

**GYAN SHALA: A study into its long-term viability and expansion  
through private sector investment**



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## **Abbreviations**

ESO:	Education Support Organization
GS:	Gyan Shala
LFPE:	Low Fee Private Education
LFPS:	Low Fee Private School
IRR:	Internal Rate of Return
SARH:	South Asia Research Hub
SSA:	Sarva Shiksha Abhiyan
VfM:	Value for Money

## EXECUTIVE SUMMARY

This report captures the findings from a study that assessed the range of options available to Gyan Shala (GS) to secure long-term financial viability and thereby achieve scale for an organization that is clearly benefiting the poorest of the poor and delivering learning outcomes at a lower cost than its public or private competitors. The study examined Gyan Shala's current business model, its plans for future growth and the business viability of its growth plan. It conducted primary research into the entire spectrum of funding from venture capital to grants from foundations.

This project is funded by the DFID South Asia Research Hub (SARH). It conducted research into the UKAID supported project 'Support to Education Support Organisation (Gyan Shala): Low cost elementary education support to poor children in Bihar'. This project in turn falls within UKAID's program of support to Universal Elementary Education (Sarva Shiksha Abhiyan II) and the UK Government's focus on increasing access to primary education for the poorest and improving learning outcomes through support to the Government of India's national elementary education project.

Gyan Shala is an education intervention started in 2000 by the Education Support Organization (ESO), a group of faculty members from the Indian Institute of Management, Ahmedabad and the Institute of Rural Management, Anand. A unique model, it provides low-cost education to low-income families in urban settlements, through a network of mostly single-room centres that serve as classrooms for students from local neighborhoods. Gyan Shala is seeking to move away from this model, to a new one that involves a grade 1-10, fully-owned, stand-alone school model.

The Study team employed the following five diverse ways to conduct the work across two broad range of stakeholders (Investors and Stakeholders):

### ***Investors***

The team interviewed a number of funds that ranged from fully commercial to social investors. These funds have extensive experience in investing in India, and most of them had either invested in the field of education, or were in the process of doing so. The interviews garnered information on the funds' experience at both the macro and micro-level; they were done in order to:

- Gain an understanding of the current investment landscape in the Indian private education market;
- Obtain greater details regarding the issues and challenges of investing in the low-cost private school segment;
- Test their interest in investing in the current Gyan Shala model;
- Understand their interest in funding Gyan Shala's plans for growth through the stand-alone school model; and

- Test four variations of Gyan Shala – the current single-room model, its stand-alone school model, a theoretical model that makes it a service-provider, and a theoretical model where the single-room model operates outside India in other developing countries.

Based on the outcome of these interviews, and a growing understanding of the financial sector that invests in education, a combination of funds and grant-giving foundations were invited to a Symposium. At the Symposium they were asked to provide detailed comments regarding the viability of Gyan Shala's future plans. The robust discussion included: *the key drivers, the viability of investing in Gyan Shala, whether adequate returns can be generated, the different types of capital required, management concerns, and key issues that are non-negotiable regardless of the market segment.*

### **School Stakeholders**

With a view to finding non-financial evidence that might add weight to the business case, three initiatives were undertaken to gather information from the Gyan Shala constituency.

The first initiative was the Comparative Perceptions survey that was conducted in Patna and Ahmedabad across 30 primary schools (ten low-fee, for-profit private schools, ten not-for profit Gyan Shalas and ten government primary schools). Researchers collected and triangulated details on perceptions across (i) Leadership and Image and (ii) Teaching and Learning from 142 teachers, 276 parents and 899 students.

The second initiative involved using a Classroom Observation assessment instrument to review 140 classroom lessons in the three types of schools in order to observe the (i) Teaching Method (ii) Approach and Planning, (iii) Method of Delivery and (iv) the Classroom Environment.

The third initiative involved a Grade 3 Tracer Study to track students who were enrolled in Gyan Shala in the past. This Tracer Study observed trends in 103 students who had completed Grades 1-3 from Gyan Shala and had left Gyan Shala in the academic year 2009. It focused on: (i) students' current enrolment; (ii) choice of current school (low fee private schools or government schools); and (iii) parents' income and residential status.

### **Barriers to Investment**

There are a number of key findings regarding the barriers to investment in this low fee education market segment (and for Gyan Shala in particular). These barriers fall into the following three categories:

#### Financial

From a *financial* perspective the barriers are as follows:

- The first, and perhaps the most critical, is that all funds interviewed expect a minimum return on investment of 15% or so. This cannot be realised below a certain fee level. To generate adequate returns schools will need to raise fees thus no longer targeting the poorest students;
- While equity should be the best capital type for the LCPS sector, social investors expect a minimum 15% return on their investment and an exit on their investment within 5 to 6 years.

Most LCPS models are still evolving and their ability to provide this rate of return as well as exit duration, is low. Given this, there is a need for low- or no-cost equity-like capital such as grants, or subordinated debt at low interest rates

- For most LCPS models such as School Management Companies, education material companies have very few assets that can be put up as collateral for bank loans. Because of this, they are unable to access debt from banks. Therefore, there is need for alternate debt providers who can provide them with suitable financial products, based on their business model and capital flows;
- Investors involved in the field of education feel that there are few models that are investable and scalable. Those that are, tend to be technology solutions;
- For Gyan Shala in particular, its new model of fully owned, stand-alone, grade 1-10 schools requires a large amount of capital. The break-even and profitability period in ESO's model is long (longer than the 5 to 7 years that funds typically allot). Furthermore, investors feel a fully-owned model becomes more of a real-estate play rather than an educational business model.

### Legal and Regulatory

From a *legal and regulatory* perspective, there are three main barriers:

- Discomfort with the education management company phenomenon that allows for 'profits' to be taken out of the school model. This current practice could come under public scrutiny as a means of evading the 'no profits' stipulation for education;
- The Right to Education Act Clause 12 has made it compulsory for every fee-paying school in India to admit at least 25 percent of its pupils from poor and low-income families, with the state government reimbursing schools for the fee. This Clause has placed low fee private education operators with a few unpleasant options - raise fees, lose students or lose recognition;
- The RTE Act stipulation on physical and human resource requirements has driven up the minimum cost of provision.

### Operational

From an *operational* perspective, the investors believe the following:

- There exists a lack of innovation in education delivery models. The main innovation, they feel is only around fees and not in operational models. They thus find the current one-room school model of Gyan Shala to be highly innovative (in terms of meeting customer needs and using human and infrastructural resources well), but do not find it investable, even if it were for-profit, *due to the low margins and low fee structures*;
- They also feel there is a paucity of professional promoters who have the expertise to effectively manage large investments and scale operations in the low fee private education (LFPE) sector.

### **Public-Private Partnerships**

Gyan Shala already has PPP experience in Gujarat. It has trained government school teachers in Ahmedabad, and provided curriculum design inputs to the government. Gyan Shala also receives a subsidy from the government for every out-of-school child that it teaches. Our study recommends one version of a PPP model where Gyan Shala instead of building its own stand-

alone schools at a high cost, takes a contract on managing existing or under-utilized government schools.

Another recommendation is one in which Gyan Shala is contracted by the government to deliver certain core educational services (e.g., teacher training; curriculum design, etc). These can be shaped as potentially separate and steady revenue streams. Both areas also easily lend themselves to scale.

It is important to note that there are *political and social* risks in engaging in PPP models. At the macro-level, education reform whether it is policy design, financing, implementation or evaluation is affected by the incentives and political leanings of different stakeholders, whether individual, formal or informal institutions. Political risks can thus be ideological and budgetary with a change in government leading to great uncertainty about the future for the service provider. Gyan Shala has encountered such risks in the past. It also currently faces the risk of contravening on the Right To Education Act in the areas of teacher salaries, qualifications and school building facilities. In terms of *social* risks, Gyan Shala actually has a high acceptance in terms of parental approval and demand. Parents choose Gyan Shala over local government school and other low-fee private school providers.

The current Gyan Shala model interfaces with the government in terms of connecting its Class 3 students with local government schools. There is however, little to no monitoring (either during the Gyan Shala programme, or afterwards), and there the data sets are weak at the household or government level. Our tracer study was an attempt to track Gyan Shala graduates and get a sense of their progress in the education system. Significant findings from this study included the fact that 60% were very poor and fees of even INR 400 per month would amount to more than 8% of their household income. The three year Gyan Shala primary inputs from Grades 1 to 3 were providing a strong foundation as 80% of students were still pursuing their studies. With this small sample size, there was no discerned migration post the Gyan Shala studies to either the low fee private school or the public primary government school; and there is little interface between the Government and Gyan Shala or the other LCPS once the children graduate from Grade 3.



## PART 1: AN INTRODUCTION TO GYAN SHALA

### 1.1 HISTORY AND GROWTH

Gyan Shala is an education programme that was started in 2000 by the Education Support Organization (ESO), a group of faculty members from the Indian Institute of Management, Ahmedabad and the Institute of Rural Management, Anand. It is a unique model that provides low-cost education to low-income families in urban settlements. It does so through a network of single-room centres that serve as classrooms for students from local neighborhoods. These single-room centres are staffed with para-teachers. The teachers are from similar neighbourhoods as their students and thus know the community well, have high school degrees and are extensively trained in the Gyan Shala methodology. Figure 1 provides a profile of a typical family that sends its children to Gyan Shala.<sup>1</sup>

**Figure 1: Typical Profile of a Gyan Shala Family**

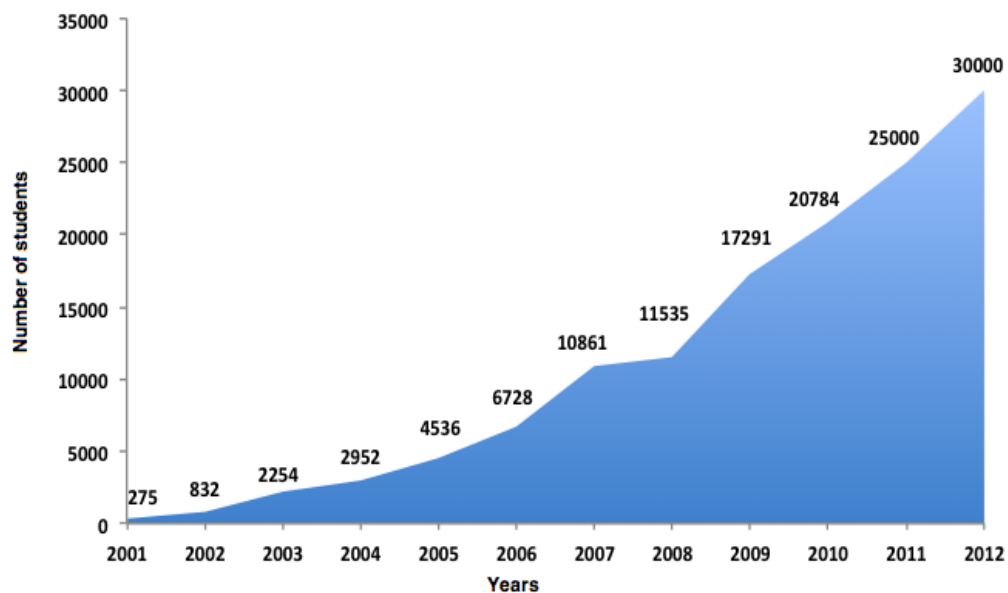


Source: CfBT Study (2011)

In its twelve years of operations, Gyan Shala has scaled from its original location in Ahmedabad, Gujarat to the states of Bihar and West Bengal. It now reaches over 30,000 children in these locations. It has seen a 53% Compound Annual Growth Rate, and has a staff of 925 teachers, 140 field staff and an administration and educational design team of 64 members. Figure 2 illustrates this growth of the programme since 2001.

<sup>1</sup>[http://www.dfid.gov.uk/r4d/pdf/outputs/mis\\_spc/60912-GyanShalaFinalReport.pdf](http://www.dfid.gov.uk/r4d/pdf/outputs/mis_spc/60912-GyanShalaFinalReport.pdf). This reference provides a copy of the Report conducted by CfBT Education Trust in 2011 into the Gyan Shala programme.



**Figure 2: Growth in Outreach of Gyan Shala - 2001/2012**

Source: ESO data

## 1.2 UNIQUE FEATURES OF THE CURRENT GYAN SHALA MODEL

There are several distinguishing features in Gyan Shala's current business and educational model that have enabled the programme to be both replicable and scalable while creating positive outcomes for their students. <sup>2</sup>

<sup>2</sup> More details on the Gyan Shala programme can be accessed via a previous DFID SARH Report entitled 'Preliminary Study into Low Fee Private Schools and Education' at [http://www.dfid.gov.uk/r4d/pdf/outputs/mis\\_spc/60912-GyanShalaFinalReport.pdf](http://www.dfid.gov.uk/r4d/pdf/outputs/mis_spc/60912-GyanShalaFinalReport.pdf).

### 1.2.1 The Education Model



Gyan Shala focuses primarily on educating out-of-school children in Grades 1 to 3.

To further deepen the foundation of these students, Gyan Shala creates innovative pedagogical methods and tools that are designed to strengthen key skills in Mathematics, Language, Communication and Social Interaction.

There are essentially four key features to the Gyan Shala model of 'Education Design and Delivery' that make it unique:

*Distributed Classes:* Gyan Shala rents single rooms in low income areas. One room is one grade. Such a distribution system works like 'ripples in a pond'. The rooms are close to the homes of the students and teachers. The design team and the field supervisors ensure that there is both standardization of the curriculum across all the centres and minimal, uniform standards of performance in a geographically distributed class set.

*Re-engineered Teacher Role:* Gyan Shala has an education delivery that is built on (a) elements that are highly standardized, broken down into units and divided into per day lesson plans; and (b) delivered within the classroom by less qualified personnel who are in turn supported in an integrated manner by a Design and Management team that creates curriculum, takes feedback from teachers on this curriculum design on a weekly basis, as well as teaches classes to train the teachers through demonstration.

*Continuous Curriculum Design Adaptation:* A design pedagogy in which the Design team constantly create and/or modify a curriculum that responds to the local context in conformity with State and National curriculum norms while incorporating elements of curriculum design from the best in class global curricula

*Learning-Development Culture:* A culture that is structured to support the strategy of using relatively less educated staff (hence affordability and low cost), while enabling these staff to deliver quality education outcomes through an ongoing support system based on high-calibre, highly qualified design and management team.

