credit rating system. Out of 3,000 schools our target market is probably about 600 schools.”⁴⁴ While ISFC doesn’t rule out broadening its target market, it currently excludes the majority. “ISFC’s model is very good but they are not helping low-income schools. Nobody is filling that space,” argues Mohammed Anwar, founder of the M.A. Ideal High School chain. Possible solutions, suggests Mamtani, could include Indian banks lowering their lending criteria and interest rates (ISFC borrows at about 14%) and the Indian government loosening restrictions on foreign capital entering the country.⁴⁵

Non-profit organizations are also financing low-cost private schools. Opportunity International, a microfinance provider, offers loans and capacity building as part of its “Banking on Education” program in Ghana, Malawi and Uganda. Loans are packaged with business and financial management training. In Ghana, for example, they have partnered with another US non-profit, the IDP Foundation, and Ghanaian NGO Sinapi Aba Trust to deliver the IDP Rising Schools Program. This provides microcredit to over 100 small private schools at the lower end of the market, bundling the loan with obligatory trainings for school proprietors, teachers and caterers to improve financial management, education quality and health and safety.⁴⁶ Specific loan requirements include keeping tuition fees affordable and moving towards government registration, thereby building capacity and sustainability.⁴⁷ This addresses a critical issue: many school owners lack the financial literacy to manage loan repayments with interest. Opportunity also offers microloans to parents to help with the costs of tuition and non-tuition expenses.⁴⁸

Direct Investment

A further potential source of capital is direct investment. Now that individual edupreneurs have demonstrated the potential of the low-cost private school market, the sector may be more attractive to investors, particularly with the emergence of low-cost private school chains.

43. Lead author interview with Manish Kumar, September 2012
 44. Lead author interview with Harish Mamtani, September 2012
 45. Lead author interview with Mohammed Anwar, September 2012
 46. Sinapi Aba. <http://www.sinapiaba.com/>; IDP Foundation Inc. www.idpfoundation.org
 47. “Rising Schools: Mother-daughter Team Uses Microenterprise Approach to Improve Education in Ghana.” Global Giving Matters. Synergos.
 48. “Banking on Education.” Opportunity International. Opportunity International. New Research Shows ‘Schools for the Poor’ Outperform Public Schools in Developing World. N.p., 31 July 2007.

Nurturing the education ecosystem

In 2012, publishing and education multinational **Pearson** took a stake in Omega Schools, a chain of low-cost private schools in Ghana established by James Tooley in partnership with Ghanaian edupreneurs. Pearson is also a significant minority investor in Bridge International Academies, a Kenyan chain that has developed a streamlined “school-in-a-box” model for establishing new schools at the lowest possible cost.⁴⁹ Showing positive financial as well as social results, the innovative business model was able to attract capital from a variety of investors. Amongst them are impact investors like **LGT Venture Philanthropy**, which not only focus on financial returns but also on the social and environmental impact of their investments, as well as traditional **venture capitalists like NEA**, the world’s largest venture capital firm.⁵⁰

Where Pearson goes, other education businesses may follow whether as direct investors, suppliers or partners. The same applies to venture capitalists and impact investors. If that happens, it will confer greater legitimacy on the sector, argues Ajay Jain, head of Hyderabad-based school ratings provider Gray Matters Capital. “If you have 25 educational companies working in this space the government will take notice. Economics is the driver for this sector.”⁵¹

Furthermore, economies of scale are driving the development of school chains like Omega or Bridge International, allowing them to leverage collective purchasing power and the commercial connections of their high-profile investors to access sources of capital that would otherwise be unattainable. In this way, they are helping to seed an education ecosystem that is gradually attracting a broader range of finance providers.

49. “Bridge International Academies in Kenya: Quality Schooling for Less than \$4 per Month.” Pearson, 7 Mar. 2011.

50. Bridge International Academies. LGT Venture Philanthropy, <http://www.lgtvp.com/HOPS/Organisation/Bridge-International-Academies.aspx#projectPage>.

51. Lead author interview with Ajay Jain, September 2012



|| A teacher addresses her primary school class in the Royal Afhaam Islamic English High School in Hyderabad, India.

Photo: James Tulloch

Creating an Enabling Regulatory Environment

“There are many, many regulations. The building has to have a 1000-squareyard playground, classrooms must be 24 by 24 and there must be many toilets. We can’t meet these regulations. Nobody can.” (Mohammed Khan, Founder, Royal Afhaam Islamic English High School, Hyderabad)⁵²

52. Lead author interview with Mohammed Khan, September 2012

Education is the responsibility of the state and so the state still exerts control over many low-cost private schools through licensing systems, policies and other regulations. Directly or indirectly, the state maps out the terrain of the education ecosystem. For instance, as we’ve seen, the peculiar legal status of low-cost private schools in India effectively bars them from bank loans. The state has the wherewithal to clarify that legal status, potentially enabling greater access to affordable credit. Likewise, governments can loosen restrictions on overseas investment in the sector.

