

**Venture Capital and Micro-finance Instituted  
Business Plan for a School Edupreneur  
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## **Table of Contents**

1. Acknowledgements .....	3
2. Introduction .....	4
3. Terminologies and concepts .....	5
4. The Current System .....	8
5. Case Study of Schools .....	10
6. Basics of Business Planning .....	13
7. The Actual Business Plan .....	14
8. Recommendations for the Plan .....	53
9. References .....	56

## **INTRODUCTION**

## **The Enterprise of Education as a Venture Prospect**

How are prices determined in an open, unregulated market? The answer is simple and straight forward: the interaction between forces of demand and supply establish prices. Are customers exploited in such a market? The answer would be an obvious 'no'. Then why are we still living in an age where it takes around fifteen certificates, all acquired from varied bureaucrats, to operate a school? Moreover, in the process, one has to comply with their demand for bribes. It's very evident that unlike other sectors, the education sector from time immemorial has been left at the mercy of our bureaucracy.

It is often assumed that private education caters only to the elite or middle classes, and that the presence of 'commercial gain' is inherently in conflict with 'concern for the poor'. *The Delhi Education Act, 1973*, a law implemented three decades back is a classic example of this conflict between the very thought of commercial gains and the concern for the poor. However, there is a growing body of research that suggests this is not the case, but that private schools are serving the poor<sup>1</sup>, it has not only shown the existence of these schools in a range of developing countries but also the fact that the great majority studied are run on a commercial basis, making a viable financial surplus.

In this project, I aspire to see whether it is possible to procure finances for the institutionally disabled edupreneurs from private players like venture capitalists and micro-finance institutions. I assumed myself to be an edupreneur who wants to open a chain of low-cost primary school in quasi-urban areas of Delhi and thus, I established a plan. The section titled '*the actual plan*' aims to set an example before edupreneurs on how a business plan for schools looks like. The section on '*recommendations*' proposes some changes, suggested by VCs/MFIs themselves, in order to improve business planning for schools. This could help the upcoming edupreneurs in their endeavor to set up schools and deliver quality education to the masses.

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<sup>1</sup> Tooley, James and Dixon, Pauline. 2003. *Is there a conflict between commercial gain and concern for the poor?*

## **TERMINOLOGIES AND CONCEPTS**

The initial stage of the internship was characterized as the period of clearing out certain mental blocks of how, why and what for. In the beginning, it was all about getting familiarized with the terms such as micro-finance institutions, venture capitalists and edupreneurs

### *Education Entrepreneurs (Edupreneurs)*

According to Spark group<sup>2</sup>, edupreneurs are ‘a unique breed of innovative, enterprising entrepreneurs committed to delivering education in spite of insurmountable odds and regulations.’ Edupreneurs are educational entrepreneurs who are in big demand to infuse a revolution in the education sector. As a rich human resource nation, India should unleash ample number of edupreneurs to achieve social goals at a faster pace.

By encouraging edupreneurs to take off, the government can zero in on unemployment and illiteracy simultaneously. Of course, the major question is: can education be allowed for profit?

The state’s wisdom and foresight is required here. Whether the government likes it or not, education as a business started long ago in the country. Now the only good work the government has to do is to declare education as a social industry that will facilitate edupreneurs to borrow money from banks or raise the required investment from the market to establish qualitative educational institutions. Apart from that the government should decentralize, deregulate and depoliticize the education system<sup>3</sup>.

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<sup>2</sup> *The Edupreneurs of Hyderabad*. Accessed on 1 June 2007 at <http://thesparkgroup.wordpress.com/2007/02/08/the-edupreneurs-of-hyderabad/>

<sup>3</sup> Prabakaran, A. 2006. Encouraging Edupreneurs. *Business Standard*, 24 January.

### *Micro-finance Institutions*

Microfinance emerged in the 1970s as social innovators began to offer financial services to the working poor — those who were previously considered ‘un-bankable’ because of their lack of collateral. How microfinance works — the most common microfinance product is a micro credit loan — usually less than \$100. These tiny loans are enough for hardworking micro-entrepreneurs to start or expand small businesses such as weaving baskets, raising chickens, or buying wholesale products to sell in a market. Income from these businesses provides better food, housing, health care and education for entire families, and most important, additional income provides hope for a better future.

Microfinance institutions exist in many forms — credit unions, commercial banks and, most often, non-governmental organizations (NGOs). In Indian education sector, MFIs like Ujjivan provide microfinance services to the mothers of children studying in schools.

### *Venture Capital firms*

‘Venture capital firms seek out and partner with high-potential companies, and provide financial and consulting support to help them become profitable. With social venture capitalism, the goal is not just profit, but also social impact<sup>4</sup>. ’

Apart from finance, venture capitalists provide networking, management and marketing support as well. Venture capital is valuable not just because it makes risk capital available at the early stages of a project but also because of the expertise of venture capitalist that leads to superior product development.

In the absence of an organised venture capital industry until almost 1995, individual investors and development financial institutions played the role of venture capitalists in India. Given the proper environment and policy support, there is undoubtedly tremendous potential for venture capital activity in India. The Finance

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<sup>4</sup> Unitus, Innovative Solutions to Global Poverty. Accessed on 5 June 2007 at [http://www.unitus.com/sections/aboutus/aboutus\\_faq\\_main.asps](http://www.unitus.com/sections/aboutus/aboutus_faq_main.asps)

Minister of India, in his 1999 budget speech, announced that "for boosting high-tech sectors and supporting first generation entrepreneurs, there is an acute need for higher investment in venture capital activities. "

Which sectors have been hot favourite for Venture capitalists in India?

- IT and IT-enabled services
- Software Products (Mainly Enterprise-focused)
- Wireless/Telecom/Semiconductor
- Banking
- PSU Disinvestments
- Media/Entertainment
- Bio Technology/Bio Informatics
- Pharmaceuticals
- Electronic Manufacturing
- Retail

Through my project, I aim to see whether there is any possibility that a venture capital firm or even a MFI invest directly in setting up of schools i.e., fund the upcoming edupreneurs in India.

## **THE CURRENT SYSTEM**

Let us look at what education law states and what does it mean to an edupreneur in this section.

### **What Does the Law Say?<sup>5</sup>**

Clause 18 (4)

(a) Income derived by unaided schools by the way of fees shall be utilized only for such educational purposes as may be prescribed; and

(b) Charges and payments realized and all other contributions, endowments and gifts received by the school shall be utilized only for the specific purpose for which they were realized or received.

*Inference:* This implies that schools must utilize the fees collected, only for activities specifically relating to the heads under which they are collected. Presumably this leaves no room for a school to utilize any surplus from fees collected under a specific head for the expenditure under some other head. So in principle there is no scope for schools to increase the tuition or other fees with the aim of generating a surplus to invest in starting new schools. The money collected by a school cannot be transferred to build other branches of the school.

Clause 18 (5)

The managing committee of every recognized private school shall file every year with the Director such duly audited financial and other returns as may be prescribed, and every such return shall be audited by such authority as may be prescribed.

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<sup>5</sup> Satyanarayan, K. 19 May 2004. *Delhi School Education Act in the context of the recent Supreme Court's judgment on Delhi's schools*. Accessed on 8 June 2007.

*Inference:* If schools haven't been filing duly audited financial accounts each year, they have indeed been violating the Act. This clause aims to check the so-called 'commercialization of schools' in Delhi.

According to educationist K. Satyanarayan<sup>6</sup>

In the Indian laws, education is a non-profit enterprise. Only trusts/societies under the Societies Act, 1860, can build and run schools. But how schools escape the law and make profits is a different story all together.

Here's a way of getting around the non-profit constraint:

- Company sets up a trust and donates some money to the trust
- The trust establishes a school, runs it and earns money by charging fees and tapping other possible sources of income
- In this set up, the trust is not meant to earn profits
- It asks the company to take over the operational responsibility of running the school and pays the company a fixed fee for the same
- The fixed fee paid to the company has a built in cost along with a margin for the company, so that the company makes a profit

Of course this assumes that the Trust can raise enough money from fees and other income streams to pay the company. Here lies the challenge.