The impact on students created by the Gyan Shala education system have been proven through assessments conducted by third-party agencies such as Educational Initiatives, the

CfBT Education Trust, and the Massachusetts Institute of Technology (MIT).<sup>3</sup> These assessments show that the educational outcomes and communication skills of these students are better than comparable students in government schools and other low-fee private education providers.

### 1.2.2 The Business Model

The key feature of the business model is its low cost. Gyan Shala's model of using rented single-room centres within the urban slum and its use of low-cost para-teachers from the local communities enables it to provide education at a low cost. Its model is thus able to leverage a small (and higher cost) design and management team to supervise and support a large pyramidal base of para-teachers. To further reduce costs, Gyan Shala has also standardized the furniture and educational material used in its centres, allowing for centralized procurement at the Head Office that results in lower costs. The capital expenditure (on furnishing the single-room centres with furniture and other educational materials) per student is estimated to be just INR 120 per annum (GBP 1.50).

An analysis of the expense structure of Gyan Shala shows that over 75 percent of expenditure in their model is directed towards education provision, as highlighted by Figure 3 and its breakdown of the programme's cost structures in its Elementary and Middle school operations over the seven year period of operations of Gyan Shala in Ahmedabad - 2001/2002 to 2009/2010.

**Figure 3: Summary of Total Costs & % Cost per Student at Elementary and Middle Schools over 7 Years in GBP**  
**Elementary School - Grades 1-3**

Items	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Students	7,370	7,501	8,283	11,386	16,281	20,784	26,857
<b>Total Operations Cost</b>	<b>206,460</b>	<b>229,219</b>	<b>276,304</b>	<b>414,875</b>	<b>648,384</b>	<b>905,176</b>	<b>1,279,712</b>
HR	112,782	126,265	153,372	231,911	364,774	512,240	728,089
Training	12,346	12,565	13,875	19,073	27,273	34,817	44,989
Testing	59	66	80	122	191	268	382
Learning Resources	35,726	39,997	48,584	73,463	115,550	162,264	230,638
Administration*	6,553	6,669	7,365	10,124	14,476	,480	23,880
Facilities	27,522	30,812	37,427	56,593	89,015	125,001	177,674
Operations	11,472	12,844	15,601	23,590	37,105	52,105	74,061
<b>Cost per Student</b>	<b>28.0</b>	<b>30.6</b>	<b>33.4</b>	<b>36.4</b>	<b>39.8</b>	<b>43.6</b>	<b>47.6</b>
Capex	<b>11,792</b>	<b>12,002</b>	<b>13,253</b>	<b>18,218</b>	<b>26,050</b>	<b>33,255</b>	<b>42,971</b>

<sup>3</sup> Test of Student Learning for Gyan Shala Assessment Report of March 2010 conducted by Educational Initiatives Private Limited (EI); The CfBT Assessment (2010) and the MIT Jameel Poverty Action Lab evaluation of 2008 as to how academic performance changed when computers were introduced in classrooms.

Middle School - Grades 4-6							
Items	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Students	136	395	602	754	1,007	1,249	1,574
<b>Total Operations Cost</b>	<b>9,464</b>	<b>29,956</b>	<b>49,794</b>	<b>68,070</b>	<b>99,290</b>	<b>134,582</b>	<b>185,430</b>
HR	6,027	19,255	32,281	44,475	65,337	89,143	123,560
Training	229	665	1,013	1,269	1,695	2,102	2,649
Testing	3	9	14	20	29	40	55
Learning Resources	1,516	4,843	8,120	11,187	16,434	22,422	31,079
Administration*	733	2,129	3,245	4,065	5,429	6,734	8,485
Facilities	766	2,449	4,105	5,656	8,309	11,336	15,713
Operations	190	606	1,016	1,400	2,056	2,806	3,889
<b>Cost per Student</b>	<b>69.6</b>	<b>75.8</b>	<b>82.7</b>	<b>90.3</b>	<b>98.6</b>	<b>107.8</b>	<b>117.8</b>
Capex	<b>272</b>	<b>790</b>	<b>1,204</b>	<b>1,508</b>	<b>2,014</b>	<b>2,498</b>	<b>3,148</b>

\* comprises costs for senior supervisors, field staff and teachers

Source: Compiled from Gyan Shala Financial Reports (2010/2011)\*

Figure 3 highlights some important facets of the Gyan Shala programme financial model:

- Allocation of over 75% of the expenditure is made towards funding three 'quality' components for the Elementary and Middle levels: 47% and 49% for teacher salaries, 17% and 18% for Teaching and Learning Resources; and 14% and 9% for Facilities;
- Back-office functions such as Head office costs, Administration and Operations comprise only 16% of costs for Elementary and 21% for the Middle level - an amount that will probably decrease once the programme for Grades 4 to 7 becomes more established;
- The Elementary unit cost is very low starting in Year 1 at under INR 2,000 (GBP 28) per child, while the Middle level per child cost is still reasonable but over twice the per child cost of Elementary;
- The design and management teams are highly skilled and compensated well, but their cost is spread over a large number of classrooms; and
- Standardisation facilitates teaching by junior teachers who are paid around INR1,500 (GBP 20) a month for working three hours a day, which keeps Gyan Shala costs competitively low at only 35% of the total cost.

### 1.2.3 The Operational Model

There are two key innovative features regarding Gyan Shala's operational model. The first involves location and the programme's focus on opening centres within the low-income settlements typically within walking distance of homes. This design feature emphasizes bringing the 'centre of learning' into the community.



**Model adapted to urban slums**

One of the key issues faced in providing education to low-income urban communities is parents' reluctance to send their children, especially young children in Primary Grades, to far-off schools.

By working within the communities, Gyan Shala ensure that parents do not lose time in dropping children off to school. It also ensures a safer environment (most children have to cross busy, traffic-filled roads to get to their government or private schools). The second innovative feature involves the programme's delivery model and the use of a pyramidal structure. There are two aspects in this structure that differentiate the Gyan Shala design from the traditional teacher:


- there is the obvious difference in the qualification levels of the teaching staff (who tend to be high school graduates); and,
- there is the difference in the pre- and in-service training systems.

Gyan Shala teaching staff consist of young women from the community who have 10 years or so of schooling. It provides extensive and concurrent teacher training and support, that includes 10-15 days of training in bi-annual vacations, monthly one-day refreshers, and weekly demonstration/ supervision visits by senior-teachers/supervisors. Gyan Shala spends around 20 per cent of teacher salary on their training. Further, Gyan Shala is so organised that many of the tasks that are typically performed by the teachers – such as selection of learning material, designing classroom tasks, and drawing up the teaching schedule – are assumed by the better qualified and trained supervisory and support staff.

The teacher's role is largely of a mentor who trains the students less in an analytical/explanatory sense but more by repeated demonstration of expertise, which is then imbibed by the students. Gyan Shala ensures higher teacher retention and attendance by hiring them from local communities and making them work shorter shifts. Gyan Shala classes are just three hours in duration. Driven by fewer working hours and proximity of classrooms, the teacher turnover rates of 22% are much below those of government schools at 35%. Figure 4 provides a summary of this reengineering of the roles of the head teacher and teacher.



**Figure 4: Reengineering the Staffing Roles**

	<p>The Design and Management team consists of Office team (curriculum design and administration) and the Field Work team (mentoring senior teachers and implementation)</p> <p>Senior teachers monitor the junior, para-teachers with each senior teacher overseeing 8-10 classes a week and spending 3 hours assessing the junior teacher</p> <p>Junior teachers teach a class of 30 students, some do two shifts of 3 hours each per day</p>
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## PART 2: THE GYAN SHALA BUSINESS MODEL AND POTENTIAL FOR GROWTH

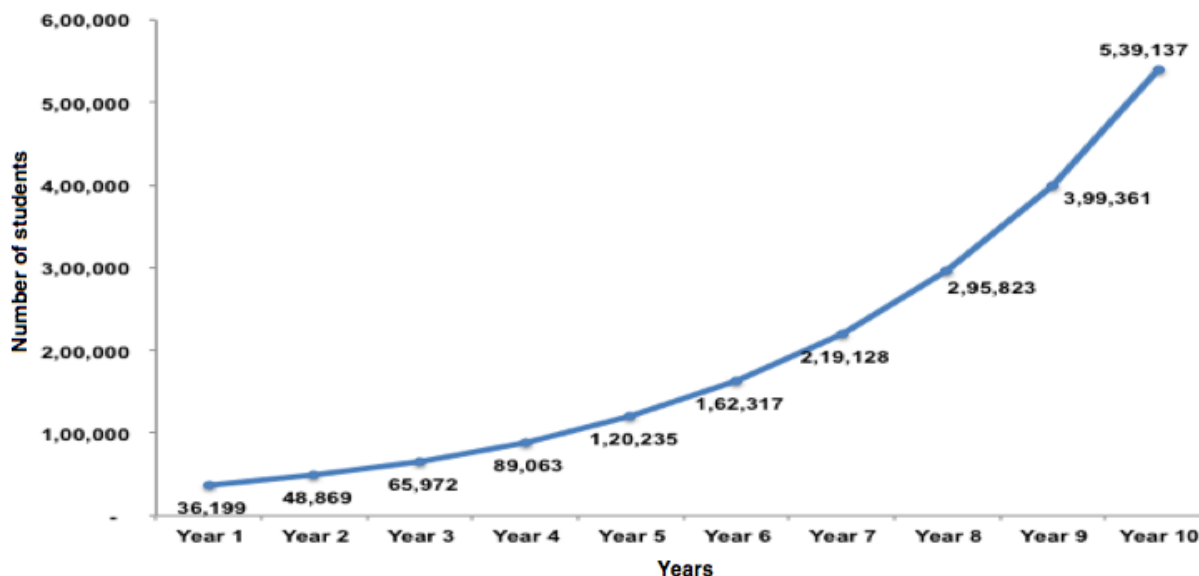
Gyan Shala's primary source of income is donations from foundations and philanthropic organizations - these sources account for over 75 percent of its current funding. The bulk of the remaining needs are met by the government, for which ESO acts as an outsourced provider of elementary education to out-of-school children from Grades 1-3. Finally, a very small percentage of revenue comes from students, who are charged a nominal fee of INR 30 (GBP 0.40) per month.

The CfBT team in 2011 conducted an analysis of Gyan Shala's business model to evaluate its growth potential and thereby its requirements for capital. <sup>4</sup> As per that analysis, Gyan Shala has the potential to reach over 500,000 students through over 13,000 Gyan Shala centers in 10 years (at an annual growth rate of 35 percent). There are two possible constraints though to the attainment of this scaling up:

- there is the financial constraint - can ESO access the capital required to grow the model to this scale? At the outset, the estimated funds that are required are INR 80 Million (GBP 1 Million) in the first year of expansion increasing to INR 1.34 Billion (GBP 16 Million) by the tenth year (this increase in funds is illustrated in Figure 5); and
- there is the issue as to whether the programme can recruit and train sufficient teachers at the same wage levels as ESO is currently paying.

<sup>4</sup>[http://www.dfid.gov.uk/r4d/pdf/outputs/mis\\_spc/60912-GyanShalaFinalReport.pdf](http://www.dfid.gov.uk/r4d/pdf/outputs/mis_spc/60912-GyanShalaFinalReport.pdf).



**Figure 5: Growth Potential of Gyan Shala**

Source: ESO Financial Projections (2012)

ESO expects to raise nearly 90 percent of this required capital from the government, through the expansion of its programme targeting out-of-school children. Gyan Shala is currently being reimbursed by the state government for providing this key service. ESO also expects government funding to come in through public-private partnership (PPP) models that it will enter into for running government schools, training government teachers and running charter schools. Finally, fundraising from philanthropists and foundations will be used to close the gap. Parent contributions will be minor. Charging parents is mainly to ensure that they are involved in the programme.

In its business plan, ESO plans to put this capital to use in the same considered manner it has employed over the last decade. Nearly 70 percent of the capital will continue to be deployed for direct education expenses such as on teacher salaries, education materials and testing services. The cost-per-child will also continue to be efficient with Gyan Shala's high quality education being made available at a price of INR 190-210 per month (GBP 2.4-2.7 per month). At this price-point, Gyan Shala will not only recover its costs but will also be able to generate a small surplus that can be used to fund investments in innovation, delivery and pedagogy.

While not targeting the poorest as it does with its current 'Shala' model, this conventional school will still be catering those who fall within the 'Deprived' category as aggregated by the data provided in Figure 6 that has been compiled by the National Council for Applied Economic Research (NCAER) and its new division, the Centre For Macro Consumer Research (CMCR) in its recent survey, National Survey of Household Income & Expenditure (NSHIE) 2011: *Living in India*. With an initial sampling frame of over 500,000 households across 30 states covering 268 districts, 2,508 villages and 360 towns, *Living in India* went into final 100,000 sample households starting June 1, 2011.

