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Management of Private-aided Higher Education in Karnataka, India

Lessons from an Enduring Public–Private Partnership

James Tooley

ABSTRACT

The Grant-in-Aid (GIA) higher education sector in Karnataka, India, is examined as an example of a well-established public–private partnership (PPP). Interviews with senior officials in the Government of Karnataka, and in two contrasting Regions, centred around Gulbarga and Mysore, together with visits to GIA and private-unaided (PUA) colleges were undertaken. The study showed how devolved financial management led to problems of potential misuse of subsidy and to substantial inefficiencies. The regulation of the sector is explored, revealing inconsistencies between theory and practice, and unforeseen consequences in terms of a lack of teacher accountability and low investment. Considerations concerning equity are outlined, noting how GIA proponents who argued that it was effective in helping the poor might not be on strong grounds. Finally, implications are discussed for PPPs more generally.

KEYWORDS *development, education policy, private–public partnership, privatization*

Introduction and Background

Higher education in India consists of 259 university-level institutions, managed from the centre by the University Grants Commission (UGC), the majority of which are affiliating institutions, with more than 10,750 affiliated colleges (Stella, 2002). The universities regulate these colleges by sanctioning courses, examinations and awarding degrees. About 70 per cent of colleges are privately managed, and the majority of those established before 1987, and many afterwards, get 95 per cent or more of their funding from state governments under the system of Grant-in-Aid (GIA). This sector should be of particular interest to those concerned with education policy in developing countries, as it is an example of an enduring public–private partnership (PPP), although it has been curiously neglected in recent discussions: the private sector establishes and runs GIA colleges; the public sector regulates these and

provides recurrent expenditure (usually in the form of 100 per cent subsidy for teaching and non-teaching salaries). This public subsidy is given specifically to 'encourag[e] private enterprise in higher education' to encourage greater access to higher education, (GIA Code for Collegiate Education of 1969, in Puliani, 1999: 538).

The potential of PPPs to improve education, including higher education, in developing countries has been noted by many international organisations and commentators. The World Bank, Britain's Department for International Development (DfID) and the Asian Development Bank Institute are among those hosting recent conferences exploring the issue (see for example, Ahmed, 1999; Commins, 2003; Gaag 1995; Jamil, 2001; Macedo 2003; Wang, 1999, 2001; World Bank, 1996). Combining public and private sectors will 'utilize each sector's respective strengths, and . . . minimize each other's weaknesses' (Wang, 2001: 6), reconciling their 'seemingly divergent interests' (Macedo 2003: 1). PPPs, it is argued, contribute to 'mobilizing more resources' and 'removing inefficiencies' (Jamil, 2001: 2), while 'improving sustainability' and promoting 'quality, equity, and accountability' (Wang, 1999: 6–7). PPPs, most importantly, can lead to a system that ensures services to the poor and disadvantaged (1999: 17). It may be germane, therefore, to examine the GIA higher education sector in India to see if there are lessons to be gleaned for current policy on public-private partnerships.

This article examines GIA higher education in the state of Karnataka, one of the most advanced Indian states, economically, educationally and in terms of government accountability (Drèze and Sen, 2002: 111, 175, 319; Govinda, 2002: 39–40; World Bank, 2002a: 8; 2002b: 1); if problems arise there, then they may be more severe elsewhere. This examination is especially pertinent since many now argue that GIA higher education is not performing as it should. Referring to data from Karnataka, for instance, the World Bank reports:

The rich derive proportionately greater benefit than the poor from public assistance to privately managed education institutions. Enrolling in aided institutions, especially at the secondary and higher education levels, is the main means by which the rich benefit from a substantial share of total public expenditure. (2002b: 44)

The sector, moreover, consumes a disproportionate degree of departmental time in pursuing court cases relating to aided teachers' grievances (2002b: 58). Indeed, the World Bank concludes that a 'restructuring of the grant-in-aid mechanism' is 'warranted on both efficiency and equity grounds' (2002b: 52).

Similarly, the Government of Karnataka (GOK) argues that GIA to higher education is 'highly inequitable', as its benefits accrue largely to the already-privileged, further enhancing their 'skills, employability and income earning capacity': 'Therefore the beneficiaries should pay for such higher education' (GOK, 1997: 26–7). To enhance access—and hence equity—government 'should rather focus on direct support to poorer students through more liberal provision of fellowships, not on opening more colleges and employing additional

teachers' (GOK, 2002: 54). Furthermore, Narayana (1999: 317) notes the huge growth and viability of private-unaided (PUA) colleges, none of which requires GIA, suggesting that this is 'a strong practical argument for reducing the GIA to the aided colleges in the State' (1999: 317).

Such concerns are not confined to Karnataka. Current GIA policy was first brought into question during the national economic reforms of July 1991, where 'a reduction in subsidies to higher education' were first mooted as part of the general 'expenditure reduction strategies' (Narayana, 1999: 314; Tilak, 1995: 426–9). Reforms explored since then include improved cost-recovery from richer students (Matthew, 1996) and student loans (Tilak, 1999).