Further, he talks about GEMS (Global Educational Management Systems); a management company that runs schools and help them make a surplus (legally).

GEMS professionals would help clients (schools) manage their finances in such a way that they could provide the best service within the existing fee structure, and still become financially viable within the first four years of inception. This includes consultancy charges of around 7 percent of the total fee revenue.

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<sup>6</sup> In response to my email received on 30 May 2007.



That's how I came to know that how easy it is for schools to get through the whole system.

## **My conclusion**

While preparing the business plan, I shall assume to lie outside the purview of education laws. The schools set up according to the plan must show profits in their future projections in order to attract investments from private players<sup>7</sup>.

## **CASE STUDY OF SCHOOLS**

My next step was to study the existing model of schools in Delhi. In light of this, I conducted case studies for the following reasons:

1. To understand how schools realize their annual income and expenditure by various means
2. How much does it take to set up a school?
3. What are the annual costs incurred by a school in educating a student?
4. What factors do school proprietors take into account while selecting an area to set up a school?
5. Whether any market research is done before setting up of a school? If yes, how does one carry out a market study?
6. What are average annual maintenance charges borne by a school?

## **The Questionnaire<sup>8</sup>**

Taking help from Sahil Manekia's<sup>9</sup> research paper and inputs from Parth J. Shah, I constructed the final draft of the questionnaire. There are two parts to my

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<sup>7</sup> A more detailed reasoning can be read from the *Executive Summary* of the actual plan.

<sup>8</sup> The questionnaires can be read from the Appendix of the research paper.

<sup>9</sup> Sahil, Manekia. 2007. *Entrepreneurship in Education: The Business of Unrecognized Schools*. Centre for Civil Society.

questionnaire. The first part asks questions related to the set up of the school, the various items required to establish a school and the facilities provided by them that give an edge to their school over the competing ones (schools nearby). The second part targets to identify the various sources of income and expenditure as well as the fees' contribution to the total expenditure.

### **My Observations:**

During the survey, I succeeded in convincing the administration of three schools to give information regarding my project. Their only condition was that I should maintain the highest standards of anonymity.

#### *1. School A, East Patel Nagar*

- It is an unrecognized and unaided school that provides education from pre-nursery to class II. Being a 'plays way'<sup>10</sup> school, the school administration is outside the purview of laws
- The land alone cost Rs 4 crore to the school when it was established in 2004
- In my conversation with the accountant, Sunil, I discovered that a small play way school like theirs secures 20% of its total annual income as profits. This surplus amounts to Rs 5 lac annually
- The fact that the school makes huge profits even though there are three other schools in the vicinity (less than a kilometre) shows a high demand for quality education in Delhi
- The school rejects 74% of the applications it receives on an annual basis. This shows that parents are ready to buy education for their children even when the average monthly fee charged by the school authority is as high as Rs 3,200

#### *2. Ramditti Deepalaya School, Sheikh Sarai, Phase 1*

- It is an unrecognized and unaided school that provides education from lower kindergarten to class IX

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<sup>10</sup> A frequent term used by the accountant of the school, School A.

- Spread only over an area of 200 yards, the school runs thirteen classes in twelve classrooms. This has been made possible by running the school in two shifts
- In spite of its existence in an impoverished area of Delhi, it faces a high demand for education from its customers (parents). It rejects around 54% of the applications it receives on an annual basis
- Run on a voluntary basis, the school makes huge losses annually. The fees collected contribute to only 1. 2% of the total expenditure. Losses incurred are funded by the NGO Deepalaya

### 3. *School B, Bikaji Cama Place*

- It is a recognized and unaided school that provides education from class I to class XII
- It is a thriving middle-tier school that rejects 20% of the applications it receives on an annual basis
- Even with various manipulations in the balance sheet, the school accounts show a surplus of around Rs 4 lac. Manipulations like, showing the cost of a fan as high as Rs 3,640 when its market price varies from Rs 1,200 to Rs 1,500 is worth mentioning

### **What I learnt from the case studies?**

1. The fees charged by a school are in accordance with the average income of the families residing in the community
2. Besides following the regular CBSE/ ISCE course, the additional facilities provided by a school, give it an edge over its competitors
3. Advertisements in newspapers and word of mouth are the two major sources of publicity for a school
4. To calculate the minimum size of a classroom, one can multiply the number of students one wishes to teach in the room with the minimum cubic volume of space an average child in that age group requires
5. Observing the percentage of applications rejected by the schools covered under my case study, I infer that there is a huge demand for education in Delhi

6. Student-teacher ratio in all the schools under my study was found to be 25:1.
7. I realized what is the basic infrastructure required to set up a school. Also, I got to know more about the various sources of income and expenditure of a school
8. An accountant in one of the schools that I went to informed me that banks do lend loans to set up schools at a rate of 10% per annum. This figure needs to be confirmed
9. In the other school, I was informed that the school makes a profit of around 20% of its total annual income. The accountant told me that the school was allowed to spend exactly 80% of its income on student education, infrastructure and other expenses
10. In one of these interviews, I was made aware of the fact that schools also make profits by providing transport facilities to its students
11. Finally, I learnt that it is possible to run a school on a self-sustaining basis i.e. it is plausible for a school to generate as much income by means of student fees as required to cover the annual recurring costs to run the school

## **BASICS OF BUSINESS PLANNING**

The business plan consists of a narrative and several financial worksheets. The narrative template is the body of the business plan. The real value of creating a business plan is not in having the finished product in hand; rather, the value lies in the process of researching and thinking about the proposed business in a systematic way. The act of planning helps one to think things through thoroughly, study and research if one is not sure of the facts, and look at your ideas critically. It takes time now, but avoids costly, perhaps disastrous, mistakes later.

This business plan is a generic model suitable for all types of projects for schools. However, one could modify it to suit respective circumstances.

In the business plan given below, I have assumed myself to be an edupreneur. I divided my project into three parts.

## Project

Construct a business plan for schools

Dispatch copies of the plan to various VCs/MFIs

Document their response

# **Business Plan by 'Edupreneurs' for Venture Capitalists and Micro-finance Institutions**

## **OWNERS**

Business Name: Excel Foundation Schools

Address Line 1:

Address Line 2:

City, ST ZIP Code: New Delhi

Telephone:

Fax:

E-Mail: [chawlamallika@gmail.com](mailto:chawlamallika@gmail.com)

## **I. Table of Contents**

I.	Table of Contents.....	4
II.	Executive Summary.....	4
III.	General Company Description.....	4
IV.	Products and Services.....	4
V.	Marketing Plan.....	4
VI.	Operational Plan.....	4
VII.	Assumptions to the Plan .....	19
VIII.	Management and Organisation .....	22
IX.	Personal Financial Statement.....	4
X.	Startup Expenses and Capitalization.....	4
XI.	Financial Plan.....	4
XII.	Appendix .....	33



## **II. Executive Summary**

The enterprise is proud to present a unique business plan; a plan that few must have read or heard of. This is a business plan for a chain of low-cost primary schools that will revolutionize the commerce bazaar.

The name of the enterprise has been decided as the Excel Foundation. The company has worked on the plan with a basic aim to provide quality education at an affordable/reasonable price. It is meant to be lucrative enough in order to attract venture capitalists/ micro-finance institutions. Through this exercise the venture aspires to learn/know more about education as an economic activity and also to gather/document responses of various firms; who'll each receive a copy of this document.

The plan gives an idea about the current situation and how we as *edupreneurs* need to come up with innovative ways to provide the valuable service of teaching to children of our country who remain exploited under the current system where private schools make excessive profits via charging high fees (even though the education law does not permit schools to make profits). Besides the children, the other sect of people who are demoralized are the edupreneurs (educational entrepreneurs) who want to provide quality education at an affordable price to the masses but are harassed under the current system where one needs to obtain a series of fifteen documents from varied bureaucrats (in the process they have to comply with their demands for bribes). We could transform the existing system by stepping outside these regulations and letting competition govern the education market.