**Figure 6: Distribution of Households (in Millions)**  
(NCAER-CMCR Projections based on the NSHIE 2004-2005)

Category	Annual Household Income @ 2004-2005 prices (in Indian Rupees)	2010/2011	2015/2016
<i>Deprived</i>	Below 112,000	134.7	113.3
<i>Aspirers</i>	112,000 - 250,000	70.7	89.4
<i>Middle</i>	250,000 - 1,250,000	31.4	53.3
<i>Rich</i>	Over 1,250,000	3.2	6.6

Source: NCAER/CMCR Living in India National Survey 2011

## 2.1 PRIVATE INVESTMENT: OPPORTUNITIES AND CHALLENGES IN EDUCATION

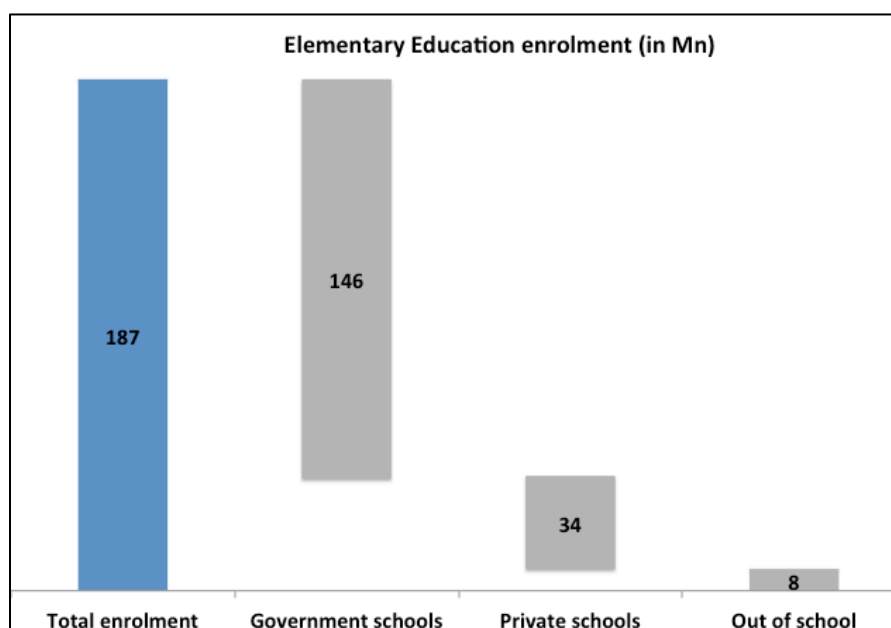
*"Low-cost private education is an important, complementary element of education in developing countries and should be seen as an active partner with governments looking to ensure all children have access to a high quality education. We are convinced that affordable schools, operated on a for-profit basis, can make a big difference. "We have examined carefully the challenges and opportunities of this sector, and we're committed to sharing our knowledge with governments, donors and aid agencies and to working with them on this urgent, global mission."*

-- Sir Michael Barber, Pearson's Chief Education Advisor and Chairman, Pearson Affordable Learning Fund. <sup>5</sup>

Sir Michael Barber's quote highlights the high interest in education opportunities amongst investors. India is no exception. Figure 7 shows how there are still 8 million out-of-school children and, despite having 93% of all schools, the government only enrolls 60% of students.<sup>6</sup>

<sup>5</sup><http://www.pearson.com/news/2012/july>

<sup>6</sup>Annual Status of Education Report (ASER). 2010.

**Figure 7: Elementary Education Enrolment in India, 2010**

Sources: District Information System for Education (DISE) 2010

The Study team posed two overarching questions while evaluating the availability of investment for education in India. (They did this through both secondary research, and through primary research with sector experts and investors).

- 1. Within the low-fee private school segment, what are the key drivers and impediments to raise the investment necessary to expand an education model that delivers a quality education at under INR 400 (GBP 5) per month?**
- 2. Are there innovative ways to use PPPs so that low fee private schools (LFPS) can scale-up? (Thus providing improved learning performance at an affordable cost, in a sustainable manner while still addressing equity and system improvement concerns.)**

The Study team undertook this work in two parts. Part I involved asking a cadre of leading investors what their current thoughts about investing in the education sector; especially in affordable education models that reach the poor. It also asked for their views on how they see the sector changing, what are the particular challenges that they see cropping up (for them as investors, and for the investees). In Part II, these investors were presented with different models based on the Gyan Shala programme and tested for their feedback on these models, and the likelihood that the models would be investment-worthy. The investment world has a spectrum from *social funds* looking for triple-bottom line return, or a willingness to make lower returns in exchange for meeting higher social needs to *commercial investors* who see the education sector as a viable investment area where it is possible to make returns of 15-25 percent or more over a 5 to 7 year period.

The team sought to interview a wide range of firms that covered the spectrum described above. A large number of firms were contacted. The funds that were approached included: the Acumen Fund, Lok Capital, Aavishkaar, Omidiyar Network, Eleos Foundation, the Unitus Seed Fund, ResponsAbility, Elevar Equity, Milestone, Gray Ghost Ventures, Gaja Capital Partners, Kaizen, SONG, DFJ, Sequoia Capital, Milestone and Grassroots Business Fund. Of those contacted, the team had detailed interviews with: Omidiyar, Acumen, Grey Ghost, Kaizen, responsibility, Lok, Aaviskaar, Elevar, and SONG.

### **2.1.1 Education Investment Environment**

#### *Drivers and Barriers*

The Study team first enquired about the investors' experience and evaluation of the overall education market in India. They then narrowed down the questioning to understand the investors' perceptions regarding the affordable education segment and then of the 'low-fee' private school segment. In the latter instance, the investors were specifically asked for their opinion on the following six aspects:

- i. The key drivers in the low fee private school segment***
- ii. Innovations that they are seeing in this segment***
- iii. The viability of investing in such models in India***
- iv. Whether adequate returns can be generated***
- v. The different types of capital required***
- vi. Their key non-negotiable issues while investing***

The investors responses regarding investing in the low fee private education sector can be categorised into the following three areas: finance, legal and regulatory, and operational. Figure 8 provides a summary of their responses:

**Figure 8: Barriers to Investment in Low Fee Private Education**

<i>Financial</i>	<ul style="list-style-type: none"> <li>• Minimum expectations on an Internal Rate of Return of 15%<sup>7</sup></li> <li>• High Capex requirements in K to 12 education investments - essentially a real estate play</li> <li>• Few models that are investable and scalable</li> <li>• Most models would be better off receiving grant or debt funding</li> <li>• LFPE is an urban phenomenon that has yet to spread into the rural localities</li> </ul>
<i>Legal and Regulatory</i>	<ul style="list-style-type: none"> <li>• Discomfort with the education management company phenomenon as it could come under public scrutiny as a means of evading the 'no profits' stipulation</li> <li>• The Right to Education Act Clause 12 has made it compulsory for every fee-paying school in India to admit at least 25 percent of its pupils from poor and low-income families, with the state government reimbursing schools for the fee. This Clause has placed low fee private education operators with a few unpleasant options - raise fees and lose students, lose recognition or, perhaps most critically, lose poor students who can now gain access to higher cost private providers</li> </ul>
<i>Operational</i>	<ul style="list-style-type: none"> <li>• Little innovation in education delivery models</li> <li>• Very few promoters who are able to manage an operation professionally</li> </ul>

To demonstrate the impact of these barriers - most particularly the difficulty of going to scale, regulatory concern about the implications of RTE and the overemphasis on capital assets - the investors highlighted three recent investments in the education sector (see Figure 9). These investments appeal to the funds because they all exhibit minimal investment in infrastructure, i.e., low Capex, high scalability, have no RTE issues and are lead by a professional promoter.

<sup>7</sup> The internal rate of return (IRR) or economic rate of return (ERR) is a rate of return used in capital budgeting to measure and compare the profitability of investments.

Figure 9: Examples of Recent Education Investments

Organization	Profile	Scalability	Regulations	Capex	Comments
<b>Butterfly Fields</b>	<ul style="list-style-type: none"> <li>- Science, math training for government and low-fee schools</li> <li>- Product-business: kits &amp; teacher training aids</li> </ul>	✓✓✓	✓✓✓	✓✓✓	Appeal to investors: <ul style="list-style-type: none"> <li>• Very low capex as it does not invest in infrastructure</li> <li>• High scalability</li> <li>• Innovative non-replicable model</li> <li>• No RTE issues</li> </ul>
<b>Hippocampus</b>	<ul style="list-style-type: none"> <li>- Rural pre-school and after-school learning centers</li> </ul>	✓✓✓	✓✓✓	✓✓✓	Appeal to investors: <ul style="list-style-type: none"> <li>• Very low capex as it uses existing infrastructure</li> <li>• High potential scalability</li> <li>• No RTE issues, promoted as a study-center</li> </ul>
<b>Vienova Education</b>	<ul style="list-style-type: none"> <li>- Service provider to low-fee private schools</li> <li>- School management</li> <li>- IT-based education</li> </ul>	✓✓✓	✓✓✓	✓✓	Appeal to investors: <ul style="list-style-type: none"> <li>• Slightly high capex due to investments in technology</li> <li>• High potential of scalability</li> <li>• No RTE issues, is a service provider to schools</li> </ul>

All of these enterprises must have crossed hurdle rate of ✓-✓✓✓ Low – High interest 15% as expressed by several investors

### 2.1.2 Recommendations for Funding Agencies

In addition to discussing their key drivers and barriers, the Investors were also asked for recommendations that DfID and other external funding agencies might employ to help remove the barriers in the education sector, and help make private education providers more investable, especially those that target the 'bottom of the pyramid' market segment. These recommendations came in three main areas - *policy, research and funding*.

#### Policy

On **policy**, funding agencies such as DfID could support the following:

- Advocacy efforts to change policy such that low-fee private schools are able get exemptions from RTE norms if they meet quality norms
- Advocacy efforts of different low-fee private school associations and advocacy on vouchers/direct cash transfer to low-fee private schools
- Advocacy on allowing low fee private schools to be eligible for reimbursements for provision of education, as per the RTE Act
- Develop a “State of the Sector Report” for dissemination to investors and policymakers and convene an investor policy conclave on low fee private school provision.

#### Research

On **research**, the funding agencies such as DfID could support the following:

- Education assessments to gauge the actual social impact and education outcomes created by the low fee providers



- Studies on per-child funding to make a case for low fee private providers as partners to the government to meet the government's education goals (such as in the case of Gyan Shala)
- Provide technical assistance to speed up scaling of the low fee private sector
- Create an internet portal like the Centre for Health Market Innovations (CHMI) for the international low fee private education sector

### Funding

On **funding**, funding agencies such as DfID could consider the following:

- Provide gap financing to approved low fee private providers to surmount the difficulties they face in accessing finance from banks and commercial investors
- Work to persuade governments to provide real estate on lease
- Provide guarantees to encourage lending to this sector
- Support scaling-up of innovations in the sector

## 2.2 THE CONVENTIONAL SCHOOL PROVISION GRADES 1 TO 10

Given its growth and performance record over the past decade, the ESO management is confident that it will be able to convince government funders to support the ongoing expansion of its single-room centre model. The ESO founder and management are now actively seeking to establish their own chain of stand-alone conventional schools that offer ten grades of primary and secondary education.

### **2.2.1 Rationale for the Conventional School Model**

This move from running Gyan Shala as one-room centres, to Gyan Shala as stand-alone schools is planned in order to address a number of issues that arise at the parental, regulatory and organizational level:

#### ***From the perspective of the Parents/The Client***

- The current one-room model only provides education from Grade 1 to Grade 3. Once these students finish at the current Gyan Shala centres, their only options are to migrate to lower-quality government and low-fee private schools or dropout due to lack of affordability and ease of access
- There is persistent demand from parents who want their children to continue accessing high-quality education as provided by Gyan Shala, beyond Grade 3. Studies show that parents are aware of the better quality of education being provided by Gyan Shala.

#### ***From the perspective of the regulatory regime***

- Although Gyan Shala is currently permitted to operate, going forward it needs to ensure compliance with the recently enacted Right to Education (RTE) Act. The RTE puts in place strict infrastructural requirements, teacher qualifications, and wage obligations. It is only by meeting these requirements that an educational institution will be 'recognized' by the government.

- One way to side-step this would be for ESO to declare the Gyan Shala centres as an ‘after-school’ or ‘supplementary’ educational programme. The management, however, does not want to do so.

#### ***From the perspective of the NGO***

- The current single-room centre Gyan Shala model is heavily dependent on grants from foundations and individuals for meeting its expenses, and on partnerships with the government. So far, due to the good management of the programme by the ESO team, it has managed to generate a surplus in each year of operation. Part of the reason to set up stand-alone schools, is to ensure a commercially viable model that is not dependent of grant funding or donations for growth.
- ESO believes that vernacular learning is more suited for first-generation learners. This controversial language decision is driven by the broader vision of ESO which is to promote vernacular learning over learning in English. Further, ESO believes that this will reduce the dropout rate, as students are often unable to cope with the English-medium focused education that they have to assimilate into after completion of Grade 3 in the current Gyan Shala model.

### **2.2.2 Key Features of the Conventional School Model**

The Conventional School Model as designed by the ESO team has the following features:

- Each individual school will have a proposed total floor area of 10,962 square feet with a five year ramp-up before it reaches full capacity
- At full capacity, each school will have 35-38 teachers (comprising specialized subject teachers as well as Arts, Physical Education and reserve teachers), and around 1600 students (across Grade 1 to 10)
- The school economics will be as follows – 59% of expenditure allocated to central office and teachers costs, 14% to teacher training, 27% on learning materials and other expenses.
- It will provide education to students from Grade 1 to Grade 10
- It will comprise up to 40 children per section
- There will be 2 shifts using the same infrastructure (i.e., in the same school building), with one focused on vernacular instruction and the second on English-medium instruction
- The school will be located close to urban low-income communities, typically within 2 to 3 kilometers, ensuring that distance is not a constraint for students
- The school building will be a no-frills one to reduce the cost of the capital expenditure. It will have the following facilities, enabling it to be compliant with most of the RTE Act norms: 24 classrooms, a computer laboratory, a library, a science laboratory, separate toilets for boys and girls and drinking water facilities. <sup>8</sup>

Figure 10 provides further details on the proposed 'Conventional School' business model.

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<sup>8</sup> Gyan Shala believes that it will be exempt from the norm to provide a playground in Gujarat as per the State Rules on the RTE Act implementation.