Higher education is divided into four categories, general, technical, medical and agricultural, of which the first two are examined here. These sectors in Karnataka are large, albeit declining. Prasad and Rao (2001) found that in 2001, 54.1 per cent of degree colleges were PUA, 30.5 per cent GIA and 15.4 per cent government (G), compared to 46.5, 35.6 and 17.9 per cent, respectively, in 1998. That is, the PUA sector is growing at the expense of other sectors, although the GIA still makes up about a third of all colleges. My own research, using data obtained from the Department of Higher Education, shows a similar picture (Tables 1 and 2). The contribution provided by GIA colleges has declined between 1977 and 2001: in general colleges from 84.2 to 31.8 per cent, in law colleges from 31.8 to 11.8 per cent, and in total from 79.2 to 30.4 per cent. At

Table 1 Degree colleges, 1997–2001

Period	Number of degree colleges								
	Government (G)			Grant-in-aid (GIA)			Private unaided (PUA)		
	General	Law	Total	General	Law	Total	General	Law	Total
Till 1977	31	0	31	176	7	183	2	15	17
1977–1987	82	0	82	285	8	293	5	24	29
1987–1997	148	1	149	292	8	300	330	42	372
1997–2001	153	1	154	292	8	300	473	59	532

Source: Data collected from Department of Higher Education, Bangalore.

Table 2 Degree colleges 1997–2001 as a percentage of the total

Period	General colleges (%)			Law colleges (%)			Total colleges (%)		
	G	GIA	PUA	G	GIA	PUA	G	GIA	PUA
	Till 1977	14.8	84.2	1.0	0.0	31.8	68.2	13.4	79.2
1977–1987	22.0	76.6	1.3	0.0	25.0	75.0	20.3	72.5	7.2
1987–1997	19.2	37.9	42.9	2.0	15.7	82.4	18.1	36.5	45.3
1997–2001	16.7	31.8	51.5	1.5	11.8	86.8	15.6	30.4	54.0

Source: Data collected from Department of Higher Education, Bangalore.

the same time, the G contribution has remained roughly constant, while the contribution from the PUA sector has increased dramatically, from 1.0 per cent of general colleges before 1977 to 51.5 per cent by 2001. Overall, the PUA contribution has grown from 7.4 to 54.0 per cent.

This article outlines the research method used, and examines the financial management and regulatory environment for general colleges and technical education separately. It outlines possible abuses of subsidy and inefficiencies that arise and explores the issue of equity. Finally, conclusions are given regarding the GIA sector and implications for PPPs in general.

Method

Research used in this article was conducted in Karnataka between December 2002 and February 2003, funded by the World Bank, with the aim of exploring the potential for reform of the GIA college sector. A team of four research assistants recruited in Bangalore, familiar with Kannada, Telugu and Tamil (for border areas of Karnataka), served as translators of verbal and written evidence, and collected and collated some of the data, although all major interviews were conducted by the researcher. Semi-structured interviews exploring regulation, financial management and potential reforms to the GIA sector were conducted with senior and junior officials in the Departments of Higher Education, Technical Education; Social Welfare and the Accountant General's Office, as well as with senior trade unionists.

For General Degree Colleges, financial control is devolved to the six regions, relating to the six regionally-based affiliating universities in Bangalore, Mysore, Shimoga, Mangalore, Dharwad and Gulbarga. Two of these were chosen for further study: Gulbarga, one of the 'two most backward' Districts (World Bank, 2002b: 10) in the North-East, contrasted with one of the more prosperous southern Districts, Mysore (World Bank, 2002b: 16). In each of these regional capitals, interviews were conducted with senior officials in the Department of Higher Education, including the Regional Joint Director (RJD), and with senior officials in the Department of Social Welfare. In total 32 Colleges were selected opportunistically—in the regions of Bangalore (four PUA and six GIA), Gulbarga (four PUA and seven GIA) and Mysore (three PUA and eight GIA)—where interviews were conducted with the principal and management. A small number of teachers and students were also interviewed. Documentary evidence on laws and regulations, financial management and statistics, was collected from Karnataka government offices in Bangalore and the Regional offices. All interviewees were guaranteed anonymity but explicitly consented to their comments being disseminated in a report to the World Bank and academic papers.

The evidence reviewed here has obvious limitations, as it was decided that only through anonymous, hence unattributable, interviews would views emerge on sensitive issues such as regulation and efficiency. Questionnaires

to a random sample of colleges, desirable in terms of producing statistical data, would probably not have raised issues in the way that these interviews did. Nonetheless, there is no particular reason to believe that the researcher found only a restricted type of college, so what was discovered is likely to be indicative of circumstances in the GIA sector as a whole, although no estimate of frequency of occurrence of problems raised here can sensibly be made.

Research Findings: Management and Regulation

Financial Management of GIA

Collegiate education

Collegiate education covers general and law colleges, which can be either government (G), Grant-in-Aid (GIA) or Private Unaided (PUA). GIA colleges have five potential sources of income:

- (1) Salary grants, i.e. GIA.
- (2) UGC Grants for building, etc.
- (3) 'Loss of Fee' remission from the Department of Social Welfare and/or Department of Backward Classes/Minorities (BCM).
- (4) Tuition fees.
- (5) 'Donations'—unofficially collected by management.

The management of all but the second and third—over which the Department of Higher Education has no jurisdiction—are the subject of this investigation. Management of the first, GIA salary grants, is devolved to the regions from the Department of Higher Education. The Secretary to the Government, Higher Education, has overall responsibility for two 'departments', Collegiate and Technical Education. Within these, no-one has overall responsibility for GIA colleges. Six regional and one technical University also report directly to the Secretary—although it transpires that, while being responsible for curriculum and assessment, they have no role in administering GIA.