Realistic regulation

Whether in India, Africa or China, Tooley and Dixon invariably found that low-cost private schools were confronted by daunting regulatory terrain. Official government licensing or “recognition” depended on criteria ranging from the size of playing areas to fees charged and teacher qualifications. A common finding was that these requirements tended to be weighted towards building and other physical infrastructure standards that were at best unsympathetic and at worst bizarre. How can a school in a crowded slum, the researchers wondered, provide a one-acre playing area, or car parking spaces?

The answer of course is that it cannot. “We get certification by paying bribes, about 25,000 to 30,000 rupees a year,” explains Mohammed Khan, proprietor of the Royal Afhaam Islamic English High School in Hyderabad.⁵³ Lamenting the cost of institutionalised corruption to his Dawn High School, Fazhal Khurram complains that “the expense is becoming higher and higher with every new rule.”⁵⁴ Quite apart from the money being diverted from the practice of education into the pockets of education inspectors, what this means is that the badge of government recognition, a status upon which many parents base their decisions, is no guarantee of educational quality. The suspicion is that parents are being hoodwinked by the system.

53. Lead author interview with Mohammed Khan, September 2012

54. Lead author interview with Fazhal Khurram, September 2012

School owners in Hyderabad argue that the regulatory criteria should be relaxed and reoriented away from physical infrastructure and paper qualifications. “They should **look at the learning outcomes**. If outcomes are good you give permission for a school, if the outcomes are not good then the school shuts down,” argues Mohammed Anwar.⁵⁵

55. Lead author interview with Mohammed Anwar, September 2012

Governments could also offer some **exemptions or concessions** for education institutions. “They impose heavy property taxes and commercial rates for electricity on a par with five-star hotels and shopping malls,” says Fazhal Khurram. “Water costs should be free to schools. For electricity they should charge at subsidized rates.”⁵⁶

56. Lead author interview with Fazhal Khurram, September 2012

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// Mohammed Anwar outside his M.A. Ideal High School in Hyderabad, India at the start of the school day.

Photo: James Tulloch

Proactive policies

As well as dismantling rent-seeking regulations, government could explore constructive policies such as giving targeted **education vouchers** to parents unable to afford school fees. Schools then claim the fees back from the government by redeeming the vouchers. This system in theory empowers parents to reward high quality schools whilst encouraging competition among schools to improve their standards. It also may reduce the “opportunity cost” to parents of sending their children to school as opposed to sending them to earn money. A recent review of research on voucher programs⁵⁷ found that vouchers had increased private school enrolment in Chile and Colombia, female enrolment in Bangladesh and female attainment levels in Colombia.

Colombia’s **PACES** program in the 1990s specifically targeted low-income families in cities where public secondary schools were overcrowded. PACES awarded places in private schools via a lottery. A key feature was that renewal of the voucher depended on performance. Students who failed to pass a grade lost their vouchers, creating an incentive to do well. Analysis comparing PACES lottery winners to losers found that winners had better educational attainment and were more likely to finish high school and apply to college.

Public-private collaboration

The authorities might go even further and partner with low-cost private schools. In Latin America, the non-profit Catholic organization **Fe y Alegría** has managed public schools in lieu of the state since the 1950s. Today it educates over one million students in 17 countries. The government pays the salaries while Fe y Alegría

57. Morgan, C., A. Petrosino, and T. Fronius. A Systematic Review of the Evidence of the Impact of School Voucher Programmes in Developing Countries. Rep. London: EPPI-Centre, Social Science Research Unit, Institute of Education, University of London, 2013.

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oversees management and teacher training. In the Philippines, the government uses its Educational Service Contracting (ESC) scheme to enrol low-income students in private high schools in areas where public schools are full. Eligible schools must be certified and charge relatively low fees.

Could variations on such models nurture an enabling ecosystem for low-cost private schools? Most importantly, combining the resources of the state with the reach of the low-cost private education sector might offer a way to serve the poorest of the poor, who are effectively excluded despite schools offering fee concessions and scholarships. “If you want to address the education of the poorest the government has to get heavily involved,” argues Manish Kumar of the Indian School Finance Company. “More partnerships are needed.”⁵⁸

58. Lead author interview with Manish Kumar, September 2012



|| Pupils at Dawn High School in Hyderabad, India.