**Figure 10: Assumptions of the Conventional School Business Model**

<i>Item</i>	<i>Cost</i>	<i>Details</i>
<b>Capex Costs (INR)</b>		
Construction (/sq.ft.)	1,300	includes fixtures, fittings, educational equipment
Land (/sq.ft.)	800	based on market scan in Gujarat
Depreciation rate	5%	% p.a. - straightline
<b>Financial Assumptions</b>		
Debt tenor	15	years
Debt interest rate	10%	% p.a.
Initial equity infusion	30%	% of project cost
Income Tax rate	33%	
<b>Fee Structure</b>		
Grade 1-3	500	INR/month
Grade 4-7	550	INR/month
Grade 8-10	600	INR/month

<b>Operational costs</b>		
<i>Item</i>	<i>Cost(INR or %)</i>	<i>Details</i>
Local-language salary	4,000	INR/month/teacher
English-language salary	5,000	INR/month/teacher
Salary increase	5%	% p.a.
Teacher training cost	250	INR/month
Increase in training cost	5%	% p.a.
Learning material cost	500	INR/student/annum
Increase in material cost	5%	% p.a.
Opex lumpsum	200,000	INR/annum
Increase in school opex	5%	% p.a.
Miscellaneous costs	100,000	INR/annum
Increase in misc.costs	5%	% p.a.
Central team fees	20%	% of total school salary costs
Fee Increase	5%	Annual increase, after 5 <sup>th</sup> year of operations

Source: ESO Estimates 2012 and CfBT Study Review (2013)

### 2.2.3 Assessing the Investment

The projected cost of construction and land acquisition per stand-alone school is INR 20-22 Million (GBP 250,000 – GBP 275,000). ESO estimates that it will need to raise around 30% of the cost of the school as equity from social investors and foundations, with the remaining being raised as low-cost debt from banks desirous of supporting ESO. **ESO also estimates that it**

**will be able to provide an IRR return of 9-10% to its investors through distribution of profits from the school.** ESO has not only designed this model at a unit-level, it has also charted out a comprehensive expansion plan that is dependent on getting funding from social investors and from banks. The end-goal of this expansion plan is to reach 52 schools in 7 cities of Gujarat State over the next ten years. Figure 11 shows the projected locations for this rollout in the state.

**Figure 11: Conventional School Expansion Plans in Gujarat**



The study team has examined the funding requirements of a single-unit of the proposed Gyan Shala school model alone, as investors will evaluate the economics of this with greater scrutiny. Once they are convinced about the soundness of this model, then there will be confidence that it can be scaled up to the 52-schools that Gyan Shala proposed to open in Gujarat over the next 10 years. Based on this, the proposed funding needs are shown in Figure 12:

**Figure 12: Estimate of the Funding for the Conventional School over 10 Years  
(in INR Thousands)**

Location	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Ahmedabad	2	-	2	2	2	2	2	2	2	-
Surat	-	2	-	2	-	2	-	2	-	-
Vadodara	-	-	2	-	-	2	-	-	2	-
Rajkot	-	2	-	2	-	-	2	-	-	-
Bhavnagar	-	1	-	1	-	1	-	1	-	1
Mehsana	-	1	-	1	-	1	-	1	-	1
Anand	-	-	2	-	-	2	-	-	2	-
Total Units	2	6	6	8	2	10	4	6	6	2
Cum Units	2	8	14	22	24	34	38	44	50	52
Total Equity Needs (INR)	12935	38805	38805	51740	12935	64675	25870	38805	38805	12935

ESO is very focused on expanding only within Gujarat state. The study team did inquire with the ESO management team about possibilities of 'horizontal' expansion into other States for the 1-school model. The ESO management team reiterated their focus on Gujarat and the key factors that influenced this decision which included:

- The RTE exemptions are provided by the education authorities in Gujarat to Affordable Private Schools – the key one being the exemption from having a playground - which are not available in other States. Without these exemptions, the Gyan Shala school model is not possible;
- That significant social and political capital had been built by the ESO team with different levels of the Gujarat government due to ESO's focus on quality education and social impact. This capital is necessary to ensure that ESO's planned expansion in Gujarat to other cities pans out as planned. In other States, this capital is not available ; and
- Finally, the Gyan Shala schools focus on providing education in local language-medium in a student's formative years. Given the ESO's team composition of Gujarati-speaking staff and education experts and existing learning materials and pedagogy that are already adapted to the Gujarati language, it is necessary to focus on Gujarat.

### 2.3 INVESTOR EXPECTATIONS AND THE GYAN SHALA MODELS

After being presented with valuable broad feedback regarding investment in the education sector and the LFPE segment, the Study team then shared four Gyan Shala business models with investors for their consideration. The third and fourth models were hypothetical; created by the team as potential revenue streams for ESO. The following feedback was provided for each of these models:

**Model 1:** The current one-room study centers in slums, feeding into local government school with a focus on Classes 1-3.

This model was deemed the most appealing to investors amongst the four models that was presented to them. There was unanimous opinion that this was a very innovative model, in terms of the operational model that was employed and in the quality of its education provision. Further, its low capital requirements made it extremely scalable and it could indeed be a 'game-changer' in affordable education.

However, this enthusiasm was tempered by the realization that this model could never appeal to commercially-oriented investors due to the low margins and low fee structures and concerns about challenges from the RTE Act. Gyan Shala's cost of provision was around INR 140-150/student when unsubsidized but against this fee, investors had calculated that INR 1,000 to 1,500 was the minimum fee range required for returns that incorporated the costs of compliance with the RTE Act.

**Model 2:** The proposed conventional school building, close to the slums. School chain of ten schools. Owned and operated by Gyan Shala catering to Classes 1-10.

ESO wants to build and own the schools and the land that the buildings occupy. Investors felt that given the very high capital expenditure required, and its affordable fee structure the breakeven period for a school would be long. ESO plans for 10 schools also seemed to be limiting the model's scalability. A very significant concern articulated by all the investors was that they were not comfortable investing in real estate and buildings as they would then get exposed to real estate risks. They also felt that ESO should consider leasing buildings on a long-term basis rather than building and owning, thus bringing down the high costs. They were also concerned that the returns that their investment would generate would be based more on returns from land appreciation rather than from the education model and its quality. They were also of the opinion that rather than private equity, the capital needed to fund this model is long-term debt.

The only positive that they saw in this model was that it was compliant with the RTE Act in Gujarat at a low-fee level of INR 400 to 500, due to concessions available in the State. However, this meant that the stand-alone school model could not be scaled up outside Gujarat without significantly increasing fees.

**Model 3:** A PPP model that could range from a 'charter' school arrangement to sourcing educational services like teacher training and curriculum development

This was a hypothetical model that the team presented to investors primarily for the purpose of exploring the investors attraction to funding PPP programmes in which a substantial proportion of the revenue is garnered through government contracts. In this model, ESO would partner with State Governments to help them meet education goals through provision of services such as teacher training, management of government schools and support on curriculum development.

Though hypothetical, investors did see this model as an investment opportunity if executed properly. The reasons for this are its low capital requirements, its scalability and, by partnering with the government, it allows ESO to create far greater impact than what ESO can achieve on its own. The only concerns of investors regarding this model were about the long payment



cycles and issues in cash flows that typical service providers to governments face. There were also concerns about the risks of being involved in corruption in the government procurement process.

#### **Model 4: Creating a 'for-profit' version of the primary school model and operate it outside India**

This was another hypothetical model presented to investors. The primary purpose for introducing this Model was to determine investor interest if the legal and regulatory constraints pertaining to the India country context were absent. In this model, ESO would partner with international NGOs and social enterprises to create a for-profit version of its single-room centre model that would be operated outside India.

While the *investors believed that this model shared the attractiveness of the current Gyan Shala single-room centre model*, their concern was that any international expansion of the Gyan Shala model should be done in countries where the local regulatory environment was conducive to Gyan Shala and the local economics of education provision made a Gyan Shala-like model an attractive value proposition for low-income families.

## **2.4 PUBLIC PRIVATE PARTNERSHIP: OPPORTUNITIES AND CHALLENGES IN EDUCATION**

Governments are increasingly turning to PPPs in a hope to improve the efficiency and quality of public basic education delivery. PPPs with the LCPS have gained larger acceptability for a number of reasons:

- i. The governments find themselves falling short of the large and growing demand for public education investments particularly with the increased pressures on the post primary education sub sectors;
- ii. The LCPS sector has deepened its presence and has demonstrated its abilities to deliver educational services for the lower economic quintiles particularly in urban slum locations; and
- iii. The governments are increasingly criticised for poor service delivery and they have been compelled to consider other models of basic education service delivery.

Partnerships with the LCPS are obviously not going to be the panacea for all the ills that prevent provision of quality educational access for the underserved. In addition, structuring of the partnership needs to address trade-offs between efficiency and equity and strike a fine balance through effective contractual agreements to ensure optimal levels of efficiencies without comprising equity. There are a number of alternative ways in which the government can partner with the LCPS in order to deliver equitable access to a quality basic education. Each way entails the use of public funds and provision of education services by the private operators. Figure 13 provides a brief summary of four such types and their main features.

Figure 13: Summary of Possible Types of PPPs in Education

Type	Contracting Programme	Common Indicative Features
1	<b>Private management of public schools</b>	<ul style="list-style-type: none"> <li>▪ Education authorities contract directly with private providers to operate public schools or certain aspects of public school operations.</li> <li>▪ These schools are privately managed but they remain publicly owned and publicly funded.</li> <li>▪ Contract schools can be run by a variety of bodies – including private firms, the community, NGOs, universities, etc.</li> </ul>
2	<b>Public purchase of schooling for public students in private schools</b>	<ul style="list-style-type: none"> <li>▪ The government pays a voucher or subsidy for each student enrolled in eligible private schools;</li> <li>▪ Participation in the programme is limited to private schools in areas that are not served by government-aided or public schools;</li> <li>▪ Only schools charging equal or less than the government's per student cost can participate;</li> <li>▪ Participating schools are chosen by the government.</li> </ul>
3	<b>Private sector provides core services to assist capacity building of public provision</b>	<ul style="list-style-type: none"> <li>▪ The most common type of PPP in Education</li> <li>▪ There is a very wide range of possible initiatives ranging from curriculum and pedagogical support; management and administrative training; textbook provision; teacher training; and the development of support networks, professional partnerships and linkages.</li> </ul>
4	<b>Private sector provides school infrastructure and ancillary services under lease agreement</b>	<ul style="list-style-type: none"> <li>▪ The private partner builds, owns and operates the infrastructure facilities and the government uses these facilities for running the school, in lieu of which the private partner is paid a fee over the period of the contract which is generally long term between 20 to 30 years.</li> <li>▪ Based on satisfactory maintenance, payment is made.</li> <li>▪ The ownership and the asset at the end of the contract period may be transferred to the government, or be retained by the private sector depending on the terms in the contract.</li> </ul>

There are many potential models for school contracting. Countries have adapted the general PPP model to a variety of country and developmental contexts. The country context though is critical and it includes the country's governance structures, the financial management and administrative capacity of both the public and private education sectors, and the size and nature of the LCPS. While there are many different contracting models, they tend to exhibit the following main characteristics: **the Government has the role of funder and regulator but not provider; funding is provided on a per-student basis; LCPS have greater autonomy in their management; there is strong accountability and the contract is outcomes focused.** Figure 14 provides a summary of the perceived benefits and risks to these forms of contracting:

**Figure 14: Benefits and Risks of Education Contracting**

<b>Benefits</b>	<b>Risks</b>
<ul style="list-style-type: none"> <li>▪ Efficiency</li> <li>▪ Quality of service delivery</li> <li>▪ Specialized skills</li> <li>▪ Overcome public service operating restrictions rules</li> <li>▪ Innovative service delivery</li> <li>▪ Government focus on areas of comparative advantage</li> <li>▪ Increase access, especially for poorly served groups</li> <li>▪ Transparency</li> </ul>	<ul style="list-style-type: none"> <li>▪ Complex arrangements, requiring considerable design, implementation and monitoring capacity for public and private sector</li> <li>▪ Inadequate regulatory environments</li> <li>▪ Lack of competition in some markets</li> <li>▪ Quality of service delivery</li> <li>▪ Difficulty of finding private investors willing to invest</li> <li>▪ Difficulty in that it is the government that decides which partnership model would be the most appropriate</li> </ul>

The 'Value for Money' (VfM) proposition for structuring partnership with the LCPS in the provision of more effective, efficient and inclusive basic education needs to be examined through a number of different dimensions such as increasing access and equity, improving quality and relevance, enhancing cost effectiveness and efficiency and supporting financial and fiscal soundness. Building up the strength of this partnership structure starts with a number of critical and desirable features within the policy environment, including:

- clear, focused, leadership of the reform process from the national government;
- government recognition of the role of LCPS in attainment of quality basic Education for All;
- willingness by government to commit adequate human resources to the partnership process;
- support to the existence of LCPS representative bodies; and
- a facility for generating market information on LCPS.

In a systemic basic education reform in which partnership with the LCPS is supported, then the role of the private education sector in turn needs to include: contributing towards policy development; co-operating with the gathering and analysis of school enrollment and academic and non-academic performance data; articulating future education market trends indicated by demand and new technology; mobilising support at a local level; and disseminating information on the LCPS costs and performance.

## **2.5 GYAN SHALA'S PPP EXPERIENCE AND POTENTIAL**

Gyan Shala already has PPP experience under PPP Types 2 and 3 outlined in Table 13 above. Under Type 2, it receives a subsidy from the public education authorities in three states (Bihar, Gujarat and West Bengal) for every 'out of school' child that it teaches in Grades 1 to 3; while under Type 3 it has had a number of contracts to train government school teachers under contract to the Ahmedabad Municipal Government and provided curriculum design inputs.

Indeed, partnership with Gyan Shala has worked in supplementing policy goals in the states of Gujarat, Bihar and most recently in West Bengal. Towards a better understanding of political acceptance of Gyan Shala, a nuanced approach to identifying political stakeholders is

required. For purposes of disaggregating political stakeholders, they are classified here into (i) *Policy Executives* and (ii) *Local Government functionaries*. These categories differ in role, their sphere of influence in advocating the GS model, their degree of influence on financial and operational sustainability and their role in the day to day operations of the Gyan Shala programme.

### **Political Acceptance**

*Policy Executives.* Principal Secretaries and SSA State Project Directors of Sarva Shiksha Abhiyan (SSA) have been included in this category. The team interacted with these officials in Bihar as well as Gujarat. The level of acceptance of the Gyan Shala was highest amongst this group. Officials felt that Gyan Shala supported enrolments which had been a policy priority. They were impressed with the level of penetration of Gyan Shala's classrooms and stated that this model helped with enrolments, retention of children and attributed this to the level of localization – use of learning material, methods and tools that were appropriate to the learning needs of the children and the use of neighbourhood teachers. As the governments had funded the 'stand alone' classroom model, at best they saw this model as a successful and sustainable feeder model that could send children to neighbourhood government schools.

The main reasons for the high levels of acceptance can be attributed to the fact that the model has consistently and successfully targeted 'out of school' children; is characterized by high levels of teacher engagement and for the fact that it has demonstrated high rates of retention. Policy makers at this level were also keen on classroom visits and looked forward to the continued provision of state support for the programme. In Gujarat, executives even discussed possible engagement with Gyan Shala on service management of poorly performing and failing local municipal corporation schools.