The Head of the Department of Collegiate Education is also the Commissioner for Higher Education. Reporting to him is the Director of Collegiate Education, whose office consists of Joint Directors, usually college principals who have been deputed to the Department. The administration of GIA to colleges is largely conducted by the Joint Director (Cash and Payments). Also reporting to the Director of Collegiate Education are six Regional Joint Directors (RJDS), based in the six regional offices, who are responsible for financial and service matters concerning G and GIA colleges. It transpires that these have no formal reporting relationship with the six regional universities.

Interviews with officials in the Department of Higher Education enabled us to build up the following picture of the financial management of GIA. The key mechanism for GIA salary payments is the 'joint account', a bank account held

in the names of the RJD and the College Principal. However, in practice, cheques do not have to be countersigned by both parties, but can be issued from this account by the principal only. Annually, the process for estimating the RJDs' budgets is initiated by the accounts officer in the Department of Collegiate Education. The RJDs ask for budgets from all colleges under their jurisdiction. Scrutiny of these budgets is at the RJD level, as the department only has time to scrutinise for 'any differences from past figures', that is, for clerical errors. The consolidated budget is submitted to the Commissioner for Higher Education, and thence to the finance department. At the regional level, the RJDs conduct an audit, assisted by accounts officers, deputed to each region. The scrutiny involves looking at the future year's estimates and also the past year's 'expenditure statements'. These have to be reconciled with the previous year's estimates, and any discrepancies explained—but again, these are primarily looking for clerical errors.

Every month, each college principal sends the salary bill to the RJD, which is countersigned, sent back to the college, which submits them to the Regional Finance Department. This issues a cheque for the total monthly salary bill *in the name of the Principal*, who puts this into the joint account. The principal gives the bank a list of all teaching and non-teaching staff, their salaries, and their bank account numbers. The bank then transfers the required amounts from the joint account to the individual teacher accounts.

A senior official in the department explained one of the reasons for issuing this cheque monthly:

If they [college principals] got their monies quarterly or annually, this would give them a lot of money in their Joint Accounts. They might want to use this for other purposes. [Prompted as to what these purposes might be:] I can't say that, but they might not use all of their funds for paying salaries. If we pay them monthly, then they haven't so much money to play with.

In other words, a large amount of funding available over a long period in the joint account would open up the opportunities for misappropriation of funds. This opportunity for fraud is lowered somewhat if funds are paid monthly.

Table 3 outlines the principle checks that are supposed to be carried out, by the RJD office, the central office of the Accountant General and the District level offices of the Department of Social Welfare and BCM, to check on scholarships and 'loss of fee' income. Interestingly, it transpires that there are no checks from the Regional Accounts or Audit Offices. In practice, we were told that sometimes things happened along the lines specified, but in other cases, variations on these checks were reported. For instance, the principal of an aided college in Bangalore reported that no physical checks had ever been made on teacher numbers, student numbers or workload in person: 'What we send, government accepts!'

He said that checks *were* carried out every year by audit officers from the Regional Office, but this was auditing of accounts only, never physical checks

Table 3 Audit and monitoring

Office	Action
RJD office	<p><i>Annual</i> audit of reported teacher numbers, student enrolment and hence teacher workload.</p> <p><i>Random</i> physical checks on all colleges to ensure that reported teacher and student numbers and workload are correct.</p> <p><i>Monthly</i> 'verification' of teacher numbers against college report.</p>
Accountant general office, Bangalore	<p>Officials deputed to the Regions, conduct annual audit of accounts of <i>all</i> colleges.</p> <p>Also physical check in <i>all</i> colleges conducted at random of teacher and student numbers, SC/ST 'loss of fee' student numbers.</p>
District level department of social welfare, BCM, etc.	District officials physically check on <i>all</i> colleges for numbers of SC/ST, etc. students.

on the college. Of the RJD, the principal said: 'he is just like a postmaster. Every two months the RJD passes on the grants to the college, who in passes them on to the teachers. That's all'

At an aided college in Gulbarga, the principal said that the purported inspection is 'a sham' as the tour programme is sent beforehand. Moreover, a senior official in the college teacher union said that across the state his members reported that the RJD does not do any checking at all of facilities, or student and teacher numbers: 'They just stay in the offices, they never bother about standards, only the disbursement of salary.'

Regarding the Accountant General Office audit, much useful information was gleaned on the actual practice in discussion with senior officials. It was reported that, each quarter an audit programme is drawn up in the office for colleges, hospitals and district offices. However, one official reported:

We are supposed to monitor *all* colleges, but the government hasn't recruited staff since 1984, so we have a manpower problem. In practice, we can't check more than 10% of the 800 colleges.

In practice, he said, only *large* colleges are audited and investigated, but the required annual investigations are not possible:

the larger the budget, then we audit. If not, we don't bother. We have to concentrate our resources where they are most needed. And we're supposed to do annual audits, but how can we find the time?

A 'party', that is a team, of three persons is sent to the regions, a senior officer, auditing department, a lower rank officer and senior auditor. The party visits colleges, but does not physically check teacher and student numbers. They only look at the records provided by the colleges, and use these to derive workloads, and check for scholarship reimbursements.

Potential sources of malpractice

Senior government officials and college management were open about misuse of GIA. One senior official in the Department of Higher Education said that one problem that may arise concerned certificates for disadvantaged students—Scheduled Caste/Scheduled Tribe (SC/ST)—and income certificates. Students, he said, sometimes produce false certificates. Moreover, he reported that many of the officers physically involved in checking numbers, as well as those from the RJD's office engaged in passing the bills, may privately take 'donations' to ignore discrepancies or to pass payments. In the colleges, we were informed many times of these unofficial payments to pass salaries.