### **Why is it necessary to have for-profit schools?**

In this section, I shall take extracts from the paper '*Should the private sector profit from education*' by James Tooley to explain the necessity of for-profit schools in India. If the invisible hands are sanctioned to do their job as freely in the education sector as in any other business, one could achieve the following:

- The profit incentive will drive edupreneurs to open more schools and in the process a bigger section of society will be served
- Running a successful chain of schools involves the edupreneur's growing concern to ensure that his competitors are not getting ahead of him. This will drive him to invest in research and development in order to guarantee his customers *quality education*. Technological advancements would help in detecting innovative ideas of teaching and in turn costs will go down and the benefits will be passed on to the customers, here parents
- The profit incentive will compel the edupreneur to create a brand name so that he attracts more customers and in the process money will be spent for promotional advertisements and also, the expenditure on quality control measures will automatically be taken more seriously
- The profit motive can also ensure that teachers are properly rewarded and teaching excellence widely disseminated
- The profit motive can help provide the desperately needed capital for investment in the schools — because investors will be attracted by the returns that might be available. In an age of fiscal restraint, this investment is not likely to be forthcoming from government, and even if it was, there would be no guarantee that it would be used wisely and effectively. Under the present system, there is little encouragement to deliver educational services more cheaply or efficiently. However, with the incentive of profit, educational companies are always anxious to ensure that technological innovation is utilized which can both keep costs as low as possible and keep standards high — else learners will be lost to other competitors. It is this combination of cost-effectiveness and the possibility of investment which can lead to higher standards for all
- Perhaps the key point to emphasize here is that none of the above virtues of for-profit schools depends upon anyone being well-meaning or well-intentioned. They do not depend upon philanthropy or public spirited individuals. All they require is hard-headed, calculating business decisions. But these decisions lead to the raising of standards and improvement of opportunities. Bringing profit into education is a manifesto for the schools

which can transform them without the necessity of anyone being angels. It is a manifesto for schools based on a realistic perception of humanity, not on heady but unrealistic aspirations

The plan gives an estimate of various costs and revenues that can be incurred while running the company that have plans to establish the above mentioned budget schools. The company institutes four schools in its first round of expansion and as estimated, at the end of five years, the schools each accumulate a decent surplus that could be used to establish another set of four schools (Here note, some added financial help would be required for the second round of expansion from the same donor firm that helps in setting up of the business in the first place itself). So, in short the schools run successfully and make a decent profit that could be used to set up more schools in order to serve a larger customer base.

### III. General Company Description

**Mission Statement:** To run a successful chain of low-cost, for-profit schools with an aim to provide quality education at an affordable price in semi-urban areas of Delhi.

**Company Goals and Objectives:** The proposed company aspires to run a chain of low-cost, for-profit schools at the end of five years. It will provide 'quality education' to the children in semi-urban areas of Delhi. Economies of scale will benefit us in successfully running the chain of schools and this benefit will be passed on to the customers (here, Parents) in the form of reasonable cum affordable fee structure. The objectives will be sustainability of schools (in terms of returns to investors as well as to collect a decent amount for expansion of the company), the annual student-result targets and some specific measures of parent satisfaction.

**Business Philosophy:** It takes a strong vision to make every school a great school. Great schools inspire a strong academic and moral purpose, a passion for learning, a deep sense of community and belonging, a genuine commitment to equity and an enduring dedication to the achievement of all the students. The schools will cater the children of families that belong to the lower middle class to upper middle class. Basically, the middle-tier families can easily afford to send their children to the schools (a more detailed study has been done in the section with the *Market plan*).

**Description of the industry:** A meticulous study of selected schools in the capital showed a high demand for school education as indicated by a willingness to pay. If there is dearth for schools in the Capital itself, one can easily imagine the potential in this untapped enterprise all over the country. In addition to this, the schools, apart from following the regular CBSE/ISCE guidelines, will be open to new innovative form of student learning in the classrooms. Therefore, in the long term, there lies a great prospective for entrepreneurship in education. The unique selling proposition of the company will be to establish low-cost, for-profit primary schools with an emphasis on imparting 'quality and wholesome education'.

**Legal form of ownership:** Sole proprietor. Reasons for starting a business as a sole proprietor are as follows:

- A want to own the business
- A want financial independence and creative freedom
- A want to fully use skills and knowledge in then business

#### **IV. Products and Services**

The proposed company aims to establish low-cost, for-profit primary schools in various semi-urban areas. The unique selling proposition of the schools will be to provide wholesome education (at an affordable price) to the future of our country. The schools with a reasonable margin of profits will successfully impart quality education to its students. The factors that give an edge to the Excel Foundation schools are as follows:

- Low teacher-student ratio of around 1:35
- Greater thrust on Mathematics and English
- Developing and enhancing computer skills
- Imparting practical knowledge about life in general (for instance, knowledge about traffic lights, SOS )
- Extra curricular activities
- Special hours after the school where weaker students will be given extra time to cope up with the regular class-room study
- Teacher-training programmes (some working days will be spared for this purpose)
- Transparent and accountable functioning of the management (as it stands answerable to the clients, the parents)

The aim is to make the children feel happy, secure and valued, and to develop within each individual child a quiet inner strength which will enable that child to face up to challenges with tenacity and determination. Central to the educational success is a very low adult to pupil ratio of 1:35, and a committed and well-qualified team of teachers who are passionate about teaching children. Each pupil receives

individual guidance and as a consequence the children are confident and polite, and achieve outstanding academic results.

The fees charged for all the services provided and more is a reasonable amount varying from Rs 650 to Rs 725.

## **V. Marketing Plan**

### **Market research - Why?**

No matter how good the product and service be, the venture cannot succeed without effective marketing. And this begins with careful, systematic research. It is very misleading to assume that the concern already knows about the intended market. The company needs to do market research to make sure it is on track.

### **Market research - How?**

Before starting any enterprise, one needs to know the size of the market, the target audience and the rate of growth of this audience as it will determine the future prospects of the company. One can carry out primary research in the areas where the schools need to be established. This exercise will facilitate in assessing the extent of competition for attracting students in the area and the strategies that should to be employed for the purpose.

### **Economics**

Facts about the Delhi education sector:

- According to the Directorate of Education, there are 5089 recognised schools in Delhi. Accessed their website <http://edudel.nic.in/> on July 15, 2007
- Since, the company aims to establish primary schools; let's move a step forward to gauge the number of students who are enrolled in various primary recognised schools across Delhi. According to the seventh survey conducted by the NCERT (reference time: September 30, 2002) there are around 14, 25, 508 students enrolled in about 2,111 primary schools in Delhi. Accesses their website <http://www.7thsurvey.ncert.nic.in/1568910/secondpage.asp> on July 15, 2007
- The same survey also revealed that there were around 51 villages in Delhi without any primary school. These villages include areas such as Chattar Pur and Fateh Pur Beri



- In conformity with the article titled '*High court directive on unauthorised schools*' published in The Hindu on February 10, 2007; Municipal Corporation of Delhi has identified around 2,000 unrecognised schools in Delhi. On the other hand, according to Social Jurist, a voluntary organisation in Delhi, the same figure runs up to 10,000
- Also, there is no definite figure on the total number of students enrolled in unrecognised primary schools of Delhi. Therefore, the exact size of the market of unrecognised schools in Delhi cannot be determined
- Growth potential and future prospects can be shown from the population projections. In accordance to the report of the technical group on population projections constituted by the National Commission on population, May, 2006, the following facts are worth mentioning:
  - Delhi will have the highest projected population growth of 102% during 2001-2026
  - Percentage of urban and semi-urban population during 2001-2026 in Delhi is expected to be 98.8% where as in 2001-05 it was 93.2%

<b>POPULATION PROJECTIONS FOR DELHI</b>				
YEAR	TOTAL POPLN. ( in 1000's)	NO. OF PERSONS AGED 0-14(in 1000's)	PERCENTAGE OF POPL. AGED 0-14	RATE OF POPLN. GROWTH
2001	13851	4500	32. 5	2. 9
2006	16021	4450	27. 8	2. 8
2011	18451	4514	24. 5	2. 9
2016	21285	4848	22. 8	2. 8
2021	24485	5548	22. 7	2. 7
2026	27982	6248	22. 3	2. 8

Therefore, from all the facts and figures given above, one can conclude that the market for Excel Foundation schools exists and is expanding. This statement can be further verified by the information collected under the case study.