*Local Government Functionaries.* Commissioners of the cities' Municipal Corporation, head of the education department of the cities' municipal corporation and district education officers have been included in this category. While local government functionaries in both Patna and Ahmedabad recognised the programme's merits, there were varying degrees of support and acceptance of the model. Reasons cited by these officials for acceptance included such factors as the high rates of student and teacher enrolment, attendance and retention. At this level though, these officials also perceived Gyan Shala as a direct competitor to the neighbourhood government schools. For both categories of political stakeholders, transfer of best practices through training especially on teacher motivation, engagement and ownership were paramount. The model most favoured after the existing feeder model (Model 1) was the service management model (Model 3).

### **Social Acceptance**

Levels of social acceptance of Gyan Shala were high with the local community and specifically with parents (see Annex 1 for more details). For parents, the following five key factors cited for their confidence and acceptance of Gyan Shala:

- its high level of engagement with the teachers and the support staff – from enrolments, to helping them understand what their children were learning from school to reporting on their childrens' progress;

- the provision of the mid day meals;
- the practical and relevant learning that was imparted with its applications for everyday;
- use of the local language; and
- perhaps most importantly, the fact that the teachers were from their neighbourhood. For progressive peers there was “more learning” in GS classroom.

Essentially, teacher attendance, engagement and ownership demonstrated accountability which increased the acceptance of GS model in local neighbourhoods and communities.

Going forward, this Study strongly recommends: (i) continuation and extension of Type 2 (the subsidy model); (ii) a review of additional areas and ways in which the Gyan Shala team could be contracted to work with public education authorities to deliver capacity building initiatives under Type 3; and (iii) most strategically, the possible adoption of Type 1 whereby Gyan Shala - instead of building its stand-alone schools at a high cost - could take on a contract whereby Gyan Shala manages an existing or under-utilized government facility. Section 2.5 concludes with a brief look at some of the specifics with regard to the scaling up of the 'Subsidy' PPP Type and the 'Service Contracting' PPP Type.

### ***Type 2: The Subsidy or Voucher Model***

A school voucher, also called an education voucher, is a certificate issued by the Government, which parents can apply toward tuition at a private school, rather than at a Government school to which their child is assigned. Gyan Shala's success at providing access to a quality education at a cost that is comparable or even less than the cost of public school provision, makes it a viable channel for implementing school vouchers, especially for targeting high-risk beneficiaries such as out-of-school children or children from marginalized communities. This model would be an evolutionary step from the current scenario, where the Government already reimburses Gyan Shala for provision of education services to children in Grades 1-3 in Ahmedabad and Patna through SSA funds. An indicative structure of a school voucher model that could possibly be developed between the state Governments and Gyan Shala is illustrated below:



**Type 3: Service Contracts**

Gyan Shala has successfully evolved robust systems for teacher training, support management and development, classroom management, school leadership - training, support and development; and, in addition, it has developed a unique curriculum and pedagogy with related supplementary activities for delivery in high density urban locations. These are systems that Governments can leverage for strengthening their schools, teachers and curriculum through a needs-based arrangement. An indicative structure of a service contract model that can be developed between Governments and Gyan Shala is illustrated below:

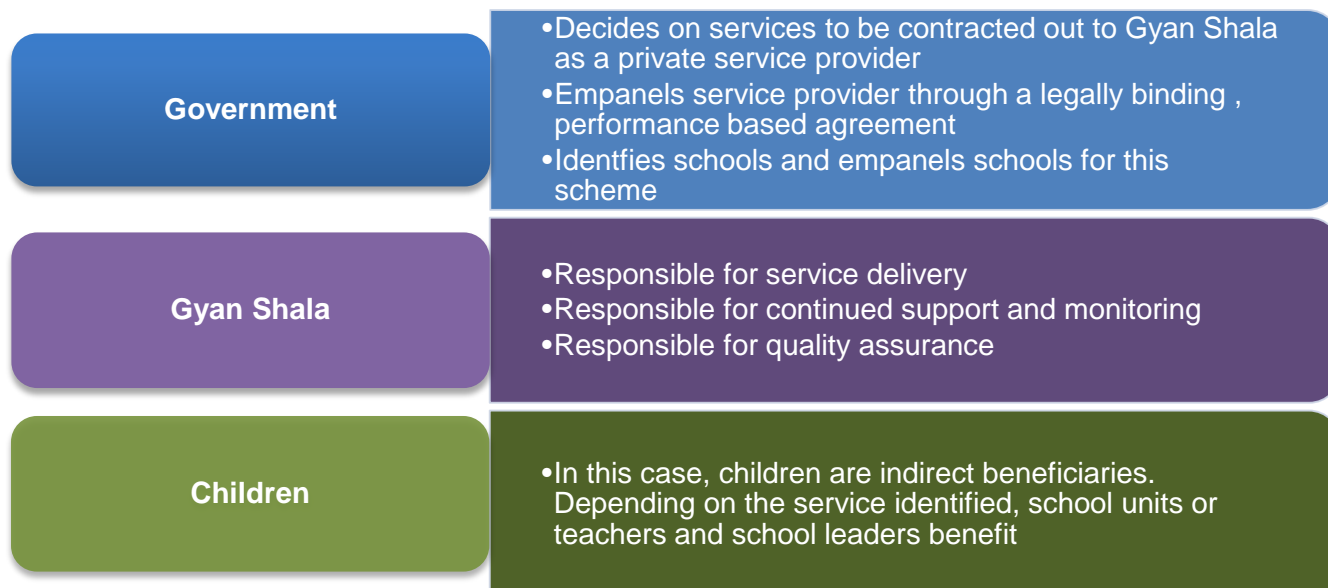


Figure 15 provides a summary of these three types and the different partnership arrangements that would exist between the government and the Gyan Shala LCPS across the functions of *funding, ownership and management*.

**Figure 15: Existing and Possible PPP Arrangements for Gyan Shala**

<b>Contracting Arrangement</b>	<b>Funding</b>	<b>Ownership</b>	<b>Management</b>
Type 1: <i>Management of a public school(s)</i>	Government	Government	Private/Gyan Shala
Type 2: <i>Payment of voucher or subsidy of public student</i>	Government	Private/Gyan Shala	Private/Gyan Shala
Type 3: <i>Delivery of capacity building initiatives</i>	Government	Government	Private/Gyan Shala

### PART 3: SUMMARY OF MAIN FINDINGS

*'Data presented in the SSA joint review in 2013 showed that government school enrollment has decreased by 2.5 percent since 2007, while private school enrollment has increased by more than 50 percent. Even though the perceived superior quality of fee-paying schools is not conclusively evidenced—particularly when socio-economic variables are controlled—parents continue to pay. In fact, 40 percent of Indian families make some use of private education, believing that it is a quick route to prosperity—a heartbreaking trend when you consider that a high proportion of very meager incomes spent on schooling may not deliver better learning.'*

- Susannah Hares, Stanford Social Innovation Review, March 13, 2013

The main aim of this Study is to consider the ways in which the business model for the Gyan Shala programme managed by a 'not-for-profit' organisation, the Education Service Organisation (ESO), can be made viable in the long-term and be an attractive investment for either private capital or government funding. Figure 16 provides a summary of the range of means that were employed to conduct the work across a broad range of stakeholders from three types of primary schools (public, 'not for profit' and 'for profit' private schools):



**Figure 16: Focus Groups and Means**

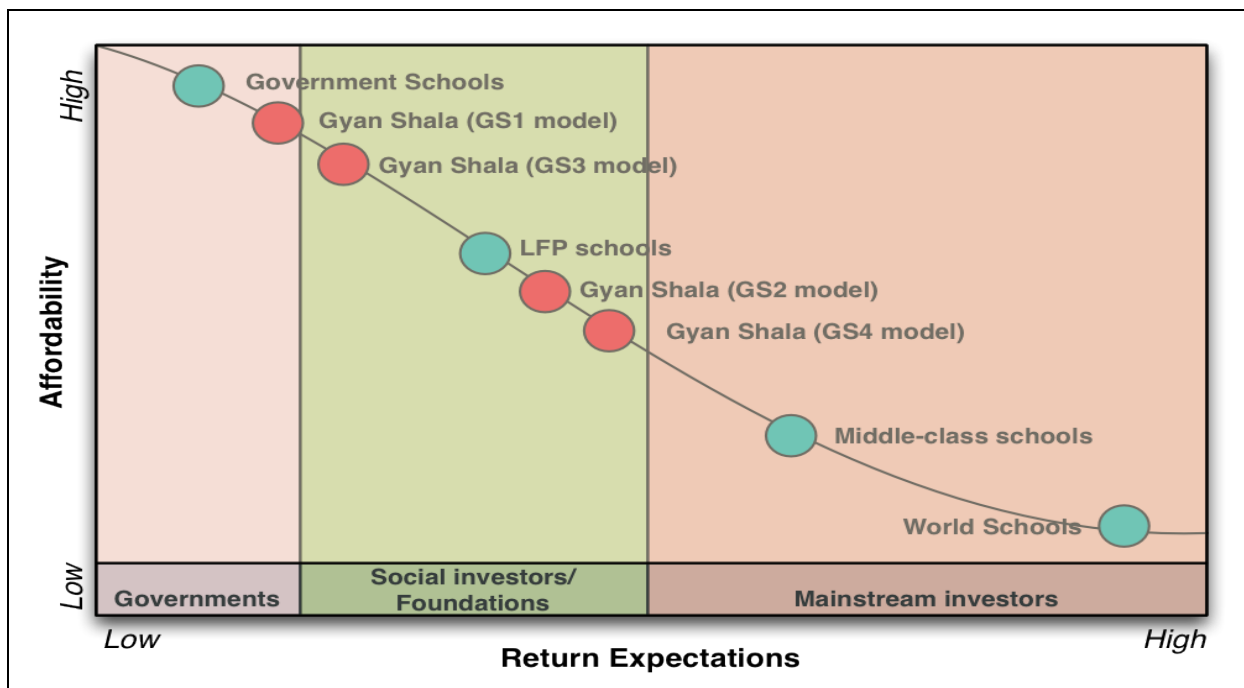
<b>Investors</b>	<p>A number of private sector commercial and social investors with a broad range of experience and diverse return expectations were interviewed to (i) gain an understanding of investment in the Indian private education market, and (ii) obtain greater details on the issues and challenges of investing in the low-cost private school segment.</p> <p>The investability of the Gyan Shala model with four different variations was explored both in interviews and in a Symposium with funders to gather feedback on: (i) the key drivers (ii) the viability of investing (iii) whether adequate returns can be generated (iv) the different types of capital required and (v) the key issues that were non-negotiable.</p>
<b>School Stakeholders</b>	<p>A Comparative Perceptions survey was conducted in Patna and Ahmedabad across 30 primary schools (10 from each of the school types) that were located in the same urban neighbourhoods. Researchers collected and triangulated details on perceptions across (i) Leadership and Image and (ii) Teaching and Learning from 142 teachers, 276 parents and 899 students.</p> <p>Using a CFBT Classroom Observation assessment instrument, 140 classroom lessons were observed in the three types of schools in order to observe the (i) Teaching Method (ii) Approach and Planning, (iii) Method of Delivery and (iv) whether it was a Child Friendly Classroom Environment.</p> <p>A Grade 3 Tracer Study was conducted to track students who were enrolled in Gyan Shala in the past. This Tracer Study observed trends in 103 students who had completed Grades 1-3 from Gyan Shala and had left Gyan Shala in the academic year 2009. It focused on (i) these students' current enrolment (ii) their choice of current school (low fee private schools or government schools) and (iii) parents' income and residential status.</p>

### Key Findings from the Investors

ESO plans to setup a school chain (see GS Model 2 in Figure 17 below), that will extend Gyan Shala's impact beyond what it currently provides to Grade 1-3 students (GS1 Model). A school chain will also make the programme RTE compliant. To achieve this, ESO needs to raise equity investments and low-cost debt to setup a chain of affordable private schools in Gujarat over the next decade. While equity would be the best capital type for ESO and its proposed conventional Gyan Shala model, it is unable to meet the expectations of the private investors who at a minimum expect a 15% return on their investment and an exit on their investment within 5 to 6 years. Given this inability to provide this requisite rate of return as well as meet the exit duration, there is a need for low- or no-cost equity-like capital such as grants, or subordinated debt at low interest rates. In addition, like most LCPS models, Gyan Shala has very few assets that can be put up as collateral for bank loans and it must seek alternate debt providers who can provide it with suitable financial products based on its business model and capital flows.

To find out if there is interest in such a model, the Study team conducted detailed discussions with investors, ranging from pure commercial with high return expectations to social investors with lower return expectations and a longer timeframe. The Study team also added two hypothetical Models (GS3 and 4), that if the management of ESO were interested in, could work as additional revenue streams. The team also held a Symposium for a mix of investors and foundations to further test the plans of ESO and to see if there was any interest in investing in the school model.