Further potential for fraud or malpractice in this process was suggested by another senior official:

the Joint Directors, they're a big problem. Usually they're senior college principals, about to retire. They have a lucrative interest in the colleges. In many ways, they get rich from underhand activities.

First, he explained, it is the clerks to the JD who sanction whether or not teachers meet their workload requirements of 16 hours a week (see below), leading to a lucrative bribery business for teachers wishing to have their workload criterion satisfied. Second, there is the problem of career advancement. Promotion is currently time-bound, not performance related. Every five years or so a promotion is conferred on teachers, provided that they satisfy certain minimum eligibility criteria. A board meets three to four times annually, for sittings of five to six days, to review the 2000 or so candidates who come up for promotion annually. This means there are inevitably delays, a gap between when the due date for promotion comes up, and the date of conferring this. (The whole process, he said, can take up to three years.) Moreover, some teachers do not fulfil the conditions either. So another lucrative bribery option is available for the JD and their clerks:

The JDs take a proportion of back-pay—for the teachers are paid this back to the date of conferment. The JDs, if they help out, they take Rs. 1,000/- from the back-pay. And of course everyone has to pay speed money, to progress teachers' files, that's normal!

I came across some suggestions of misuse along these lines. For instance, in Bangalore Rural District, we pointed out to the principal of an aided general degree college that the number of students in the Department of Collegiate Education list was over 100 greater than the number given to us by the college itself, and there was a similar discrepancy with staff numbers. The principal said: 'any management who runs more than two or three institutions manipulates with the other GIA institution, to make the figures add up'.

If there is a shortage of staff in one aided college and an excess in another, the management will manipulate the figures to acquire the grant. This is done

with the connivance of the Joint Director, he said, who then expects some payback. Similarly, at an aided college in Gulbarga, the principal told us:

for sanctioning every bill the government officer charges some ten to twenty per cent from the teachers. If he looks at the records and visits the classrooms, he takes a bribe if he finds out that the number of teachers or students does not fit the record.

Management donations and commissions

Another source of potential abuse of public funds concerns management 'donations' and commissions. As becoming a GIA teacher is a secure and financially rewarding prospect for the teacher concerned, management can insist upon donations from prospective staff who were recruited onto these terms and conditions. It was suggested by a senior official at the Department of Higher Education that such donations may amount to Rs. 300,000/teacher. Moreover, or alternatively, management may take a 'commission' from the teacher's salary. I found several teachers in different colleges who, off the record, said that these amounted to 20 per cent of their total annual salary. The impression was that management used these funds to invest in the college facilities.

Technical Education

Technical education is a sub-unit of the Department of Higher Education, covering engineering colleges and polytechnics. The Director of Technical Education reports directly to the Secretary to Government, Higher Education. Reporting to the Director of Technical Education are six Joint Directors, each of whom has some responsibilities vis-a-vis GIA institutions. There are several distinctive features of the GIA process of financial administration that differentiate it from that for general colleges. First, the administrative unit is the state itself, not districts or regions. Second, GIA is given at 85 per cent of salary, rather than 100 per cent as in the degree colleges, and the college management makes up the rest. (This is apparently because 15 per cent of seats are 'management seats' in the college, open to higher fees.)

Third, of the 36 private-aided polytechnics, only seven are currently receiving GIA. Although the remaining 29 were established before 1987, it was made clear at the time that they would not be admitted to GIA. However, there has been pressure from management and the unions, and in February 2002 it was agreed that they could after all be brought in to GIA. The inspection of these 29 has not yet taken place, and so there has been no formal release of grant as yet, which will be at the same 85 per cent level. Fourth, in the polytechnics (unaided and aided), the joint director (inspections) is responsible for all academic matters, as well as GIA, although the All India Council for Technical Education (AICTE) also has norms and inspections.

For institutions coming under the Department of Technical Education, there is an annual process and a quarterly process. Annually, estimates for the future

year's budget are prepared. The accounts officer takes estimates from all colleges and polytechnics, and checks for any errors in them, before submitting these to the Director of Technical Education. These are then submitted to the State Finance Department, and the estimates included in district finance budgets. Every quarter, each college prepares a salary bill, which is sent to the Department for checking and passing on to the Director of Technical Education, who countersigns them. These bills are then sent back to the college, which passes them on to the district treasury office (DTO), which sanctions the bills and issues a cheque in the name of the principal, to the *principal's* account, i.e. not the joint account as for general colleges. The principal then issues cash or cheque to the teachers, or arranges for a transfer of funds within the bank. The 15 per cent extra from management is added to the amount disbursed by government.

Regarding auditing, annually, a team visits *all* colleges and polytechnics. The Department sends two to three people, including the office superintendent and first division officer, who spend 10–15 days in each college. The director of technical education is also a member of the governing council of each aided engineering college and polytechnic. Either he or his nominee goes to the council meetings, and all relevant matters goes to this council.

Potential for abuse

The system of payment to teachers through the institution's principal's account that is current in technical education is identical to the old 'maintenance grant' (MG) system in collegiate education that was changed because of extensive malpractice. So clearly this system has the potential for abuse. It was pointed out by a senior official that sometimes there is a delay of one to two months in paying teachers, as the management 'may have other priorities'—in other words that funds have been misappropriated from teacher salaries. In each of the polytechnics and engineering colleges we visited in Gulbarga, it was reported that salary payments are *always* late, coming towards the end of the month rather than the beginning.