Photo: James Tulloch

Enhancing the Quality of Education

“No one thinks these schools are good enough. Not just us, not just our detractors, it is the edupreneurs themselves, the parents, everyone knows they can be improved.” (James Tooley)⁵⁹

Low-cost private schools trade on the quality of the education they offer. In an intensely competitive market like Hyderabad, schools must differentiate and improve. These market dynamics have spurred many low-cost private schools onto outperforming their public counterparts. Notwithstanding their achievements, there is ample room for improvement. It is beyond the scope of this paper to analyse all the pedagogical factors that contribute to education quality. But within the context of discussions about Hyderabad’s low-cost education ecosystem, teacher training, digital learning and school ratings emerged as recurring themes.

59. Lead author interview with James Tooley, September 2011

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Teacher Training

One of school proprietors' biggest challenges is recruiting, training, motivating and retaining good teachers. Their business model relies on hiring young, unqualified staff on low salaries. In-house training is therefore the foundation of classroom practice. Yet many edupreneurs lack the capacity to train teachers. "We have to train new teachers on Sundays, with help from friends who are qualified teachers," explains Mohammed Khan.⁶⁰

Moreover, edupreneurs have to weigh up the risk of enhancing their teachers' skills only to lose that investment to a competitor. Teacher turnover is high in Hyderabad, driven upwards by wage inflation and a relatively mobile teacher population. This may dissuade school owners from training teachers as rigorously as they could.

A fully evolved education ecosystem requires service providers with the capacities and resources to assist. **Teach for India** is one such organization. It recruits high-flying Indian graduates to spend two years teaching in disadvantaged public and private schools, introducing up-to-date teaching practices and materials. Participants are expected to significantly improve standards in the schools where they are placed. "It is very useful," enthuses Mohammed Anwar. "I've seen totally different teaching methodologies. The children are not learning by rote; the teachers are teaching understanding."⁶¹

Absolute Return for Kids (ARK), a UK-based non-profit foundation, takes a more targeted approach. It sells to schools (at a subsidized rate) English language programs based on phonics, songs and computer games that include teacher training and mentoring over a multi-year period, all designed to evolve teachers' methodologies towards more interactive, communicative approaches and away from lecturing and rote learning.

60. Lead author interview with Mohammed Khan, September 2012

61. Lead author interview with Mohammed Anwar, September 2012

Case Study 4

Empathy Learning Systems, India

In Hyderabad, Professor James Tooley and Mohammed Anwar have established an education services provider, Empathy Learning Systems, which aspires to provide wider access to teacher training services and professional development. It provides curriculum development, lesson plans, teacher training and mentoring, education materials and school management support to over 20 low-cost private schools in the city. Individual schools pay about 2,500 rupees a month for curriculum development and training in English and Mathematics methodologies such as phonics-based language learning, conversational English and activity-based Mathematics exercises.

Empathy is filling a training gap that established education service providers ignore, claims Anwar. "Many private schools are appointing young women just out of intermediate college or university who don't know how to teach or manage classrooms. We train teachers every month, attend their classes and give teaching demonstrations."⁶² And by enabling systematic, consistent teacher training, which elevates the collective expertise within a school, Empathy claims to lessen the impacts of high teacher turnover in the sector.

62. Lead author interview with Mohammed Anwar, September 2012

Tools for Digital Learning

At the same time as upgrading their teachers' skills, school owners in Hyderabad are exploring digital education, primarily to teach children IT skills and assist teachers with their lessons, but also as a way to reduce their reliance on teaching staff and introduce new modes of learning. Some school owners are contemplating a less teacher-centric model in which technology delivers a consistent, high-quality learning experience. "Digital classrooms can help the teacher be an enabler even if he or she doesn't know the content," suggests ISFC's Harish Mamtani, recalling that the second most popular reason for schools to borrow money from ISFC is to buy computer equipment.⁶³

Students at M.A. Ideal School, for example, are using Skype to practice their English with senior citizens in Australia and the UK. They are participating in an experimental initiative established by Indian education researcher and TED-prize winner **Sugata Mitra** which connects groups of pupils and native English-speaking mentors via what Mitra calls a "Self Organized Mediation Environment", more popularly known as the "Granny Cloud".⁶⁴ The "lesson" is a product of the interactions between the pupils and their overseas mentors online. The teacher in Hyderabad acts as facilitator rather than taking centre stage therefore there is less pressure on teaching resources.