**Figure 17: Affordability and Return Expectations**



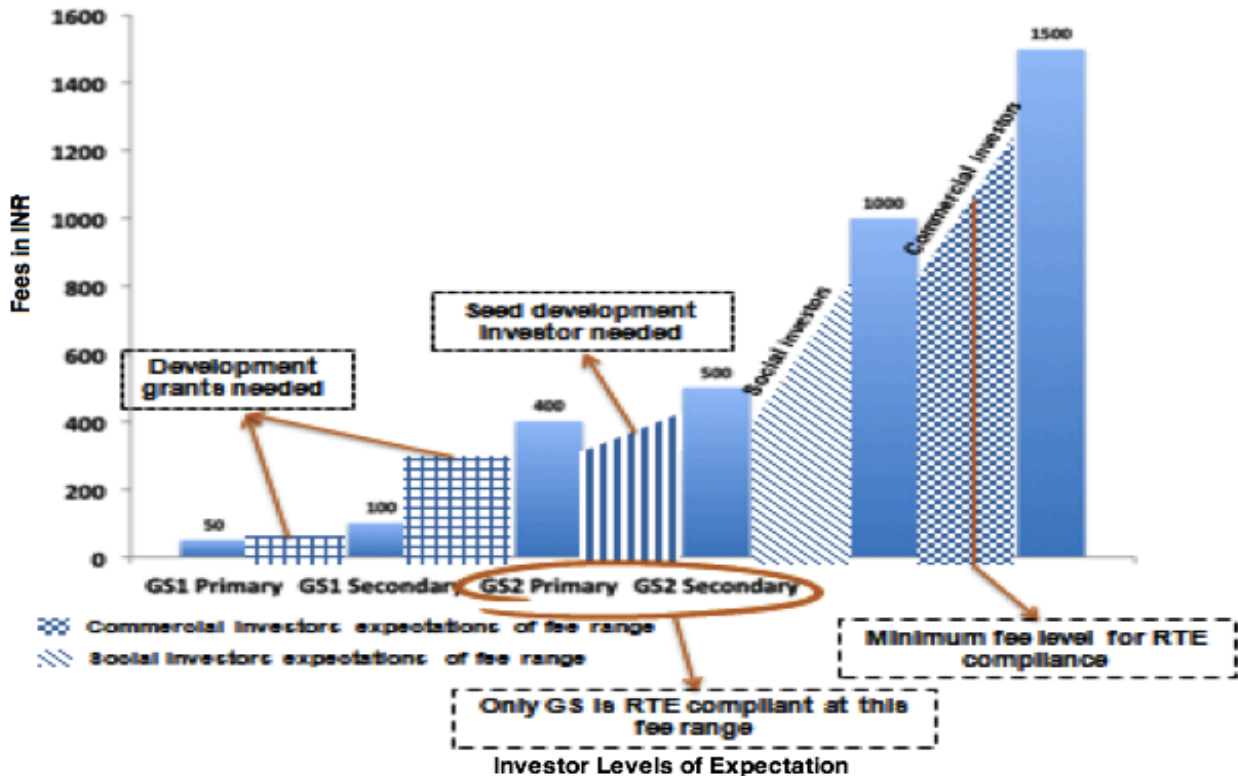
From these discussions it has emerged that there will be little interest in the new, conventional school model being proposed by ESO. This is primarily due to reasons that hinder commercially-oriented investors from funding conventional school models in the bottom segment of the private education market, including:

- The high capital requirements ( especially since ESO plans to own and not lease the school buildings), require long periods before the schools break-even and also reduce the rate of return;
- To make even a 10% rate of return, and to re-pay any loans, will entail charging higher fees and thus a move away from the poorest students in urban slums, and towards targeting more affluent low-income families; and
- The fee structure restricts raising revenues to an extent that enables a quick repayment of debt

Figure 18 illustrates the situation across three different price points: for the commercial investors the fee range required to meet their equity requirements needs to be INR 1000 and

above per month. For the social investors the fee range a school needs to charge is INR 500 and above per month. Gyan Shala's current model (GS1), meanwhile only charges INR 50 per month for primary and ***the proposed conventional school (GS2), would charge fees that were below the expectations of both commercial and social investor expectations.***

Figure 18: Fee Ranges and Different Investor Expectations



Besides the low level of fees acting as a deterrent, there are three regulatory hindrances to investing in schools. First, there is the concern regarding schools making a financial surplus and the establishment and use of education management companies to tap into this surplus. Second, Clause 12 of RTE makes it compulsory for every fee-paying school in India to admit at least 25 percent of its pupils from poor and low-income families. Third, there is the further RTE stipulation for schools to meet specific physical and human resource conditions. These conditions have multiple implications -- most particularly the fact that they drive up the cost of operation. These specific conditions include:

- Land (biggest item of expenditure) with a Play ground
- All weather building that includes: Kitchen for mid-day meals (when the mid-day meal is cooked in the school), drinking water, separate toilets for girls and boys, at least one classroom for each teacher, an office-cum-store-cum-head teacher's room, boundary walls
- Teacher salaries as per 6th Pay Commission
- Pupil teacher ratios that do not exceed 30:1 up to 120 students; 40:1 thereafter
- At the upper primary stage, at least one teacher per class, such that there is at least one teacher each for Science & Maths, Social Studies and Languages respectively
- Full-time head teacher for a school with over a100 students
- Part-time instructors (at a minimum), for Art, Health/Physical Fitness and Work education
- Minimum working days/instructions hours: 200 days or 800 hours for primary, 220 days or 1000 hours for upper primary; 45-hour week for teachers
- Minimum qualification of a Bachelor of Education for the teachers

### **Key Findings from the Stakeholders**

A Comparative 'Perceptions' Survey (Annex 1), a Classroom Observation Assessment (Annex 2), and a Grade 3 Tracer Study (Annex 3), were used to extrapolate whether there were some specific features of Gyan Shala that could be used to support the business case for private sector or public private partnership support for Gyan Shala. None of these three brief information collecting initiatives employed for extracting data to support the Gyan Shala business case were by any means comprehensive or rigorous. There are no measurements of quality outcomes, the sample was not randomly selected and they compared across different points of time; and there was no pre-testing of the tools before the rollout. However, these three initiatives have provided some relevant findings for future research:

#### ***Generally, these three initiatives have provided:***

- A quick and effective means of gathering and triangulating data across three diverse stakeholders who reside in the same environs with regard to important aspects of the education process - the leadership and management, the teaching and learning and the image of the school
- A means whereby researchers can ask three stakeholders who are vital to the success of the outcomes - the Teacher as Employer, the Parent as the Client and the Student as the Beneficiary - what they perceive to be the strengths and weaknesses in the provision of primary education in urban slum conurbations
- 'Lenses' through which researchers can gather qualitative data from users and providers along the continuum of the low-cost, for-profit private school, the low-cost, non-profit private school and the public sector within two urban slum areas.

#### ***Specifically, these initiatives have provided:***

- Confirmation regarding the high levels of satisfaction from the Gyan Shala staff across all features of their work even though their salary is considerably lower than competitor schools

- Evidence that the Gyan Shala students were the most reflective about the quality of their school, the LFPS students were able to provide some insight into the quality of their education while the public school students were often not able to judge or comment on the quality of the education
- Data that shows how the Gyan Shala primary inputs from Grades 1 to 3 are providing a strong foundation as 80% of students were still pursuing their studies
- Strong support that the Gyan Shala non-profit operations in Ahmedabad outperform their competitors - the 'for-profit' private providers and the government providers - from the perceptions gained from the stakeholders and from the classroom observations across the three types of providers
- 60% of the catchment are very poor and fees of even INR 400 per month would amount to more than 8% of their household income
- Interestingly, the families are not migrants within the urban slum community but long-stay residents; 91 percent had been domiciled in Ahmedabad for 10 years or more

**k**

## **ANNEXURES**

## Annex 1

### THE COMPARATIVE PERCEPTIONS SURVEY

#### INTRODUCTION

The main aim of this brief Comparative Study was to understand the reasons as to why parents and children from low-income areas in Ahmedabad and Patna choose to enrol in the Gyan Shala primary programme compared to other low fee private schools and government schools. Through this, the study aims to underline the key differentiators and to highlight the key drivers of the Gyan Shala model compared to the other two provider options, namely the low cost for profit private primary schools and the government primary schools within a similar urban slum environment.

#### Scope of the Study

The study covered thirty schools in all - ten Gyan Shalas, ten Low Fee 'for profit' Private Schools (LFPS) and ten Government Schools. In each category, five schools were selected from Ahmedabad and five schools from Patna. In Ahmedabad, three areas of Gyan Shalas were selected, each located in a different part of the city. Since Gyan Shala had middle schools (classes 6-8) in Ahmedabad, selected localities with both primary as well as middle classes in Gyan Shalas were selected. Vasna and Ambraiwadi were selected along with Vadaj which hosts Ahmedabad's biggest slum and has a number of Gyan Shala schools. In Patna, proximity of both LFPS and Government schools, inclusion of various faith based communities with a high 'out of school' population, migrants and finally a combination of highly urban areas at the centre of the city and developing areas on the outskirts of the city led to the selection of Samanpira, Shekhpura, Managal Market, Saguna More, Passi Galli, Nehrpura, DhiraChak, AmlaTola and Beur from Raja Bazaar, Phulwari Sharif and Danapur areas of Patna. While the researchers were careful to select Government schools and Low Fee Private Schools (LFPS) from the same catchment area, they were also meticulous in covering the same grades for research across the three types of schools.

#### Methodology

Three education experts – 2 in Ahmedabad and 1 in Patna - conducted the survey. The survey was two-pronged in that there was the '*Perceptions*' survey conducted through the administration of questionnaires to parents, students, teachers, headmasters/principals/school owners and collection of data through tools designed to collate organisational profiles; and there were the '*Class Observations*' that were used to obtain first hand data on learning and teaching from within classrooms. When researchers found it challenging to manage multiple stakeholders to be interviewed, they were supported by surveyors who monitored and made sure that the answers were not discussed prior to input. Figure 18 outlines the methodology of data collection outlining the comparable units across the three types of schools in Ahmedabad (A) and Patna (P).



**Figure 19: Summary of the Sample Size**

<i>Items</i>	<i>Gyan Shala</i>		<i>Low Fee Private School</i>		<i>Government School</i>		<i>Total # of Stakeholders</i>		
	<i>A</i>	<i>P</i>	<i>A</i>	<i>P</i>	<i>A</i>	<i>P</i>	<i>A</i>	<i>P</i>	<i>Total</i>
Class Observations	30	25	22	23	22	18	74	66	140
Teachers	28	22	24	19	24	25	76	66	142
Parents	44	54	44	40	50	44	138	138	276
Students	152	154	145	150	151	147	457	442	899

While tools were administered to parents, teachers, children and headmasters who self-reported, the researchers carried classroom observation guides and infrastructure checklists with them to collect data on classroom teaching and infrastructure. Researchers had to rely on the records of the schools for organisational profiles. Figure 20 itemises the sixteen statements that were used for assessing perceptions across the three stakeholder groups - the parents, the teachers and the students. The aim of this 'Perceptions' survey was to triangulate feedback from these school constituencies across the main focus areas of School 'Leadership', 'Image of the School' and 'Teaching and Learning'.

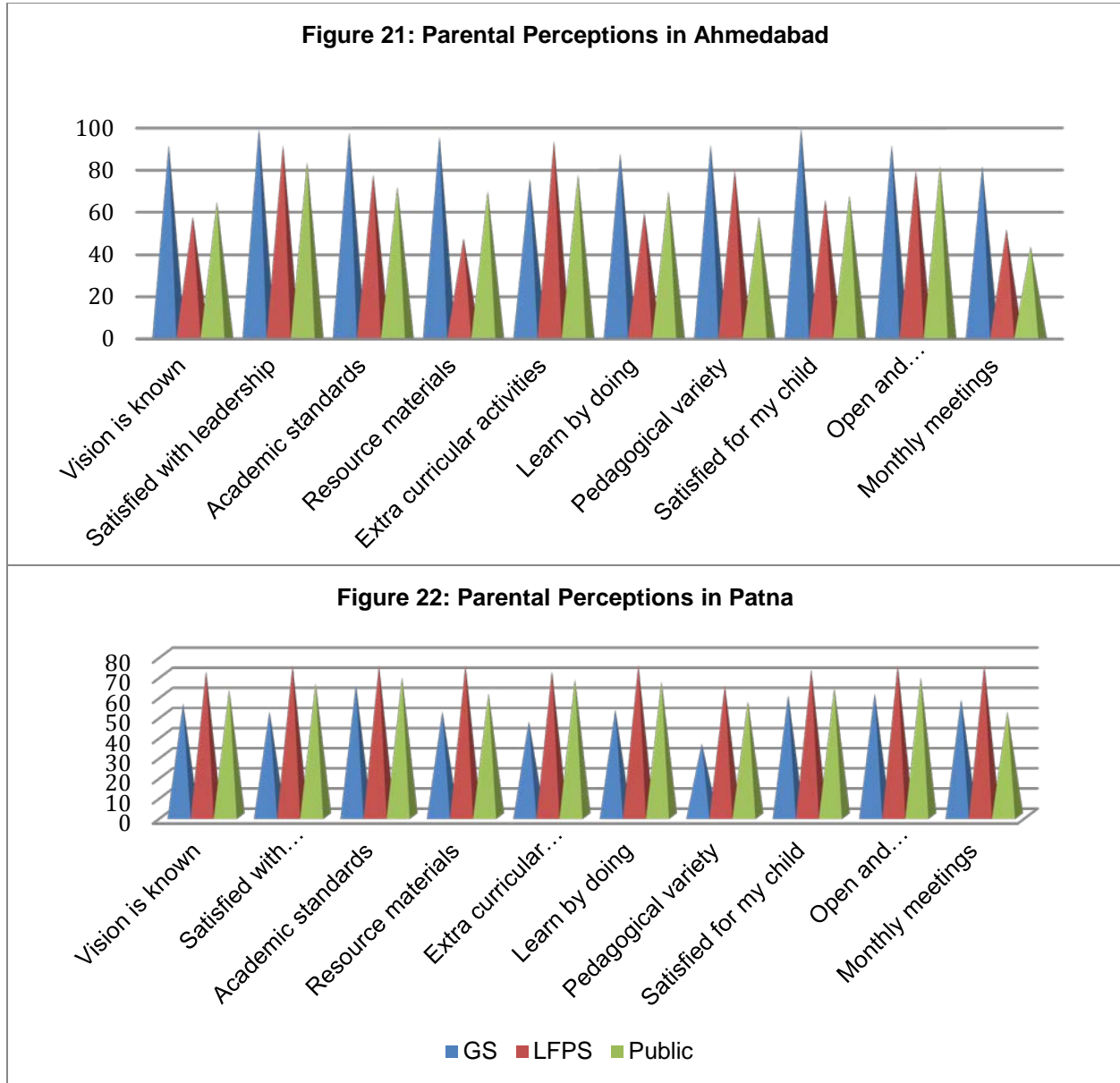
**Figure 20: Statements Used in the 'Perceptions' Survey**

<i>Leadership and Image</i>		<i>Teaching and Learning</i>	
i. Satisfied with salary		x. The school has high standards and children are expected to do well	
ii. Staff appraisal system in place		xi. The children have sufficient resource materials	
iii. Opportunities for professional development		xii. The school arranges extracurricular activities	
iv. It is possible to express one's opinion		xiii. The school encourages the students to think and solve problems by doing	
v. There is open communication between parents		xiv. Teachers use a variety of ways to show how well the students have learned	
vi. There is sufficient space in the classroom		xv. There are sufficient resource materials	
vii. The school organizes monthly PTAs		xvi. Students' progress is regularly shared	
viii. The school has high academic standards			
ix. The school offers extracurricular materials			

Annex 1 provides a summary of the findings from the Perceptions Survey and the Classroom Observations. It should be emphasized that the purpose of this survey was not to conduct a rigorous quantitative study but rather to obtain preliminary documentation that could be used to support the presentation of the Gyan Shala Business Case to potential investors - essentially to provide '**Voices from their Constituency**'.