Regulations and Their Impact

This section explores three issues:

- the regulatory framework and its interpretation;
- the impact of regulations on teacher accountability;
- the impact of regulations on management.

Regulatory Framework and Its Interpretation

GIA colleges are heavily regulated by the Karnataka Government, through GIA Codes, the Karnataka Education Act 1983, (amended by Act No. 8 of 1998), the Karnataka Educational Institutions (Classification, Regulation and Prescription

of Curricula, etc.) Rules 1995 and The Karnataka Educational Institutions (Prohibition of Capitation Fee) Act 1984. It is beyond the scope of this article to summarize these regulations: what is important is to note how their interpretation leads to problems in practice.

First, the published regulations appeared incomplete. Although using *The Karnataka Education Manual* (Puliani, 1999), the latest edition of the leading legal document which is updated to reflect any changes, our interviews with school management and high-level union officials led to the observation that these regulations do not appear to be *complete*. For many regulations that are taken for granted in the field do not appear in this handbook. We found no regulations to the effect that:

- GIA colleges are now funded through 100% salaries paid to teachers via a joint account, rather than through building and other grants that are not now paid to colleges. But both the GIA Codes for Technical Education and Collegiate Education have sections 22–40 devoted to these other grants.
- There is a difference in the way teachers in technical education are paid to those in general collegiate education.
- Colleges opened after June 1987 could not be admitted to GIA, except for those under SC/ST management, which are allowed if opened before 1992.
- Teachers paid through GIA must satisfy a 'workload' requirement (see below) of 16 hours per week for degree level work, and 20 hours per week for pre-university colleges (PUC).

Indeed, we could find no mention in the official regulations of *any* of the processes outlined above concerning financial management at the Regional level, especially the crucially important joint accounts. Second, we also found *inconsistencies* between what we were told was practice, and what we found in the official sources. For instance:

- the GIA Code for Collegiate Education indicates that there are *three* affiliating universities (section 6)—on the ground it was reported *six*;
- the Code for Technical Education says that there are *three* affiliating universities (section 6)—we were told *one*;
- both GIA Codes state that the retirement age of teachers is 55 (both Codes: Section 16(a)(iv))—in the field the age was reported as 58;
- the GIA Code for Collegiate Education says that the teaching grant 'shall not exceed 70 per cent' of college surplus (Section 16)—in practice 100 per cent of salaries were paid, irrespective of any surplus.

Presumably there are other Government Orders (GOs) that have for some reason not found their way into the supposedly comprehensive legal handbooks. But

if these were not found by researchers with access to the latest official documents—and were not offered by senior officials in the departments when asked for *all* the relevant regulations—then they will be very difficult to access by college management. Indeed, stakeholders objected that there was confusion about which regulations apply under which circumstances. One senior professor in a college in Mysore City, reported:

Nobody knows what the actual rules are, whether they have been amended and so whether they are being taken for a ride by officials . . . Rather than hunt for a GO that they may not even know exists, the most common recourse is to avoid the headache and give in to bribery.

Third, we found many teachers, principals and management who were prepared to say, off the record, that their college was not meeting many or any of the regulations. If so many colleges are not in practice meeting regulations, this raises the question of whether some of these regulations are actually required, or whether they can be simplified. Certainly it was reported that the plethora of regulations not being met is a major cause of corruption, with officials bribed to turn a blind eye to misdemeanours.

Impact of Regulations on Teacher Accountability

The way the GIA system is set up, we were informed by government and college managers, leads to a lack of teacher accountability: teachers serve at least two masters, with government paying salaries, and college management seeking to manage them. (There is also theoretically a third master, the affiliating university, that is supposed to control academic matters. However, our field work suggested that colleges do not regard their affiliating university as important in this respect, and it is notable that the GOK points to gaining autonomy from universities as a way of improving college quality [GOK, 2002: 52, 61].) The ability of management to manage in turn is heavily regulated by government. In Case Law for the *Grant in Aid Code for Collegiate Education*, for instance, there are rules around dismissal and suspension of staff, where prior approval of the Director of Collegiate Education is required. Similarly, under the Karnataka Education Act 1983, management cannot suspend a teacher or member of staff for more than six months, and in any case must pay a subsistence allowance of 50 per cent of their pay during this period (Rule 92). When retrenchment of teachers takes place, government can move the teacher to another aided institution (Rules 97 and 98)—leading to institutions being told to take teachers that they don't want to employ. A member of staff who wishes to resign must give one month's notice. However, this must be given to the RJD and the college is only allowed to accept it after the authority has given its approval. While the regulations themselves may appear onerous to management, as significant, it was reported by senior officials in the Department of Higher Education, is the way that these have been interpreted by courts in the

light of conditions of service for public sector workers in general. In practice, one senior official said, the courts' interpretation meant 'It is impossible to dismiss a GIA teacher, once in post'. Two managers of a private aided college in Bangalore confirmed this:

First manager: In India, we have a saying: 'You can hire him, God only can fire him'.

Second manager: I don't think God also.

This mixed accountability means that in practice, ensuring quality through improved performance is difficult, if not impossible, to achieve, by either management or government. In particular, teachers get paid and receive career advancement whether or not they perform well, and whether or not they have full workloads.