<b>TYPE OF SCHOOL</b>	<b>AREA</b>	<b>PERCENTAGE OF APPLICATION REJECTED</b>
Unrecognised elementary	Sheikh Sarai, Okhla Phase I	54%
Unrecognised primary	Patel Nagar	75%
Recognised Senior Secondary	Safdarjung Enclave	10%

- Two major barriers-to-entry one faces in entering this market are:
  - o Consumer acceptance and brand recognition
  - o Education laws
- One understands that word of mouth plays an important role in publicity of schools. Thus, in order to establish a brand name the Excel Foundation would always thrust upon the objectives of measurable student outcomes and parent satisfaction

Regarding the education acts and the complications that creep in because of compliance, I have assumed that the sole proprietor of the proposed venture shall stay outside the purview of law and run a chain of unrecognised, budget schools that serve the lower to middle tier families.

- The profit motive can help provide the desperately needed capital for investment in the schools — because investors will be attracted by the returns that might be available. In an age of fiscal restraint, this investment is not likely to be forthcoming from the government, and even if it was, there would be no guarantee that it would be used wisely and effectively. Under the present system, there is little encouragement to deliver educational services more cheaply or efficiently. However, with the incentive of profit, educational companies like others are always anxious to ensure that technological innovation is utilized which can both keep costs as low as possible and keep standards high — else learners will be lost to other competitors

It is this combination of cost-effectiveness and the possibility of investment which can lead to higher standards for all. Therefore, a promising solution could be the deregulation of the education sector; letting the invisible hands do their job and the market will itself decide the price for quality education given the prevalent demand and supply.

### **Product**

The Excel Foundation schools as the name suggest aim to provide ‘quality education’ to its customers, the students. The intension is to work for the growth and development of the students as well as to empower them with the knowledge that will facilitate them to excel in any field they choose to be in the future. Keeping parent satisfaction as one of the objectives the company intends to ensure that their schools aspire to build a strong cultural and academic foundation in each student.

### **Features and Benefits**

The unique selling proposition of the Excel Foundation schools will be to provide wholesome education (at an affordable price) to its customers, the students. The schools with a reasonable margin of profits (for repayment of loans and expansion

of the company) will successfully impart quality education to its students. The factors that give an edge to the concern's schools are as follows:

- Low teacher-student ratio of around 1:35
- Greater thrust on Mathematics and English
- Developing and enhancing computer skills
- Imparting practical knowledge about life in general (for instance, knowledge about traffic lights, SOS )
- Extra curricular activities
- Special hours after the school where weaker students will be given extra time to cope up with the regular class-room study
- Teacher-training programmes (some working days will be spared for this purpose)
- Transparent and accountable functioning of the management (as it stands answerable to the clients, the parents)

The aim is to make the children feel happy, secure and valued, and to develop within each individual child a quiet inner strength which will enable that child to face up to challenges with tenacity and determination. Central to the educational success is a very low adult to pupil ratio of 1:35, and a committed and well-qualified team of teachers who are passionate about teaching children. Each pupil receives individual guidance and as a consequence the children are confident and polite, and achieve outstanding academic results.

### **Customers**

The true customers at the planned unrecognised, low-cost, for-profit schools are the parents. It's the parents who decide which school their child will study in. In the case study conducted, I covered a variety of schools that catered to a range of

families. However, my model is basically inspired from the study of Deepalaya School, Okhla Phase I. The Excel Foundation Schools will essentially target the families with an average monthly income of Rs 4000 and more, with only one child in the family. The basic facilities a school must provide (as observed in the case study of schools conducted) in order to attract parents from such families are as follows:

- Student friendly environment
- English classes
- Thrust on Mathematics
- Computer coaching
- Proximity i.e. the schools must be located at some central region in the selected semi-urban area where parents can feel secure to send their children, especially, the girl child
- Passionate and dedicated teachers

Demographic profile:

- Age of children: six to eleven
- Gender: Both males and females i.e. co-ed schools
- Location: Semi-urban areas of Delhi
- Income level of the parents: Rs 4000 plus per month for a family with one child

(As informed by the principals of the schools under the cases study and also checked out online what average incomes families in semi-urban areas of Delhi earn)

- Social class and occupation: Lower to upper middle income groups

## **Competition**

The schools will face competition not only from the recognised (aided and unaided) and the municipal schools but also from other unrecognised schools in the same area. According to the principal of one of the schools covered under the study, parents prefer private schools over municipal/govt. schools for various reasons. Let's analyze each major competitor in detail.

The municipal schools fair better when it comes to open spaces for outdoor games, very low fees structure (some students even study for free), mid-day meal scheme, and bigger classrooms but these schools lack the very basic purpose of their establishment.

The teachers barely turn up for their classes. Moreover, the student-teacher ratio is as high as 90 in some schools. The quality of education imparted is not even worth mentioning. So, parents rather send their children to private schools; even when it means more expenditure.

Aided schools like private schools do provide quality education and even at low costs but they are few in number. According to the Directorate of education, there are around 275 aided schools (both govt. and MCD included) in Delhi. Since, they are less in number, admissions in them get quite competitive and hence, they can't cater to a bigger audience.

The remaining competition will come from other unrecognised schools. The Excel Foundation schools will make an edge over the other unrecognised schools in the market and cater to a larger section of the society because the sole proprietor can have plans to ensure quality education to his customers. The head-quarter of the company will consist of a quality control department that'll work to explore for a range of innovative and student friendly teaching methodologies. The company has plans to scale-up and open four branches in the first round itself. This scalability will facilitate in establishing a brand name.

## **Niche**

The schools will provide quality education at an affordable price to the ever-expanding middle class of the society. The schools will not compromise on quality and simultaneously, parents won't be extorted i.e. forced to pay a higher price for their child's education.

## **Strategy**

### **Promotion**

Opening four schools simultaneously will facilitate in mass publicity of the company's services. With the set up of the company head quarters (within the first month itself), money will be spent for newspaper advertisements, calling candidates for vacancies. The same process will be followed in the case of schools i.e. schools will also spend an assigned initial amount on newspaper advertisements as a part of their pre start-up expenses. Also, money will be spent to buy outside notice boards for each and every school in order to put up admission notices.

After these preliminary expenses, Rs 50 will be kept aside on a monthly basis for the first five years of the establishment by every school for marketing via pamphlets.

Once, parents realise the benefits for sending their children to the Excel Foundation schools, there shall be no further marketing expenditure.

Subsequently, word of mouth will play an important role to uphold the schools' name and attract parents after the first five years of advertising.

The company wants parents to see its schools as a 'home away from home' for their children and to project the same image; the company logo selected is depicted below.



It portrays students as little butterflies with bright wings. Such butterflies are not meant to be caged; what they need is just a little care and the foundation's support for their growth and development.

### **Promotional Budget**

The pre start-up expenses on three newspaper advertisements and pamphlets will sum up to Rs 11,300 to the company and Rs 12,656 for respective school managements.

One notice board costs around Rs 906. There will be one outside notice board at the HQ and one at each Excel Foundation school.

### **Pricing**

For students of classes 1 to 2: Rs 650 per month

For students of classes 3 to 5: Rs 725 per month

After a detailed analysis the above pricing was determined. Following the mentioned fee structure, each school makes a small profit of Rs 6,905 per annum. This money will be accumulated in the expansion fund under the company's control and later it'll be used for further expansion i.e. for additional setting up of Excel Foundation Schools.