### Comparison of Parental Perceptions

Figures 21 and 22 provide a summary of the findings from the interviews conducted with the 276 parents.

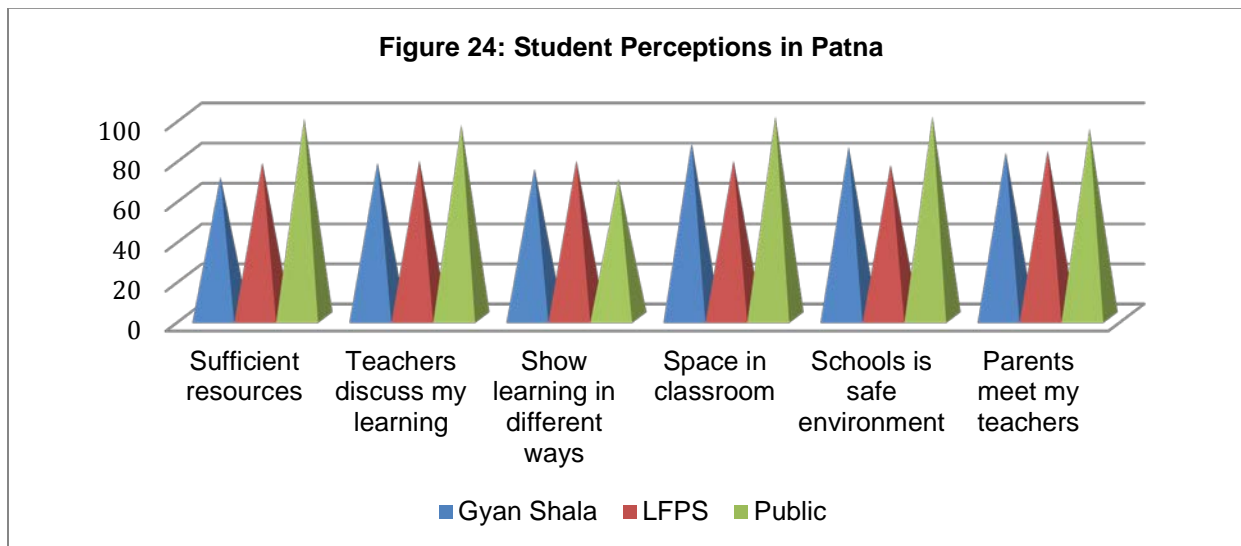
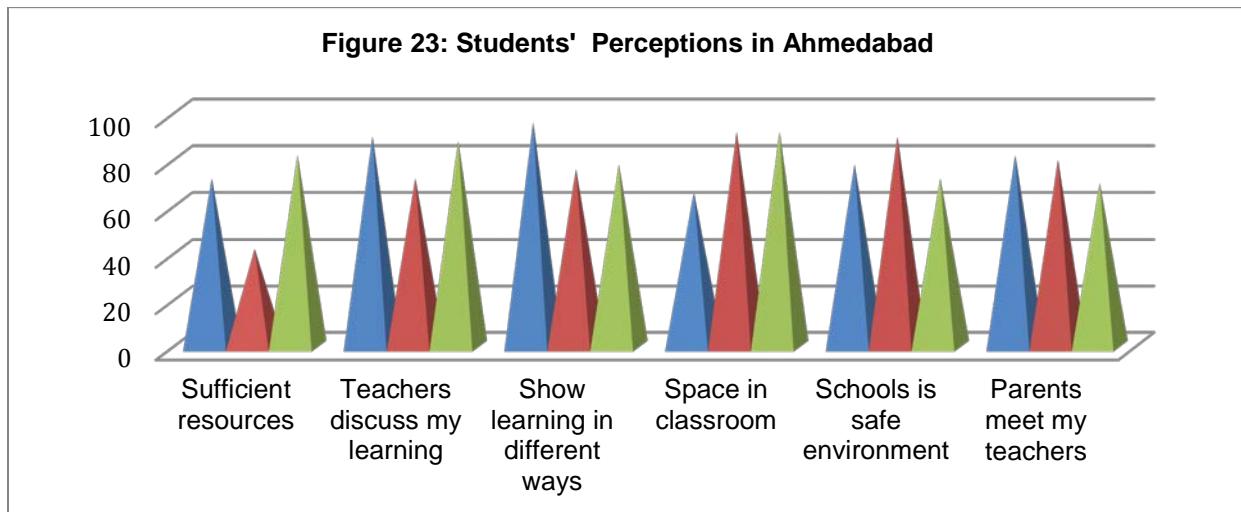


There are some preliminary points of interest to be drawn from this small sample size of 276 parents. Firstly there is a very different rating level across the Gyan Shala operations in Ahmedabad and Patna. This difference needs further exploration but one cause could be the fact that the Bihar operation is more recent and the Gyan Shala model is still gaining acceptance and understanding compared to its peer in Ahmedabad which has been operating for longer and is the programme's central hub. The LFPS appear to gain the most favorable response in Patna while the Gyan Shala operations in Ahmedabad gain the most consistently

high ratings. From the parents' perspective, the public schools did not score highest in any of the categories in either of the locales.

### Comparison of Students' Perceptions

Figures 23 and 24 now provide a comparative illustration for the Students 'Perceptions' in Ahmedabad and Patna across these three types of provider against these six items for the domains of *Teaching and Learning* and *Image of the School*.

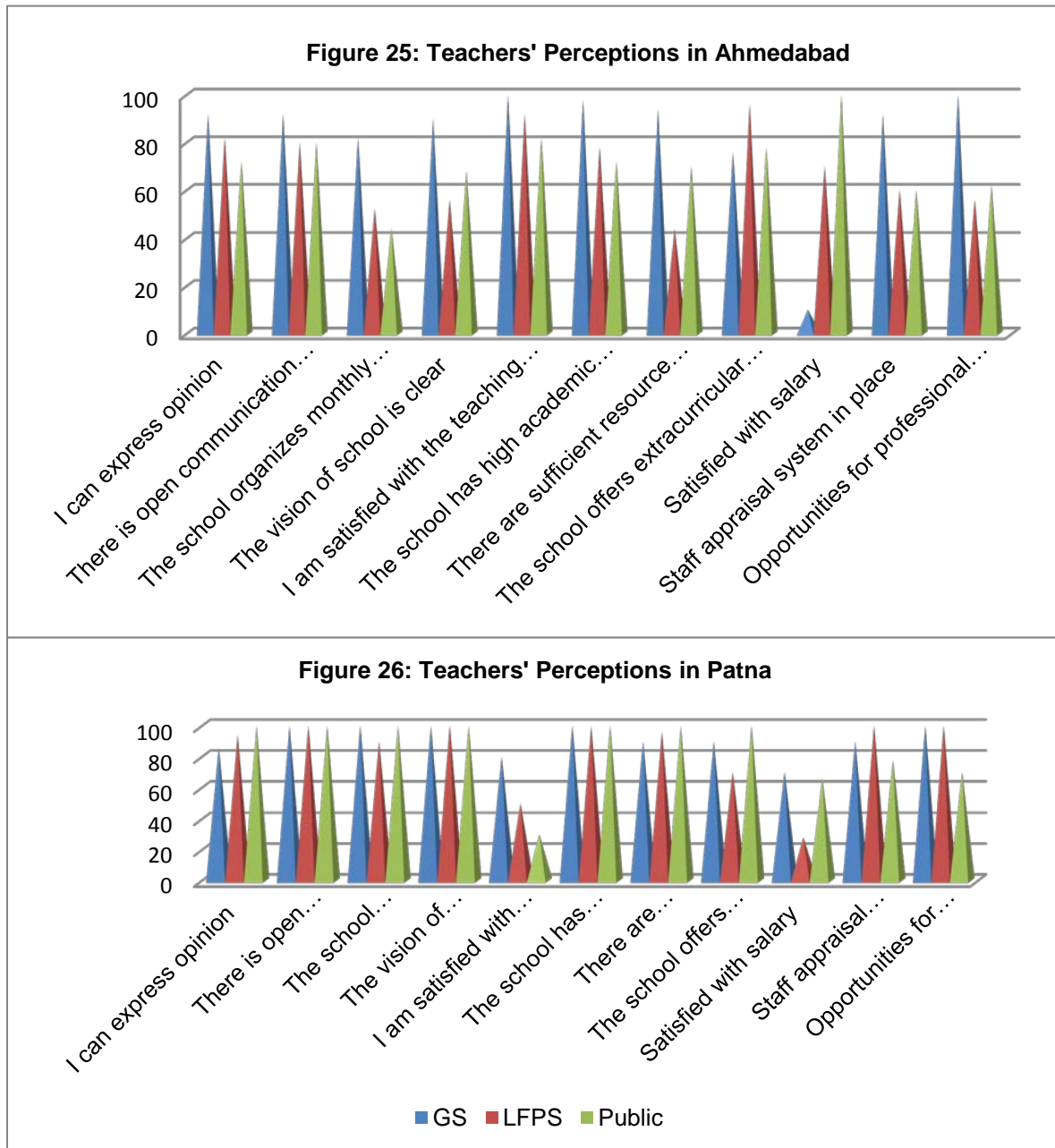


Only a few key items of the student perception questionnaires show differences between the three types of school. In general Gyan Shala students were the most reflective about the quality of their school, the LFPS students were able to provide some insight into the quality of their education while the public school students were often not able to judge or comment on the quality of the education. Further observations from the researchers included: (i) greater discipline and higher compliance among the Gyan Shala and LFPS students than that among the public school students where groups of 15 students were almost impossible to manage;

and (ii) greater ability to engage with the questionnaire from the Gyan Shala students, ability from the LFPS children to fill in with some explanation but a need for considerable assistance from the public school students to complete the questionnaire. Interestingly in comparison with their parents, the students rated the public schools the highest in Patna.

**Comparison of Teachers' Perceptions**

Figures 25 and 26 provide a comparative illustration for the Teachers 'Perceptions' in Ahmedabad and Patna across these three types of provider.



There are a few notable aspects to this comparative data from the teaching cadre including:

- The high levels of satisfaction from the Gyan Shala staff across all features of their work even though their salary is considerably lower;
- Although they had been in service for such a long time, the public school teachers in both locales recorded their opportunities for professional development as very low; and
- The contrast between all types across the two locales regarding their satisfaction with the teaching and learning in their schools - 30 percent in government schools in Patna was the lowest recorded for all items across all groups.

## Annex 2

## THE CLASSROOM OBSERVATIONS COMPARISON

**Teacher Background**

Prior to conducting the classroom observations, the survey team collected data from the 30 schools. This data highlighted some critical differences across the three types of provider with regard to the profiles of the teachers. This data on the qualifications and experience confirms findings noted in similar comparisons across public and private providers, namely that the public sector staff have much higher qualifications and they have been in the posts for a much long period of time. For the 142 teachers appraised, Figure 27 shows little difference between Gyan Shala and LFPS regarding qualifications but both the private operators have a much lower qualified cadre of teachers in the classroom compared to the public schools where only 16 staff lack a BA or above.

**Figure 27: Levels of Qualifications of the Different Types of Provider by Percentage**

Qualifications	Gyan Shala		LFPS		Public Schools	
	A	P	A	P	A	P
Post Graduate	-	-	5	5	29	29
B.Ed	-	5	-	-	62	13
BA	45	36	36	37	-	50
Class 12	55	59	42	42	8	8
Class 10	-	-	16	16	-	-

Figure 28 shows long years of service from the public school teachers in both locales - for instance fifty percent of the 49 public school staff have two decades plus of teaching service.