A specific problem here concerns workload, which is defined in terms of teaching contact time. A senior official in the Department of Higher Education reported that this is supposed to regulate the number of students, with recommendations that class-size minimum should be 15. However, he said, there is no way of controlling for this, so provided the minimum workload is met, teachers get paid. This leads to the invention of new combinations of subjects, to *create* workload to employ new teachers, or to expand teaching loads where these are running low. For example, he told us of a college in Bangalore that was approved by its university to run courses in History (H), Politics (P), Sociology (S) and Economics (E). It currently has HPE and HPS combinations running. It has, however, created a new combination, HSE, and advertised for a new teacher to run this course, even though it does not have, or will not have, significantly more, students for this option. Workload is thus being created deliberately, he said, to employ new teachers.

The Department is seeking to bring greater teacher accountability, through a total quality management (TQM) package to be used in all aided and government colleges around the state. The aim is to link appraisals to promotion, increments, awards, incentives, etc. However, this will not be mandatory, and our interviews with union officials suggest that they will strongly resist any changes to make career advancement related in any way to performance. We had in depth, separate, discussions with two senior officials of the Federation of University Colleges Teacher Associations of Karnataka (FUCTAK). These officials were very much aware of the problems in their sector. One told us:

College teaching has become the most boring activity for lecturers and students alike. There has been no inservice teacher training, and at least ten generations of students are victims of our outdated teaching.

However, regarding the government's introduction of TQM, the officials were dismissive. One said: 'it is only interested in teaching us marketing skills'.

The union officials did agree that there was a problem with lack of accountability. One noted that: 'Some teachers are very good, but others are simply drawing their salaries and doing nothing'.

The other said:

The majority are doing their work well, but we do need some control over those who are not, and that control is not forthcoming in the present system. So we do need appraisals of teachers.

However, the kind of appraisal they favoured involves 'personal improvement', not tying appraisal to salary or to career advancement. Even with appraisal in position, every five years, however well or badly they do, all teachers should automatically get their career advancement promotion, and appraisal should have nothing to do with that, the union officials said. Given this, the researcher's view is that it will be an uphill struggle to introduce meaningful appraisal into college teachers' conditions of service, linking it to pay and performance, for the unions have been very successful at blocking or modifying proposed reforms in the past. For instance, union action led to: the relaxation for SC/ST management of the prohibition on new GIA colleges; the reversal of a 15 per cent cut in GIA, announced in March 2000; and the lifting of a freeze on teacher recruitment imposed by the government on 1 March 2001.

It is true that some reforms have been successfully implemented, in spite of union opposition: the government successfully prohibited any new GIA courses from 1990/1. However, as noted above, teachers can get around this by creating 'new combinations' of courses, hence increasing workload and/or recruiting new teachers. In part, the difficulty of reforming this system, a senior government official reported, is because of the assistance of the Legislative Council which is 'fiercely pro-teacher union': Karnataka is one of four states in India that has such an Upper House, which has 1/12 of its members elected by graduates, and 1/12 by teachers.

Impact of Regulations on Management

The issue of the way that the regulatory environment creates disincentives for management to invest and to the provision of courses that are unattractive was also raised in interviews. The *Grant in Aid Code for Colleges*, for instance, has regulations against surpluses, so that colleges are not allowed to have a balance of more than Rs. 100,000/-. This undermines investment and prudent financial management. The regulation of fees—with only very low fees permitted by the GIA Codes—also undermines management's ability to invest for the future, even where students clearly can afford extras, given that the majority of students served are not poor. Moreover, the Karnataka Education Act 1983, Section 67, issues the threat of government taking over all property, 'movable and immovable', from the management, if it is not fulfilling its obligations, or even if any private institution *closes*. This leads, college management reported, to corruption from officials threatening this for not meeting the smallest of obligations. Again this leads to disincentives for management to invest. A senior

union official pointed out that, because management could not charge realistic fees and had no access to funds, they were not showing any interest in investing in improved infrastructure. But this makes the GIA colleges less attractive to students and parents, leading to a reduction in student enrolment, and so reduced workload for teachers.

Regarding courses that can be offered by colleges, the issue here is that a government ban on new courses being brought into GIA since 1990/1 is apparently not working. Courses that were sanctioned before then, in traditional arts and science subjects in particular, are not proving popular to students (as evidenced by low enrolment on these) who prefer courses in IT, biotechnology, journalism, etc. Colleges respond to this demand, but are only able to offer such courses as PUA courses, not able to receive government subsidy through GIA. So the situation arises of subsidy only being offered to the relatively unattractive areas, not to popular courses—leading to a ‘ghettoization’ of the poor in unattractive areas that may not lead to highly-paid employment. To overcome this, the GOK is considering the possibility of increasing autonomy for individual colleges or for clusters of colleges, as it is aware that the current system of university affiliation militates against curriculum innovation (GOK, 2002: 52).

Equity Issues: Research Findings and Discussion

This issue of equity is critical to discussion of GIA—and to PPPs in general. Senior officials in government observed that GIA does not serve to promote equity, as there are no incentives to recruit minority or poor students. But the defence of the system offered to us by the teacher unions was precisely the opposite: A senior union official of FUCTAK said: ‘because of GIA, institutions are able to offer high quality, low cost education to the poor’. Another senior official independently concurred:

[GIA has] taken the benefits of education to the remotest areas, where government can't reach, and the private unaided sector has no financial incentive to reach.

However, the evidence suggests that such a defence of GIA may be on shaky grounds, for three reasons. First, macro data collated by the World Bank shows GIA to higher education benefiting the rich more than the poor: 61.0 per cent of students in urban GIA colleges are from the highest income quintile, contrasted with only 2.8 per cent from the lowest income quintile. Indeed, fully 82.4 per cent come from the top two quintiles. This contrasts with 40 per cent of the richest quintile present in urban government colleges. In rural institutions, the situation is even worse, with 84.1 per cent coming from the top quintile, and only 1.3% from the lowest (World Bank, 2002b: 44–5).