At Dawn High School, owner Fazhal Khurram is keen to use video tutorials in Maths and Science provided by the **Khan Academy**, a US-based non-profit online education platform that provides free access to several thousand such mini-lectures.⁶⁵ From Khurram's point of view, the value of such online resources is their consistency, their quality and their availability on demand. They can enhance the classroom experience and, if the teacher is absent, or lacks knowledge of a particular topic, digital learning tools provide an alternative.

This is all very well for established, connected schools but computer equipment and Internet access are a distant dream for many low-cost private schools. Nevertheless, they may have cheaper, more accessible alternatives in the form of **mobile phones**. Mobiles phones can "reduce barriers to education while attaining educational outcomes that are, at minimum, comparable to those of traditional educational methods," concludes a study of six mobile learning pilot projects in the Philippines, Mongolia, Thailand, India and Bangladesh. The results suggest that mobile phones can be "a tool to either access educational materials or deliver a more learner-centred curriculum."⁶⁶ Indian social enterprise **ZMQ Software Systems**, for example, partners with mobile phone companies to disseminate mobile learning content targeted at disadvantaged and semi-literate groups: "My Classroom" provides a lesson on how epidemics spread while "Spread the red ribbon" is an interactive game raising awareness of HIV/AIDS.⁶⁷

The potential for mobile learning solutions is enormous, and with the right partnerships between schools, mobile phone networks, software providers and even government agencies, the low-cost private school education ecosystem could be at the vanguard of future developments.

63. Lead author interview with Harish Mamtani, September 2012

64. "Self-Organizing Systems in Primary Education." <http://solesandsomes.wikispaces.com/>.

65. "About Khan Academy." Khan Academy. Khan Academy, <<https://www.khanacademy.org/>

66. Valk, John-Harmen, Ahmed T. Rashid, and Laurent Elder. "Using Mobile Phones to Improve Educational Outcomes: An Analysis of Evidence from Asia." *The International Review of Research in Open and Distance Learning* 11.1 (2010): n. pag.

67. Pant, Richa, Michael Jarvis, Jenny Gold, and Indira Sandilya. *Inclusive Responses to the HIV and AIDS Challenge: Experiences from the Indian It Sector*. Working paper no. 56163. Washington, DC: World Bank, 2009.

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Greater Transparency: School Ratings

Parents choose to send their children to low-cost private schools. Their choices may be limited by factors discussed in this paper—accessibility, affordability, or accountability—but in some areas they have an abundance of choices. A central finding of the majority of the research on the sector is that poor parents are not passive recipients of education services. They observe, discuss and judge the schools that are educating their children.



|| Syed Maqbool, an autorickshaw driver in Hyderabad, delivering his three children to the M.A. Ideal High School.

Photo: James Tulloch

“The education is better here compared to the previous school, and with lower fees,” explains Syed Maqbool, a 35 year-old Hyderabad auto-rickshaw driver who sends his three children to M.A. Ideal High School. “My income is very low so the fees are the most important thing for me. I heard about this school through neighbours, and other parents recommended it. My children have been here four years and they are studying well.” Considering his meagre income, why doesn’t Syed send his children to a free public school? “In government schools there is no education; students come and go as they please,” he says, adding: “my children should not drive an auto. They should do a better job.”⁶⁸

Nonetheless, accurately evaluating school quality can be difficult, particularly for illiterate or semi-literate parents in a market like Hyderabad where the number of schools competing for students may be overwhelming. “Parents are often too innocent,” observes Fazhal Khurram, owner of Dawn High School. “They will ask the school management if a school is good or not. But they need to see the students and get advice directly from parents. And they must choose based on the education not just on the basis of government recognition.”⁶⁹

68. Lead author interview with Syed Maqbool, September 2012

69. Lead author interview with Fazhal Khurram, September 2012

Nurturing the education ecosystem

As we've seen, corrupt practices may mean that government recognition has limited legitimacy as a true measure of quality. At the same time, the same might be said of impressive school facilities, or the "premium" education services that schools advertise. Almost every private school in India today claims to offer classes taught in English, or "English medium education", but in many cases the reality in the classroom is that teachers have a limited grasp of spoken English. "Parents assess schools based on the infrastructure, that it is an "English medium" school and the fact they are paying for it; they don't know the curriculum quality," suggests ISFC's Harish Mamtani.⁷⁰

Teach for India's Sahil Sood cautions that some school owners may be interested in training programs or digital classrooms primarily "as a marketing tool, a differentiator, rather than to improve education quality." Non-profit organizations with a social mission like his have to tread a fine line. "We don't want to be the poster boys to attract enrolments and parents," he says.⁷¹ Other service providers may be less scrupulous.

All of which suggests there is a pressing need for some objective assessment of schools that parents can easily access for themselves. One solution provided in Hyderabad by ISFC's sister company **Gray Matters Capital** (GMC) is a rating of school quality.