**Figure 28: Levels of Years of Experience by Percentage**

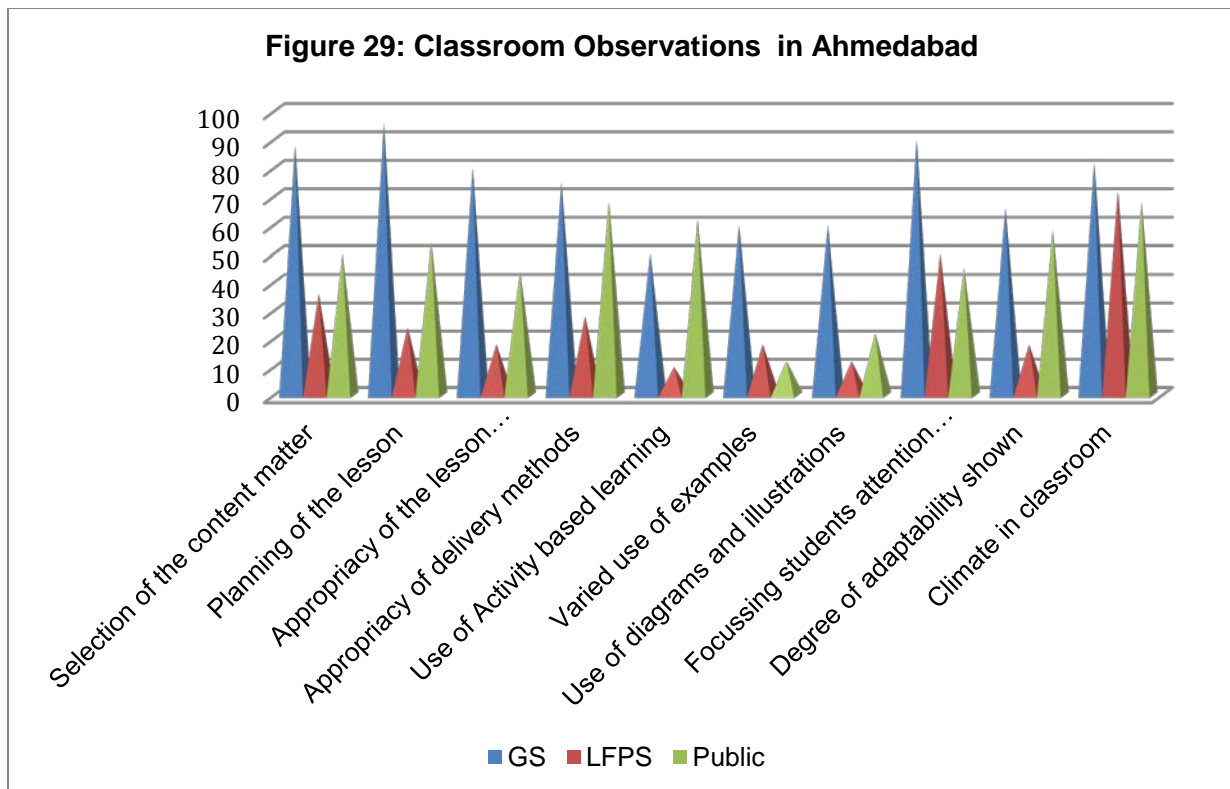
Items	Gyan Shala		LFPS		Public Schools	
	A	P	A	P	A	P
Less than 10 years	100	100	73	70	32	30
Between 10 and 20 years	-	-	17-	30-	16	20
More than 20 years	-	-	-	-	52	50

140 Classroom observations were undertaken by the researchers in all of the 30 schools. Observations were assessed across the following ten items across these three domains - **Teaching Approach and Planning, the Method of Delivery and Aspects of a Child-Friendly Classroom Environment.**

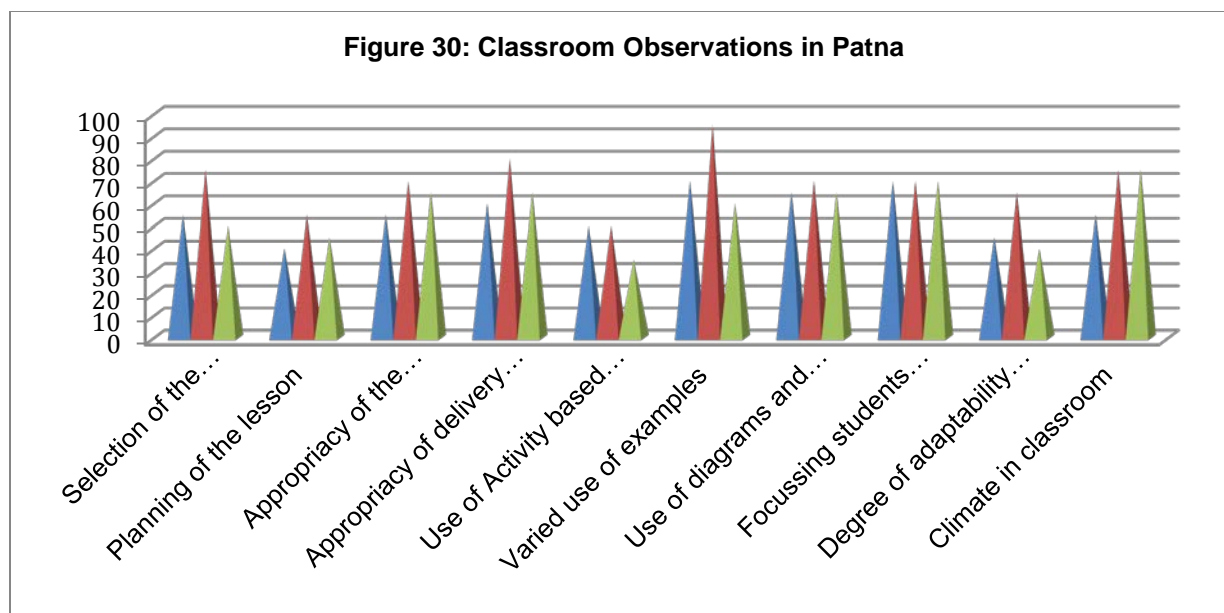
Approach and Planning	Method of Delivery	Classroom Environment
i. Selection of the content	iv. Appropriacy of delivery methods	viii. Focusing on individual students
ii. Planning of the lesson	v. Use of activity based learning	ix. Degree of adaptability shown
iii. Appropriacy of the lesson assignments	vi. Varied use of examples	x. Climate in classroom
	vii. Use of diagrams and illustrations	

### Summary of Classroom Observations

Figures 29 and 30 provide a summary of the scores accruing across the three types of provider in the two cities across these three important teaching domains - **Teaching Approach and Planning, Method of Delivery and Child Friendly Environment** - across the ten items.







There are a few notable aspects for this Classroom Observation comparison including firstly, that in all the ten items the Gyan Shala programme in Ahmedabad scored the highest whereas it was the LFPS in Patna that performed the best across all the items in Patna; and secondly, the Observation scores were 'low' for most items for all the providers - for example only one score exceeded 70 percent in Patna while only the Gyan Shalas scored above 70 percent consistently in Ahmedabad.

## Conclusion

There are two takeaways from the 'Perceptions' Survey and the Classroom observations. Firstly, such studies where a comparison is made between three types of provider catering to the same constituency (the public and the 'for profit' and 'non profit' low fee provider) - while clearly important to the debate as to which type of school provides the best quality and what price point - are rare because the public and private education providers are reluctant for such surveys to be conducted. The second takeaway is that this type of comparative analysis is valuable for obtaining preliminary documentation that can be used to support the presentation of the Gyan Shala Business Case to potential investors. Notable points warranting more detailed research include:

- The high levels of satisfaction from the Gyan Shala staff across all features of their work even though their salary is considerably lower;
- Although they had been in service for such a long time, the public school teachers in both locales recorded their opportunities for professional development as very low;
- The contrast between all types across the two locales regarding their satisfaction with the teaching and learning in their schools - 30 percent in government schools in Patna was the lowest recorded for all items across all groups;
- Gyan Shala students were the most reflective about the quality of their school, the LFPS students were able to provide some insight into the quality of their education while the

public school students were often not able to judge or comment on the quality of the education;

- The LFPS appear to gain the most favorable response in Patna while the Gyan Shala operations in Ahmedabad gain the most consistently high ratings;
- From the parents' perspective, the public schools did not score highest in any of the categories in either of the locales; and
- There is a very different rating level across the Gyan Shala operations in Ahmedabad and Patna.

This last finding regarding the difference in the rating between the Gyan Shala state operations in Ahmedabad and Patna is significant as it raises some issues and challenges regarding the ability of Gyan Shala - or indeed any LCPS - to scale up or replicate their operations either '*horizontally*' (i.e., in a different locale) or '*vertically*' (i.e., from lower primary up into the other grade levels). Figure 31 offers examples of ten possible operational, financial and professional issues and barriers to scaling up, some of which may provide explanatory reasons for the difference in the perceptions and classroom observations across the Gyan Shala operations in Gujarat and Bihar states respectively.

**Figure 31: Some Issues and Challenges to Horizontal and Vertical Scalability**

<i>Operational</i>	<i>Financial</i>	<i>Professional</i>
i. Ensuring consistency as one stretches the senior management team across different states particularly the Chief Executive ii. Introduction of education reform in which a LCPE engages in public delivery does not take place in a vacuum, but under specific constraints and opportunities many of which are politically driven, shaped by the interests and incentives facing different stakeholders, the direct and indirect pressures exerted by these stakeholders, as well as formal and informal institutions iii. Each state will have a different stance on RTE and Gyan Shala's compliance with the Act	iv. Accessing funding across different state education budgets v. Time and 'burn' necessary until the enrolment has reached a sufficient size (exacerbated by the fact that there is no additional funding for a Marketing budget) vi. Sourcing and retaining teachers and senior management at the GS salary price points vii. The Gyan Shala model is focussed on a niche - high density urban areas - and it is not readily 'migratable' and as cost effective to deliver in a low density rural setting	viii. The curriculum requirements for Upper Primary and Secondary are more demanding on the teaching staff and the facilities than Grades 1-3 ix. Each state has a different state examination, curriculum and schemes of work and these will need to be integrated into the overall Gyan Shala training programme x. Design and delivery of a programme in different languages

## Annex 3:

### The Grade 3 Tracer Study

#### **Aim and structure of the Study**

In a similar manner as using the Comparative 'Perceptions' survey to extrapolate whether there were some specific features of Gyan Shala that could be used to support the 'business' case for private sector or public private partnership support for Gyan Shala, the Study team conducted a Grade 3 tracer study to track students who were enrolled in Gyan Shala in the past. The objective of this Tracer Study was to observe trends in *the students' current enrolment, their choice of schools (low fee private schools or government schools) and their parents' income and residential status*. To implement this Study, students who had completed Grades 1-3 from Gyan Shala and had left Gyan Shala in the academic year 2009 were targeted.

#### **Selection of Gyan Shala student sample**

From a list of 803 students who graduated from Grade 3 in Gyan Shala in Ahmedabad, 153 students were selected. These 153 students were selected so that the sample would include an equal number of students who had enrolled in government schools and other low fee private schools after Gyan Shala. Out of the 153 students selected, 50 were from Vasna, 50 were from Vadaj and 53 were from Ambraiwadi, 3 low-income urban settlements in Ahmedabad city that were the first 3 localities in which GyanShalas were set up. These localities were selected as the teachers here had been in Gyan Shala the longest and this would help increase the study team's chances of tracing the students.

#### **Selecting the Gyan Shala students**

The first step in tracing the former Gyan Shala students was to collect their last known address and phone numbers, an exercise that was conducted last in 2009. While the researchers guided the process of tracking the students, Gyan Shala teachers who belonged to the neighbourhoods also contributed by physically tracing the students. Care was also taken to revisit families after working hours to ensure at least one parent would be at home.

In cases where a student was not immediately traceable, neighbours, headmasters and schools owners from neighbourhood schools were used as credible sources to assist in tracking. Since Dussehra and Diwali festivals were occurring during the study period, when families travelled back to native villages, the team staggered sourcing over a period of three months. At the end, out of a total of 153 former Gyan Shala students, it was possible to trace 103 students.

#### **Tracing the Gyan Shala students**

The second phase of the Tracer study involved tracking the current status of students. The following information was obtained for each of the 103 traced students:

- Initial enrolment of 103 Gyan Shala drop outs in private and government schools
- Current enrolment of students in private and government schools
- Monthly income of parents

- Occupation of parents
- Number of years in Ahmedabad (since most of the parents belong to migrant families, this information would help observe any differences in patterns for information seeking, choice and spending between settled migrants and new migrants)
- Current addresses and telephone numbers were also obtained

## Key Findings

### Where are Gyan Shala Students now?

The survey findings show that a significant percentage of the 103 students who had been traced (80%) are continuing their education. The students who have not dropped out are distributed fairly evenly between those enrolled in Government schools and those in Low fee private schools.

Details of the Students	Vasna	Vadaj	Ambraiwadi	Total
<i>Number of Students Traced</i>	26	44	33	103
<i>Number of Students who were not traceable</i>	24	6	20	50
<i>Drop outs</i>	2	3	16	21
<i>Number of Students Currently Enrolled in Private Schools</i>	10	22	7	39
<i>Number of Students Currently Enrolled in Govt. Schools</i>	14	19	10	43

### Has there been school migration?

There have been 10 migrations totally. 5 children have migrated from Government Schools to neighbourhood Low fee private schools. Similarly, 5 children have migrated from Low fee private schools to Government schools.

	Vasna	Vadaj	Ambraiwadi	Total
<i>Migration from Govt to Private Schools</i>	1	3	1	5
<i>Migration from Private to Government</i>	2	3	0	5

### How many of the surveyed families are new migrants?

Out of the 103 students, information about the years that their families had spent in Ahmedabad was obtained from 99 families. Only 9 families were relatively new to Ahmedabad having spent less than 10 years in the city. 46 families had spent between 10 and 20 years and 44 families had lived in Ahmedabad for more than 20 years.

Number of years in Ahmedabad	Vasna	Vadaj	Ambraiwadi
<i>&lt;10 years</i>	4	1	4
<i>10-20 years</i>	9	19	18
<i>&gt; 20 years</i>	14	23	7

What is the relative prosperity of the surveyed families?

Data on monthly household income was collected for 92 families. Out of these 92 families, 55 had a monthly income of INR5,000 or less, 27 earned between INR5,000 and INR10,000 a month, 1 family earned between INR10,000 and INR15,000 and 2 families between earned between INR15,000 and INR20,000. 7 families, notably hailing from Vasna, earned more than INR20,000 per month.

Income level per month in INR	Vasna	Vadaj	Ambraiwadi
<i>Less than 5000</i>	9	30	16
<i>5000-1000</i>	7	6	14
<i>10000-15000</i>	0	1	0
<i>15000-20000</i>	1	1	0
<i>More than 20,000</i>	7	0	0

**Conclusion**

Key takeaways from the preliminary data from this Tracer Study include:

- 60% were very poor and fees of even INR 400 per month would amount to more than 8% of their household income;
- The three year Gyan Shala primary inputs from Grades 1 to 3 were providing a strong foundation as 80% of students were still pursuing their studies;
- Interestingly, these families are not migrants within the urban slum community but long stay residents - 91 percent had been domiciled in Ahmedabad for 10 years or more;
- With this small sample size, there was no discerned migration post the Gyan Shala studies to either the low fee private school or the public primary government school; and
- There is little interface between the Government and Gyan Shala or the other LCPS once the children graduate from Grade 3.

This final comment highlights the need for the development of a more systemic policy approach to this 3rd grade transition. Too many disconnected programmes can decrease coherence in the instructional programme for a child. The flexibility and tailored programmes for the Gyan Shala students should be developed to align coherently with the general instructional plan for a child's entire primary and secondary education cycles. This report ends by offering four policy recommendations to facilitate more effective and successful transitions from lower primary to upper primary and secondary school and ultimately to possible senior secondary graduation:

- i. Allocate specific resources to support and oversee the 3rd grade transition
- ii. Fund a programme that creates intentional opportunities for positive peer network development
- iii. Educate families about the importance of the transition
- iv. Demonstrate to students the importance, advantages and realities of post primary education and establish a system for tracking the Gyan Shala graduates.