### **Proposed Location**

The precise location has not been picked out yet. Since, the projected fee structure intends to attract students from lower to upper middle income families; semi-urban



areas in Delhi are suitable for the establishment of the schools. According to RBI (reserve Bank of India) a semi-urban area is the one with a population of 10,000 to 1, 00, 000 and with an average monthly family income of Rs 4,000 onwards. To simplify the calculations, it has been assumed that the prices of varied items in the four selected areas/sites are more or less the same.

The location is important to the parents as proximity to school will save the money on their child's transportation. Moreover, parents will feel secure in sending their girl children to the school.

### **Sales Forecast**

To show sustainability and profitability of the project in a short period of time, it has been assumed that there will be 50% occupancy in the first year and full occupancy in the second year. These assumptions might sound over-ambitious but can easily be achieved with the following:

- Positive advertising
- Parent satisfaction with their child performance in the schools
- Frustration against public schooling system
- Schools' innovative teaching methodology

## **VI. Operational Plan**

The Excel Foundation plans to run four schools at various semi-urban to economically less advanced urban areas of Delhi like Kalkaji Extension, Okhla Phase I, Sanjay Colony, Chattar Pur and Shah Pur. In fact, the seventh educational survey conducted by NCERT shows that areas like Shah Pur and Chattar Pur have no primary school at all (be it recognised or unrecognised). All the schools will be primary with classes from 1 to 5 and educating 350 students each. The company HQ will be established in November, 2007 and the setting up of all four schools will simultaneously start in December, 2007. The academic session in these will commence from January, 2008.

### **Location**

The exact location still needs to be identified. But the basic features for all the sites for Excel Foundation schools are as follows:

### **Physical requirements:**

#### **For the company Head Quarter:**

- Amount of space: 80-100 sq. m
- Type of building: the company needs one floor of the building; so, the type is not of major concern
- Zoning: In proximity to the first school

#### **For the schools:**

- Amount of space: Plot size of 220 sq. m
- Type of building: Three storied building with a proper ventilated basement for various student activities.
- Zoning: Semi urban areas of Delhi regions like the ones mentioned above

**Cost:**

According to the accountant of one of the schools I went, the initial renovation will include a simple whitewash and cleaning of the place that'll cost the company around Rs 7,000 per school and for the HQ office; the same would cost us around Rs 2,000.

Also, I asked Sanjeev Verma, a builder, for the average monthly rents for the proposed school and HQ, if both have to be opened in an area like Kalkaji/ Okhla Phase I. According to him, the monthly rent for a four-floured building for the schools will costs around Rs 72,000 per month and for the one-floured HQ will cost us around Rs 10,000 per month.

**Legal Environment**

The Excel Foundation schools will apply for recognition and at any given point of time the school status will be: Applied for recognition, reply awaited.

**Personnel****For the Head Quarter:**

- Number of employees: Six
- Type of labour (skilled, unskilled, and professional) and the pay structure:
  - i. Sole proprietor: Rs 12,000 per month
  - ii. Head accountant: Rs 8,000 per month
  - iii. Clerk: Rs 5,000 per month
  - iv. Two researchers/ teacher counsellors: Rs 9,000 per month
  - v. Peon/sweeper/guard: Rs 3,000 per month
- Where and how will you find the right employees? : Newspaper advertisements

**For the schools:**

- Number of employees: Once the school is running in full swing then it would have around 17 full-time employees
- Type of labour (skilled, unskilled, and professional) and the pay structure:
  - i. Principal: Rs 10,000 per month
  - ii. Accountant: Rs 7,000
  - iii. Clerk: Rs 5,000
  - iv. Ten teachers: varies from Rs 3,500 to Rs 5,000 per month
  - v. Peons/sweepers/guards: Rs 3,000 each per month
  - vi. Maids/sweepers: Rs 2,000 each per month
- Training methods and requirements: The basic thing the edupreneur will look at before hiring any employee at any Excel Foundation school is passion and zeal for teaching as well as dedication towards one's job. In an academic year, there'll be five days kept aside for teacher training and counselling in all four schools.
- Working hours:

For any employee at school: 7 am to 2 pm

For any employee at HQ: 8 am to 3 pm
- Also, contracts will be signed by every employee before joining (for both employees in administration and staff members). The contracts will have all the details regarding working hours and no. of leaves.

## **Suppliers**

In accordance to the information shared by the school principals and accountants; the basic infrastructure for the Excel Foundation Schools would be mainly bought from Panchkuyian Road, New Delhi. The computers will all be bought in bulk from Nehru Place, New Delhi.

In this case, the price quotations of the various items have been taken from the questionnaires (prepared for the case study of schools in Delhi). Deepalaya School, Okhla Phase I, had recently bought almirahs, blackboards, dusters and a host of furniture; so, their price quotations were used for the calculations. Otherwise, one needs to identify key suppliers:

- Names and addresses
- Type and amount of inventory furnished
- Credit and delivery policies
- History and reliability

## **Credit Policies**

- For this project an edupreneur will apply for credit from Venture capitalists and in return, he must assure them a return of around 30% per annum by the end of the second year itself
- Public banks will definitely not extend loans as all the Excel Foundation schools will be unrecognised
- The salaries for the employees have been based upon the information gathered from the case studies of selected schools as mentioned earlier
- Besides the regular pay, employees will also receive Rs 1500 as dearness allowance divided over a period of 12 months i.e. they'll obtain Rs 125 every month additionally

- Student defaulters were not included in the plan

### **Managing Your Accounts Receivable**

One would need a policy for dealing with slow-paying students:

- When do you make a phone call?
- When do you send a letter?
- When do you get your accountant to warn?

### **Managing Your Accounts Payable**

At the end of every month in an academic year, monthly instalment will be paid to the donor venture capitalist. These instalments will be made from the third year onwards. The money for these instalments will be obtained through the fees charged. Using the time value calculators; monthly instalment for every school amounts to Rs 30,399. Schools will separately be responsible for their dues and there shall be no transfer of obligations.

## **VII. Assumptions to the Plan**

### **For the company:**

- i. The basic aim is to establish low-cost, for-profit unrecognised primary schools in Delhi.
- ii. The company will simultaneously establish four schools in varied quasi-urban areas of Delhi.
- iii. The basic assumption is that the financial plan constructed for one school can be replicated at the other selected locations. In other words, the price quotations used for one school are equally applicable for other schools.

### **For the school:**

- i. As it is going to be an unrecognised primary school, no public bank will extend loan for its establishment. Funds will be procured from private players such as MFIs or VCs.
- ii. The sole proprietor shall not invest a single penny from his/her pocket. All the expenses will be met from the loan extended by the lenders
- iii. The school will be a primary one with classes from 1 to 5. This has been assumed to simplify the edupreneur's job and reduce complications. Two sections per standard, makes it 10 classes of 35 students each.
- iv. From the case studies, it was found that a student on an average requires around 1 square metre of space. Every school established under the plan is for 350 students. Therefore, the carpet area for the school building should be around 200-220 square metres. (There'll be four floors in the school i.e. a basement, ground floor, first and second floors)
- v. To ensure sustainability and profitability of the plan in a short span of time, it has been assumed that in the newly established school, 50% of the seats will be occupied in the beginning of the first year and there shall be full occupancy in the second year. This might sound over-ambitious but it could be realistic given the facts:
  - The population growth rate in the Delhi is

**POPULATION PROJECTIONS FOR  
DELHI**

YEA R	TOTAL POPLN. ( in 1000's)	NO. OF PERSONS AGED 0-14 (in1000's)	PERCENTAGE OF POPL. AGED 0-14	RATE OF POPLN. GROWTH
200 1	13851	4500	32. 5	2. 9
200 6	16021	4450	27. 8	2. 8
201 1	18451	4514	24. 5	2. 9
201 6	21285	4848	22. 8	2. 8
202 1	24485	5548	22. 7	2. 7
202 6	27982	6248	22. 3	2. 8

