

ISAS Brief

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Indian Management Education: Regulatory Structure is still Confused

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In recommendations submitted in December 2007, the National Knowledge Commission (NKC) has recommended that the All India Council for Technical Education (AICTE) should be scrapped and replaced by an Independent Regulatory Authority for Higher Education (IRAHE). These aren't recommendations specific to the AICTE or management education, but general and are based on arguments about multiplicity, high entry barriers and lack of independence in regulation. However, if there is an IRAHE, roles of the University Grants Commission (UGC) and AICTE, and some other higher education councils, will change. Reacting to the NKC recommendations, Human Resource Development (HRD) Ministry has set up a 22-member committee chaired by Professor Yashpal to examine the future of both the AICTE and the UGC. Hence, nothing is going to change in a hurry. And lest one forgets, in 2003, there was a U.R. Rao Committee that went into the working of the AICTE. But this report was never made public.

The AICTE was originally set up as an advisory body in 1945. However, till 1987, it was only an advisory body, not a regulatory one. In the 1980s, especially in South India, engineering education was opened up to the private sector and, through a 1987 statute, the AICTE was actually set up to regulate this. The expression used was "technical" education, but since this expression was never precisely defined, it came to mean management education, as well as engineering. This led to an odd situation. First, there are management institutions that are affiliated to universities and grant degrees. These are regulated, directly or indirectly, by the UGC. Historically, these have mostly been public, but now there are private ones also, except that profit-making is prohibited. Second, there are private management schools that offer diplomas (not degrees) and are accredited by the AICTE. In passing, in most business school rankings, if one leaves out the Indian Institutes of Management (IIM), degree-awarding public ones perform atrociously, while diploma-awarding private ones do well. Third, there are IIMs regulated directly by the HRD Ministry. Fourth, there are management schools run by deemed universities. Fifth, there are foreign degrees, sometimes in dual degree form. And sixth, there are programmes run without the AICTE accreditation, based on the perception that the market doesn't necessarily require such certification.

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Typically, the AICTE approvals entitle a post-graduate programme to be called a diploma programme if it has a minimum duration of two years (15 months for executives). Any programme that has duration between one and two years will be called a certificate programme. Beyond what the NKC has said, there are several reasons why people complain about the AICTE. First, the AICTE approvals are based on formulae that are input-dependent and irrelevant, not on outcome variables. For example, indicators like faculty/student ratios, ownership of land, size of campus, built-up area, size of the reception office, capacity of the electricity generator, balance in the bank, mode of faculty recruitment, number of PhD degree-holders in faculty and number of permanent faculty are used. Each of these indicators can be individually questioned, even number of PhD degree-holders, since it is argued that this may not be very relevant in a business school. But the more substantive point is that indicators should be based more on outcome variables, like data on placements. Second, there is the argument that insistence on minimum thresholds for these input variables amounts to licensing, not regulation. This licensing creates entry barriers which aren't realistic. For instance, a new business school can start with only 60 students per branch and this is too low a number to generate economies. Instead, regulation should manifest itself through disclosure norms on faculty, infrastructure, placement and fees. The AICTE already has such mandatory disclosure requirements. But they aren't exhaustive, especially on finances, and they haven't replaced the licensing. Disclosure norms can also operate in tandem with independent ratings. Today, such ratings do exist, usually undertaken by magazines. However, they aren't very credible.

Because of the multiplicity of regulation and because not all business schools are under the regulatory framework, often voluntarily, it is difficult to get a handle on how many business schools there are. The cited figure is around 1,000, with 75,000 annual seats. However, these figures are primarily for those that are under the AICTE framework. The All India Management Association's ranking, which is voluntary and not mandatory, covers around 200 management schools.

Despite clarifications, a few grey areas still remain in regulations. The government has clarified that foreign universities will have to seek recognition from the AICTE and accordingly, the AICTE has issued regulations (2005) for entry. Foreign universities and institutions will not be allowed to appoint franchisees. The foreign institution will have to give a declaration to the effect that the course offered in India is recognised in the parent country and is, therefore, equivalent to the degree or diploma awarded by the institution at home. The nomenclature will have to be the same as in the home country. A no objection certificate will have to be obtained from the Embassy to establish that the foreign institution is genuine. The AICTE will determine norms for admissions, the conduct of the course, modes of delivery, intakes and fees. Foreign institutions that already operate in India will have to seek fresh approvals from the AICTE within six months. The 2005 regulations superseded the earlier 2003 regulations.

On the face of it, judging by the AICTE Act, every business school should be under the AICTE's jurisdiction and should be covered through the AICTE's National Board of Accreditation (NBA). De jure, accreditation should be mandatory. However, de facto, it doesn't work that way because of three reasons. First, universities and deemed universities are under the UGC framework and the UGC has the National Accreditation and Assessment Council (NAAC). The NBA and the NAAC have different approaches, procedures and norms for accreditation. To confuse matters further, the NBA is statutory, while the NAAC is not. Supreme Court judgements have clearly stated that deemed universities, and also universities,

are autonomous and outside the AICTE's purview. And one shouldn't forget that some deemed universities were set up before the AICTE acquired statutory powers in 1987. But there are other High Court (Madras) judgements stating that deemed universities should be under the AICTE. In 2006, the HRD Ministry issued a notification to end confusion and bring about some kind of compromise, "It is not a pre-requisite for an institution notified as a 'Deemed to be University' to obtain the approval of the AICTE, to start any programme in technical or management education leading to an award, including degrees in disciplines covered under the AICTE Act, 1987. However, institutions notified as 'Deemed to be University' are required to ensure the maintenance of the minimum standards prescribed by the AICTE for various courses that come under the jurisdiction of the said Council. It is expected that the institutions notified as 'Deemed to be University' maintain their standards of education higher than the minimum prescribed by the AICTE." Second, there are programmes that don't fit into the AICTE's degree/diploma classification. That's one of the reasons why the Indian School of Business doesn't want to apply for the AICTE recognition. Third, the AICTE hasn't yet decided what it wishes to do about distance learning. Every once in a while, the AICTE publishes lists of institutes that run management programmes without the AICTE approval and this includes those with foreign collaborations.

Because of differences in methodology and subjectivity, it is difficult to list the best business schools. But regardless of criteria, the list of the "best" is likely to include IIM (Ahmedabad), IIM (Bangalore), IIM (Kolkata), IIM (Lucknow), Xavier Labour Relations Institute (Jamshedpur), National Institute of Industrial Engineering (Mumbai), Faculty of Management Studies (Delhi), S. P. Jain Institute (Mumbai), Institute of Rural Management (Anand), Management Development Institute (Gurgaon), Indian Institute of Foreign Trade (Delhi), International Management Institute (Delhi) and the two management schools in the Indian Institute of Technology (IIT) (Delhi) and IIT (Mumbai).

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