The limited data that we found, available only from the Department of Technical Education, also questions the impact of GIA on equity. Table 4 shows

Table 4 Percentage female and SC/ST students in technical education, 2000/1

	Degree (%)			Diploma (%)		
	Female	SC/ST	Fem SC/ST	Female	SC/ST	Fem SC/ST
Govt	23	16	17	32	16	32
Aided	25	11	24	15	6	20
Private	23	5	29	15	6	22

Source: Data collected from Director of Technical Education, Bangalore.

that in engineering colleges, female enrolment is roughly comparable across G, GIA and PUA colleges. It is true, however, that the enrolment of key disadvantaged groups (Scheduled Caste/Scheduled Tribe [SC/ST]), is lower in PUA colleges (5%) than GIA (11%) or G (16%). Of these SC/ST enrolled, however, the percentage of females is considerably higher in the PUA (29%) than either GIA (24%) or G (17%). In the polytechnics, both GIA and PUA enrol similar number of females (15%), SC/ST (6%), and the percentage of females in the SC/ST category (20 and 22%, respectively). We were also told by a senior official that these figures must be interpreted with caution:

grant-in-aid colleges must achieve their quotas, so they have incentives to, shall we say, be less than honest about their data for backward classes (SC/STs), and for female enrolment too. The new private unaided colleges don't have these incentives, so you can trust their figures better.

Regarding pass rates for disadvantaged students, the only data available broken down by management type was for women's polytechnics (Table 5). Here GIA colleges perform less favourably than PUA and G in terms of SC/STs: only 3 per cent of the total appearing for examination were SC/ST in the GIA colleges, compared to 13 per cent in both PUA and G, while SC/ST passes were only 3 per cent of the total passes in the GIA, compared to 7 per cent in the PUA and 8 per cent in the G.

Second, moving to the micro level, we found that, in many colleges, GIA subsidy serves the already advantaged, not the poor. For instance, in one prestigious aided engineering college in Gulbarga, fewer than 20 per cent of

Table 5 Outturn of students in women's polytechnics, 2000/1

	% SC/ST appeared	%SC/ST passed
Govt	13	8
Aided	3	3
Private	13	7
Total	11	7

Source: Data collected from Director of Technical Education, Bangalore.

undergraduate students are from disadvantaged groups, (Table 6), so the majority of students receiving subsidised places are already advantaged. The same story can be told for another prestigious aided college in Bangalore (Table 7). Here only 16.3 per cent of students are from 'backward' classes, the rest likely to be already privileged. Turning to less prestigious colleges, one aided law college in Gulbarga featured a fully-subsidised three-year LLB. However, it also had an unaided five-year LLB. Table 8 shows that on the unaided course there are 22 per cent disadvantaged students, compared to 28 per cent on the aided course, revealing a significant number of advantaged young people taking subsidised seats. Moreover, there are only 17 per cent female students on the aided course, compared to 32 per cent on the unaided course.

Finally, in some of the remotest and poorest parts of the state, it is not GIA institutions that are reaching the population, but PUA colleges—challenging the suggestion that it is only through government subsidy to GIA teachers that the poor can be reached. For example, there is a PUA college in Kolar, established in 1987, the only Women's college in the town with 597 students: 75 per cent of students come from SC/ST and Minority groups.

Table 6 Engineering college, Gulbarga: percentage of disadvantaged students

Course	Total SC/ST/M	Total student body	SC/ST/M
UG	107	538	19.9%

Source: Data collected from college management, Gulbarga.

Table 7 College, Bangalore: percentage of disadvantaged students

	SC	ST	BT	Total	SC/ST/B as % of total
Total	260	26	81	367	16.3%

Source: Data collected from college management, Bangalore.

Table 8 Law college, Gulbarga: percentage of disadvantaged students on aided and unaided courses

Course	Status	Male	Female	Total	% F	SC	ST	Minority (M)	Total SC/ST/M	% SC/ST/M
3-year LLB	Aided	460	94	554	17	85	7	64	156	28
5-year LLB	Unaided	105	49	154	32	13	9	12	34	22

Source: Data collected from college management, Gulbarga.

Conclusion and Recommendations

This article has examined the regulation and management of the GIA higher education sector in Karnataka, India, an example of a well-established PPP. Although established to encourage private enterprise into higher education, in order to expand access, the policy is now being questioned on the grounds of equity and efficiency (GOK, 2002; World Bank, 2002b). Such questioning is reinforced by the current study: although its qualitative method could not quantify the issues, there were indications of a misuse of public subsidy and of a regulatory environment that constrained innovation and accountability. Are there lessons to be learnt from this experience, for reform of GIA, and for PPP policy in general? One important proponent suggests four key issues that need to be addressed for successful PPPs: 'governance', 'accountability', 'ownership' and 'equity' (Wang, 2001: 15–17). These categories provide the framework for analysis as follows:

Regarding 'governance', the evidence given here suggests that the GIA system fails the test of a 'transparent regulatory framework' (Wang, 2001: 16). However, transparency alone does not seem to be enough. Even if the regulations were clearly understood by all stakeholders, we suggest here that it is also the *extent* of current regulations, together with their unforeseen impact, that may be leading to a lack of accountability, corruption and the inability of the system to serve the poor. Now, corruption is 'endemic' in India, (Drèze and Sen, 2002: 53), which is ranked among the top 10 most corrupt nations in the world (Mitra, 1998: 38), and so not something that can be easily wished away by recommendations here. However, if there were fewer regulations, then there may be need for fewer bribes. This suggests that, in addition to transparency, what may be required for PPPs in general is a *liberalized* regulatory regime. In the GIA context, the recommendation is that a comprehensive enquiry is initiated into which regulations are actually necessary to raising standards in, and extending access to, colleges, taking into account: the competitive environment; the problem of corruption around regulations not being met; and the way in which current regulations appear to undermine accountability and investment.