- Positive advertising
- Parent satisfaction with their child performance in the schools
- Frustration against public schooling system
- Schools' innovative teaching methodology

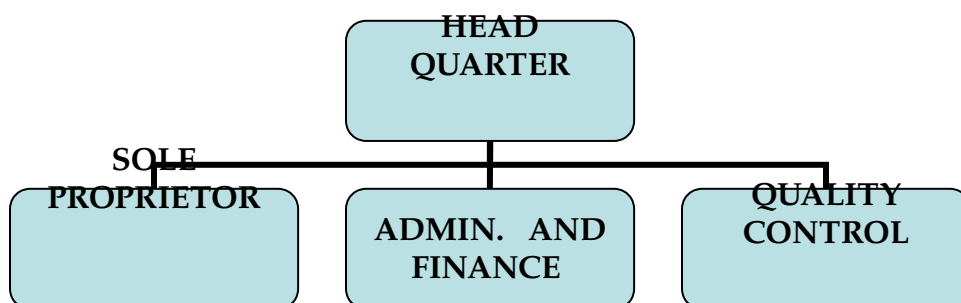


- vi. It takes time to build a brand name. Word of mouth plays an important role in advertising after the first five years of publicity in the market. Once, the parents realise the benefits for sending their children to the Excel Foundation schools, there shall be no further marketing expenditure.
- vii. The school makes a lose of Rs 5, 43,450 in the first year itself
- viii. There shall be no student defaulters every year i.e. all students out of 350 pay fees on time.
- ix. Rental rates are taken on an average for the region from one of the builders of Delhi. Assuming that this rent is constant through out the semi-urban areas of Delhi.
- x. The school basically caters to the families with an average monthly income of around Rs 4,000 plus with only one child in the family (As informed by the principal of one of the schools covered under the study)
- xi. The funds procured from the Venture Capitalists will come at a high interest rate of 30% per annum.
- xii. Teachers in unrecognised schools demand low salaries than the ones in recognised schools. In Excel Foundation schools teachers are paid around Rs 3,500 to Rs 5,000 depending upon the standard they teach.
- xiii. Teachers and members of the administration department will also receive Rs 1,500 per annum as dearness allowance. This amounts to Rs 125 per month additional income besides the regular salary.
- xiv. The school charges a reasonable amount of fees such that it is able to make a small profit if Rs 6,905 per annum. Deepalaya School charged around Rs 120 per month per child and made huge loses of around Rs 6, 26,000 and these loses were financed by the parent NGO. In this case one needs to charge just the write amount in order to make repayment of the loan and have a decent amount in the expansion fund on annual basis.
- xv. Word of mouth is minimal until the school is at least five years old. No free publicity, the school must invest time and money on its own for at least five years. Students once in however, do not leave.

- xvi. The school bought just the right amount of infrastructure for its first year i.e. infrastructure for 175 students was bought as assumed that there'll be 50% occupancy in the first year.
- xvii. Since, it was assumed that the company will stay outside the purview of law (in order to avoid complications); no money will be spent in compliance. The reasons for not applying for recognition can be read from the article in the appendix. The schools will apply for recognition even when the schools know that their applications will be rejected. So, whenever asked the status would be *applied for recognition; reply awaited*.
- xviii. Depreciation is different for different items as informed by the school accountant of one of the schools covered under the study.

## VIII. Management and Organization

The head-quarter of the company will be located in one of the semi-urban areas of the capital, where the edupreneur will also have one of the company schools.



### 1. Sole Proprietor

His job would be to supervise the proper functioning of the company as a whole. With a strong hold over company statistics, he shall represent the foundation before the venture capitalists in order to convince them to fund the projects. He shall with the members of the quality-control department hire all the principals for the various schools set up under the company's name. All the principals of the Excel Foundation are accountable and answerable to him whenever questions will be raised about the functioning of the institutions. These principals are bound to submit an annual report to him regarding the performance of their respective schools. Any member of school under the Excel School Foundation can directly contact him in case of genuine grievances.

### 2. Administration and Finance Department

In the beginning, there shall be two employees hired under the department, namely, the accountant and the clerk. The tasks undertaken by them are as follows:

- To assist the accountants of various schools (under the company) audit their balance sheets, if any help required
- To keep a record of the annual balance sheet of the schools
- To collect and maintain a record of all the funds i.e. the projects in which they are directed and the amount invested
- Basically, all the paperwork and finances will be handled by this department

### **3. Quality Control Department**

In the beginning, there shall be at least three researchers in this department exploring a range of alternative solutions to impart 'quality education' to students in the Excel Foundation schools. Their basic aim is to ensure that the techniques employed by the teachers in the classrooms are designed to make children feel happy, secure and valued, and to develop within each individual child a quiet inner strength which will enable that child to face up to challenges with tenacity and determination. Some of their duties are enlisted below:

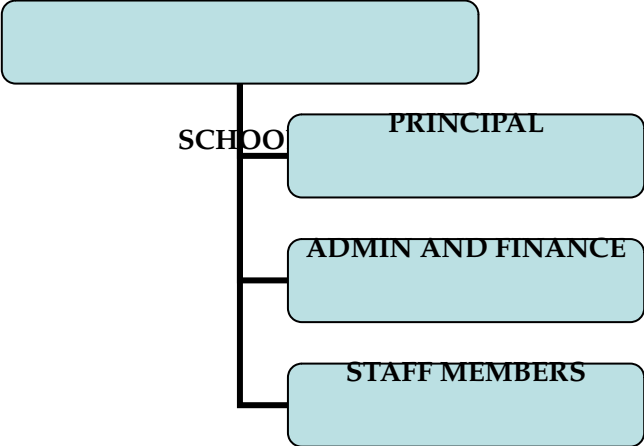
- To head teacher-training programmes that will be conducted every year for 3 days consecutively in all of the company schools
- To set up examination sheets for classes 3, 4 and 5
- To announce results for these classes and based upon these results select 3 students (from classes 3 and 4) who will receive scholarships for the following academic year
- To counsel teachers whenever they face problems in teaching, especially for new teachers, this service will be a prove to be a blessing

It is believed that the company needs a researcher for every two schools set up under the Excel Foundation brand.

In the first round of expansion the company will open four schools in varied semi-urban areas of Delhi. The schools will be run for five years and then the next round of expansion will be worked out depending upon the total sales and output. The

basic structure of a school built under the company name.

**EXCEL FOUNDATION SCHOOL**



## **IX. Personal Financial Statement**

I have assumed that the sole proprietor shall not invest a single penny from his/her pocket. All the expenses shall be met from the loan extended by the donor firm.

But

This section talks about collateral and it is not necessary that an edupreneur might have any assets to offer to the donor firm.

## **X. Start-up Expenses and Capitalization**

For the Company's head quarter

### **COMPANY HEAD- QUARTERS**

The company starts in November 2007

and it takes me a complete month to hire other employees of the HQ

In the next month, the edupreneur start to implement the company's plan.

A lot of research work is done and four sites are selected to set the schools in the first round of expansion.