70. Lead author interview with Harish Mamtani, September 2012

71. Lead author interview with Saahil Sood, September 2012

Case Study 5

Gray Matters Capital's School Rating Program

Gray Matters Capital (GMC) is a private foundation founded by Bob Pattillo that invests in business models that benefit low-income populations in developing countries. GMC has developed a School Rating Program in Hyderabad based on weighted factors, with student attainment at the top followed by teacher performance, parent satisfaction and, lastly, facilities and infrastructure. Once a year, GMC visits the schools, observes classes, and interviews parents, teachers and school management, producing a report and rating. The school pays for 50% of the costs of the report. GMC covers the other half. Currently, GMC sells these detailed school assessments and ratings to over 300 schools in Hyderabad. Parents of children in the schools are also offered a summary report card on the school's performance for a nominal fee. The concept has also gained currency with the National Independent Schools Alliance (NISA), which is looking at introducing a certificate of quality for low-cost private schools across India.

GMC's system has its critics. Mohammed Anwar, while supporting the principle of independent assessment, argues that it should base its assessments on at least three school visits over the year, not just one.

Paid-for ratings may also be vulnerable to conflicts of interest. An alternative would be for the rating fee to be paid for by a third party within the emerging education ecosystem, whether via a voucher scheme, a federation of school owners, direct contributions or a public-private partnership involving state education authorities.

These concerns notwithstanding, the nascent school ratings system does provide an example of how education quality within the sector might be made more transparent and standardized. In addition, the conclusions of the school audits pinpoint areas in which schools can improve and so provide an entry point for something more substantial. "Our goal is to be an ecosystem builder," says Ajay Jain, head of GMC Hyderabad, who explains how the company has established a marketplace where schools can meet education solutions providers and shop for products and services.⁷²

72. Lead author interview with Ajay Jain, September 2012

Conclusions: A call to action

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“Many organisations have seen the potential of this sector but I think now is the time for a call to action. It is time this whole sector got organized and standardized.” (Ajay Jain, Gray Matters Capital)⁷³

A 2011 report on Indian education published by the DFID concludes: “Harnessing the capability and potential of non-state actors will be a necessary tool to meet the Millennium Development Goals [...]”⁷⁴ Low-cost private schools are already providing millions of underprivileged children with accessible, affordable and accountable schooling. However, they would benefit from an ecosystem of partners supporting their development. As this paper has shown, some pioneers such as ISFC, Empathy Learning Systems and Sugata Mitra are already leading the way, testing and experimenting with models and support services that can be standardized and replicated in other markets.

However, it is not only more support that is needed to nurture the education ecosystem but also better coordination and understanding between stakeholders, allied to a relentless focus on expanding access to education for the poorest in society. In fact, new forms of cooperation in education – between financiers and educators, between public authorities and private enterprise – could help to overcome the testing challenges faced by developing world edupreneurs, parents and children that this paper has sought to illuminate. Moreover, collaboration between edupreneurs themselves is an area that warrants further exploration and support. By establishing and developing functional school federations or representative bodies to pool their resources, leverage their collective purchasing power, share best practices and champion their interests when dealing with suppliers and regulators, school proprietors could further enhance the sector. All in all, fostering collaboration that nurtures the education ecosystem, the low-cost private school grassroots phenomenon could be aligned and harmonized with the universal goal of providing Education for All.

73. Lead author interview with Ajay Jain, September 2012

74. CfBT Education Trust. Preliminary Study into Low Fee Private Schools and Education – Final Report. Rep. Reading, UK: CfBT Education Trust, 2011.

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James developed his interest in development and education issues during a year's voluntary work in India for Edinburgh-based charity Scottish Love in Action (SLA) in 2005-06 and on subsequent return visits in 2009 and 2012. Since 2008, he has been a contributing editor of the award-winning Open Knowledge website published by the Allianz Group covering environment, demographic, finance and development topics. His other roles include SLA publications editor, programme director of the TEDxGlasgow conference and director of communications for the Asia Scotland Institute. James divides his time between Newcastle and his home in Edinburgh.

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After moving to Germany in 2009, Lisa pursued her growing interest in the role of the private sector in solving development challenges, completing inclusive business projects for GIZ and the German insurer, Allianz. Her prior collaboration with Endeava includes a report on Perspectives for Collaboration between Development Cooperation Systems and Transnational Corporations from “the Global South”, prepared for the BMZ.

Lisa has a Master's degree in International Relations and Economics from Johns Hopkins University and a Bachelor's degree in History from the University of Virginia.

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