It is hard to see, given the research findings above, how 'accountability', the second element of the framework, can be enhanced at the college level. At the All-India level, the UGC set up the National Assessment and Accreditation Council (NAAC) in 1994, using self-evaluations and peer review in a context of published assessment criteria. Evaluation is *voluntary*, and a recent impact analysis conducted by NAAC, looking at the 200 institutions that have undergone evaluation, did not report any impact on teacher accountability; indeed, it is noted that 'Some institutions had spent much time preparing documents and plans that would impress the peer team' (Stella, 2002: 2), rather than undertaking real improvements.

Doubts that effective change can be implemented arise because of the third element of the framework, 'ownership'. Wang notes that 'it is necessary to

involve all stakeholders in the planning of activities as early . . . and as deeply as possible so that it encourages all to assume ownership of the activities' (Wang, 2001: 15). But it may be *precisely* the 'ownership' of GIA policy by teacher unions—certainly major stakeholders—that is the problem, leading to the lack of 'accountability'. For senior officials in the unions expressed to us their strong opposition to any reform that would link teacher conditions of service and promotion to student performance, and the unions have been successful in blocking or modifying proposed reforms in the past.

What might be missing from the current GIA framework is ownership by the people who should be targeted, the poor, which brings us to the fourth element of the framework, 'equity'. GIA as it currently exists fails to target the poor, and indeed, serves the rich. One reform might be to ensure improved cost recovery from richer students, which would allow for increased investment in facilities, and hence benefit poorer students. The issue is the very low fees that GIA institutions are permitted to charge under the GIA Code. Cost recovery through fees is estimated, using 2002/3 estimates, at about 2.2 per cent of GIA college revenue,¹ which provides little surplus for investment in infrastructure. Such low fees distort the intention of GIA, especially given the evidence to suggest that the subsidized fees are used by the rich more than the poor.

Increasing fees for richer students would improve cost-recovery to government, and allow it to increase investment in facilities. However, increasing fees *by government* is fraught with difficulties: the unions have successfully resisted such imposition in the past. Moreover, there is the problem of verifying income, if differential fees are brought in for richer students, because income statements, a senior government official reported, are open to fraudulent use. Hence a preferable route may be for government to permit cost-recovery from richer students *through the private college itself*, rather than by government. This would formalize the methods currently used by many GIA and PUA colleges, that currently do have (illegal) variable fees and/or 'donations', taking little from those who cannot afford them, and more from those who can. Because the college management is closer to parents than government, it is able to use a variety of informal measures for checking that those who can afford do pay.

This method would have several advantages. First, government itself is not implicated in any fee increases, so there could be no political or union-led protests. Second, it would formalize current ways of expanding educational opportunities, while taxing only the wealthier parents. Third, while it would not be entirely free of the possibility of corruption, it would lessen one possibility for corruption (when officials are bribed to turn a blind eye to existing higher fees and 'donations') and would not fall foul of the possible abuse of income certificates.

Drèze and Sen (2002: 53) criticize what they term 'market mania', that is 'an underexamined faith in the efficiency and other virtues of the market, regardless of context'. PPPs are one form that this 'market mania' can take (Jamil, 2001: 2). The key lesson to be learnt from this study of the GIA sector in

Karnataka is that PPPs may not alleviate problems perceived to be present in the public sector, which proponents of partnerships suggest may be overcome by partnership with the private sector. The study has shown that this particular enduring PPP exhibited problems of corruption and the 'ownership' of vested interests resistant to what may be desirable change, together with difficulties in targeting the poor, who the partnership was supposed to help.

Interestingly, in part as a response to many of the difficulties noted here, a *blurring of the distinction* between GIA and PUA is occurring, spontaneously, without government intervention. This is in terms of:

- Courses offered—GIA colleges are offering new courses that do not qualify for GIA status, and hence require PUA teachers to teach them.
- Teachers employed—GIA colleges are increasingly employing PUA teachers as replacements for vacancies not filled by government; this is happening even in those colleges that do not offer any PUA courses.
- Fees charged—many GIA colleges are charging 'development fees' that make their fees increasingly in line with the PUA colleges.
- Opting out—some colleges are specifically seeking to get rid of the distinction altogether, by either seeking to opt out of GIA status, or by running down their GIA courses to replace these with PUA courses. (We found two such in our opportunistic sample, and there is no reason to believe that they are alone in this regard.)

With the blurring of the distinction, the conclusion is that this particular PPP may be in the process of moving towards the 'private' and away from the 'public', because the previous extent of the partnership between these two sectors did *not* bring the purported benefits argued by proponents of PPPs. PPPs are heralded by some commentators as something of a 'panacea' for developing countries (Jamil, 2001: 2): this article has offered some cautionary lessons.

Note

1. Personal communication from Professor M.R. Narayana, Institute for Social and Economic Change, Nagarabhavi, Bangalore.

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