In the same month, the edupreneur starts working on all four schools simultaneously

### **PRE START-UP EXPENDITURE Nov-07**

	<b>ITEMS</b>	<b>AMOUNT SPENT</b>
1	Rent the building	10,000
2	Renovations	2000
3	To acquire a telephone line	900
4	One month electricity bill	500
	One month water	
5	bill	100
6	One month telephone bill	500
7	Medical Box	500
	Advertisement	
8	costs	11300

9	Basic Infrastructure	
	Tables for 5 employees	1600
	Chairs for 5 employees plus 4 extra	1728
	Computers	25000
	initial expenditure on stationary	2000
	Almirahs	7200
	White board for QC room	560
	Two notice board	1812
	<b>Grand total</b>	<b>65,700</b>

For the Excel Foundation Schools

**PRE START-UP EXPENSES**

Dec-07

	One month rent for the	
1	building	72000
2	Renovations	7,000
3	One month telephone bill	750
	One month water	
4	bill	250
5	One month electricity bill	2,000
	Advertisement	
6	costs	12,656
7	Initial expenses on stationary	2,000
8	One medical box	500
9	Fixed assets/ Basic	<b>97,156</b>



infrastructure

a	Student desks	}		36750	
B	Student chairs			18375	
C	Teacher's table			3200	
D	Teacher's chair			1920	
E	Duster			250	
			For the classrooms		
			Do not include here		
f	Chalk Boxes			0	
G	Blackboard			25000	
H	Notice board			9060	
I	Almirah			24000	
				<b>11855</b>	
				<b>5</b>	
J	Comp. for students	}		35000	
	Comp. for the				
K	teacher				5000
	Table for 8			For the comp. room	
L	computers			2560	
	Chairs for 8 comp.				
M	tables			3867	
N	White board			560	
			Do not include here		
O	Marker for the board			0	
P	Almirah			2400	
				<b>49387</b>	
Q	Stereo	}		3150	
	Televisio			For the activity room	
r	n			9750	
S	Black board			2500	
T	Mats			1040	

						<b>16440</b>	
U	Table			}		640	
V	Chair						768
	Compute					For	the
W	r					principal's	10000
x	Almirah				and accountant's	2400	
					roo		
y	Notice board				m	906	
	Telepho						
z	ne					900	
	Contingencies	10,000				<b>15614</b>	
					<b>Grand</b>	<b>298,15</b>	
					<b>total</b>	<b>2</b>	

## **XI. Financial Plan**

The financial plan consists of a 12-month profit and loss projection, a five-year profit and loss projection (optional), a cash-flow projection, a projected balance sheet, and a break-even calculation. Together they constitute a reasonable estimate of the company's financial future. More important, the process of thinking through the financial plan will improve one's insight into the inner financial workings of the company.

### **12-Month Profit and Loss Projection**

#### **For the company head quarter**

Let us start with the company head quarters. The company starts functioning in the month of November, 2007. On assuming that it takes exactly one month for the sole proprietor to choose and rent the building for the company HQ as well as hire all its employees who start working from the following month, major amount of money is spent only on buying the basic infrastructure. In real terms, the company starts operating from the next month, December, 2007. The sole proprietor would have to take a loan for the pre start-up expenses (for the company) as well as the amount required to run the HQ in its first month. The amount sums up to Rs 1, 37,178. Therefore, the company HQ takes a loan worth Rs 1, 37,178. The amount is paid in the form of monthly instalments at a rate of 30% per annum compounded annually. This amounts to Rs 4,438. 17; when divided amongst the four schools, it costs them Rs 1,110 on a monthly basis. The repayment of this loan starts from the January, 2010 onwards i.e. by the end of second year. Besides the monthly instalments, the schools will also pay Rs 18,870 each to meet the monthly expenditure of running the head quarter. So, in a way the company expenses are divided amongst the schools.

#### **For a Excel Foundation school**

Here, one must start by assuming that the school buildings at four locations is chosen and rented in the month of December, 2007 under the supervision of the

sole proprietor and the staff members as well as other employees are also hired under the scrutiny of company researchers. The first academic session of the schools begin in the month of January, 2008. Given below is the 12 month projection for a school. Every school requires around Rs 9, 39,585 each for its establishment. Therefore, the company takes another round of loan in four packages of Rs 9, 39,585 each for the four schools it'll open in different parts of Delhi.

## **Five-Year Profit Projection**

Let us look at where the company will stand after five years of functioning. Each school will make a loss of Rs 5, 43,448 in its first year. This gap will be financed with the amount taken as loan. It is from the second year that the schools start making a surplus as all the seats get fully occupied. Second year marks a change in the school's average monthly fixed and variable costs. In the second year the schools make a profit of Rs 385,006 each. From this surplus, the school managements will take out Rs 60,000 that'll be saved in the reserve fund. Therefore, at the end of second year schools have an excess of Rs 325,006 each. This money will be saved at the company HQ and will be used after five years for the second round of expansion.

Meanwhile, schools smoothly pass their third, fourth and the fifth years by making a small profit of Rs 6,905 per annum. The reserve fund of Rs 60,000 is maintained throughout the period of three years as in the second year. So, at the end of five years each school will have an excess of Rs 405,721. From this excess 10% is withdrawn to be distributed amongst all the 17 employees as bonus (a form of incentive that'll drive employees to work as hard and dedicated as ever). The bonus will be distributed in proportion to their monthly salaries to the total expenses on salaries. For a careful examine of the calculations, read the spread sheet given in the appendix.

## **Break-Even Analysis**

To do a break even analysis, let us look at the monthly expenses for any month from the third year onwards (one can choose any month from the third year onwards as from this point onwards no money is spent for any purchase of furniture/fixtures; also the school start paying monthly instalments to repay the loan).

Monthly expenses include:

Monthly owner's	17869. 5
-----------------	----------

costs		
Monthly variable		
costs		190424
Monthly fixed		2872.
costs		743056

<b>Total</b>	<b>211166.</b>
	<b>2431</b>

After careful data analysis it's been found that to reach the break even point, the schools must charge Rs 650 to students of classes 1 and 2 whereas Rs 722 from other students. Read the spread sheet given in the appendix.

Owner's costs include the amount needed to run the HQ, repayment of the loan for HQ and school itself. A detailed look at the average monthly variable costs:

#### **MONTHLY VARIABLE COSTS**

	<b>ITEMS</b>	<b>AMOUNT</b>
1	Rent	72,000
2	Telephone bill	1,500
3	Water bill	500
4	Electricity bill	10,000
5	Stationary	5000
6	Markers	24
7	Chalk boxes	50
8	Teachers' pay	44000
9	Principal's pay	10000
10	Accountant's pay	7000
11	Clerk's pay	5000
12	Peon's pay	6000
13	Maids' pay	4000
14	Dearness allowance	24000
15	Monthly scholarships	250
16	Monthly advertising	50

	costs	
17	Monthly exp. on Medical aid	50
18	Any other expenses	1000
	Grand total	<b>190424</b>

A detailed look at average monthly fixed costs:

### **ANNUAL FIXED COSTS**

	<b>ITEMS</b>	<b>LIFE SPAN (years)</b>	<b>Annual depreciation</b>	<b>Absolute</b>
	Students'			
1	desks	8	9187. 5	
	Students'			
2	chairs	8	4593. 75	
	Teachers'			
3	desk	10	832	
	Teachers'			
4	chairs	10	578. 7	
5	Desks	10	64	
6	Chairs	10	76. 8	
7	Computers	10	8500	
8	Blackboards	6	4583. 333	
9	Whiteboard	6	93. 33333	
10	Almirah	10	2880	
11	Stereo	7	450	
12	Television	12	812. 5	
13	Notice boards	6	1821	
			<b>34472.</b>	
	Grand total		<b>92</b>	
	Monthly		<b>2872.</b>	

fixed costs **743**

For the company Head quarter:

<b>TYPE OF COSTS</b>			
<b>FIXED COSTS</b>			
	<b>ITEMS</b>	<b>LIFE SPAN</b>	<b>ANNUAL ABSOLUTE DEPRICIATION</b>
1	Tables	10	160
2	Chairs	10	172. 8
	Compute		
3	rs	10	2500
4	Almirahs	10	720
			93.
5	White board	6	3333333
6	Notice boards	6	302
			Grand <b>3948.</b>
			total <b>13333</b>
	Average monthly fixed costs Rs		329

<b>MONTHLY VARIABLE COSTS</b>		
	<b>ITEMS</b>	<b>AMOUNT SPEND</b>
1	Rent	18,000
2	Telephone bill	1,500
	Water	
3	bill	400
4	Electricity bill	3000
	Stationar	
5	y	500
6	Markers	24
7	Sole proprietor's	12000



	pay		
8	Accountant's pay		8000
	Clerk's		
9	pay		5000
10	Researchers' pay		18000
	Peon's		
11	pay		3000
	Dearness		
12	allowance		625
	Monthly exp.	On	
13	advertisements		50
14	Monthly exp. On medical box		50
	Any		
15	other		1000
		Grand	<b>71,14</b>
		total	<b>9</b>

## **XII. Appendices**

Include details and studies used in the business plan:

- Extract taken from the research paper titled 'it's all about the money.... . Licenses to open a school' written by Mayank Wadhwa

### **How to open a school?**

To elucidate, following is the detailed procedure required to open a school:

**First**, in order to open a school, an association or a group of individuals has to be registered as a society under the 'Societies Recognition Act, 1860' or as a trust constituted under any law for the time being in force. This is to prove the 'non profit' motive of the society.

**Second**, the society then needs to obtain an '**Essentiality certificate**' (EC) from the DoE. An EC is an essential document certifying the requirement of a school in the particular zone, on the basis of which land is allotted to the society for the purpose of building a new school. An EC is stipulated to avoid proliferation of schools, which could make existing schools redundant. The DoE decides the need for a school in a particular zone. By restricting the supply of schools in an area, it restricts the role of the market in assessing the demand for school education. Within 3 years of obtaining the certificate, the construction of the school has to commence, failing which the society needs to apply for renewal. Along with the application for EC a fee of Rs 500/- and a set of 11 documents is to be submitted. The authority grants an EC after certifying the non-proprietary nature of the society, the financial status of the society, the association of members' et al. The above is issued as per rule 44 of 'Delhi School Education Rules, 1973'

**Third**, land is allotted to the society for purpose of the new school in the desired zone. For land to be allotted, the society needs to obtain a '**letter of sponsorship**' from the DOE. It then forwards the same to one of the land owning agencies like the DDA or MCD. The land owning agency sells land on subsidized

rates. Surprisingly, an acre of subsidized land in South-Delhi costs Rs 82, 50,000/- and in places like Vasant Kunj it goes up to Rs 1.25 crore. Thus only on the approval of the DoE, can land be allotted to the society in question. **Fourth**, once the school is established the school authority needs to apply for recognition with the concerned authority. Recognition up to V<sup>th</sup> standard is granted by MCD and up to VIII<sup>th</sup> standard by the DoE. For further recognition up to X<sup>th</sup> and XII<sup>th</sup> standard, schools have to apply for up-gradation with a minimum gap of 2 years. To obtain recognition from DOE, a set of 17 documents is to be submitted along with the application. These also include a wide array of secondary licenses, like a duly approved Scheme of Management, Completion Certificate, Sanctioned Building Plan, Water Testing Report, and Health Certificate. All this is governed as per the rules mentioned in 'Delhi Education Act, 1973'.

**Lastly**, a school needs to apply for affiliation with CBSE. This permits the students of the particular school to appear for public examinations. In order to get affiliated, the school needs to follow the prescribed curriculum, like the NCERT.

Prima-facie, the laws do not appear worthy of any harm, but personal experiences of school authorities speak otherwise. Given below is a list of licenses and documents required to open and operate/run a school:

<b>S.No</b>	<b>Name of license</b>	<b>Governing Act</b>	<b>Regulating authority</b>
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1.	Registration certificate of society	Societies Recognition Act, 1860	
2.	Essential Certificate	Delhi Education Act, 1973	DOE
3.	Certificate of Recognition	Delhi Education Act, 1973	MCD /

			DOE
4.	Certificate of Up-gradation	Delhi Education Act, 1973	DOE
5.	Certificate of Affiliation	Affiliation Bye-Laws	CBSE
6.	Certificate of MCD		MCD
7.	Affidavit regarding proper purchase of land and no violation of master plan in the land used		MCD/DDA
8.	Site plan of the building/Sanctioned Building Plan		MCD/DDA approved
9.	Building fitness certificate		MCD
10.	Health Certificate		MCD
11.	Water testing report		Delhi Jal Board
12.	Completion certificate		DDA
13.	Duly approved Scheme of Management		DOE
14.	No Loan Certificate against FD issued by the bank		Bank
15.	Land use Permitted Certificate (in case of rented land)		Landlord

**Documents to be submitted along with application for EC/Recognition/Up gradation:**

1.	Memorandum of Association
2.	Affidavit regarding relationship of society members
3.	Copy of Reserve Fund for Rs. 2 lakhs from the bank
4.	Affidavit from management regarding proper operation of school, as per 'Delhi School Education Rules, 1973'
5.	Undertaking regarding fees and other charges
6.	List of members of society with full particulars.
7.	Details of land and building
8.	Project report of proposed school
9.	Experience of society/members in the field of education
10.	Scheme of Management
11.	Documents regarding ownership of land allotted to school
12.	Auditor's statement of account(s)
13.	Staff statement as Performa
14.	Rates of fee and other fund charges
15.	Enrolment of students

This long list of documents produces enough paperwork for schools to employ an additional person just to please the government authorities.

To fan the flames, the laws are ill defined and manipulative. From the above-mentioned list there are at least 8 documents that have to be obtained from the MCD or the DDA or the local departments of the government. These departments are responsible for inflicting maximum damage. A case in point is the 'Health Certificate' issued by the MCD; it is to check the safety and hygiene level within the campus of the school but the price set by the inspection officer is approximately Rs 1000, thus destroying the purpose of the certificate. Similar manipulation is observed in other certificates like; 'Water Testing Report', 'Building Fitness Certificate', 'Completion Certificate', 'Certificate of MCD' et al.

- Questionnaire used in conducting the case study of schools:

The first part of the questionnaire

### QUESTION

#### NAIRE

(Relating to the business model aspect)

- 1 ESTABLISHED IN YEAR**
- 2 TYPE OF SCHOOL**  
**( UNAIDED / AIDED )**
- 3 LEVEL OF EDUCATION FACILITY**  
**(primary/secondary)**
- 4 MEDIUM OF INSTRUCTION**
- 5 SYLLABUS FOLLOWED**
- 6 WHY DO PARENTS CHOOSE THIS SCHOOL?**
- 7 IS THE SCHOOL RECOGNIZED OR NOT?**
- 8 SCHOOLS NEARBY (Name and the**

- distance)  
 (Competition)  
 DISTANCE TO NEAREST MUNICIPAL  
 9 SCHOOL  
 AVERAGE FAMILY  
 10 INCOMES  
 ( Annual  
 incomes )  
 MAJOR COMMUNITIES TO WHICH  
 11 STUDENTS  
 BELONG IN THE SCHOOL  
 12 SPECIAL SUBJECTS / FACILITY  
 13 MARKETTING COSTS/ PUBLICITY  
 ( amount and years for which it was done  
 )  
 14 AVERAGE NUMBER OF APPLICATIONS RECEIVED  
 ( Annually )  
 PERCANTAGE OF APPLICATIONS  
 15 REJECTED  
 (Annually )  
 16 TOTAL AREA OF THE SCHOOL  
 IS THE SCHOOL BUILDING SELF OWNED OR  
 17 RENTED??  
 ( if rented, what's the monthly  
 rent )  
 18 SIZE OF THE BUILDINGS  
 CLASSROOM  
 19 SIZE  
 NUMBER OF CLASS  
 20 ROOMS  
 21 NUMBER OF STUDENTS

**ENROLLED**  
**( Annually )**

**22 MONTHLY FEE/ STUDENT**

**23 NUMBER OF TEACHERS**  
**STUDENT-TEACHER**

**24 RATIO**

**25 CREDIT POLICIES FOR THE**  
**TEACHERS**  
**(specif**  
**y)**

**27 SOURCE OF TEACHERS**

**29 AMOUNT SPENT IN GETTING**  
**RECOGNITION**  
**( All official fees and non-official payments that had to**  
**be made)**

**30 DETAILS OF THE**  
**INFRASTRUCTURE**

		<b>NUMBER</b>	<b>AMOUNT</b>
		<b>S</b>	<b>SPENT</b>
<b>FURNITURE</b>			
<b>i. DESKS</b>			
<b>CHAIR</b>			
<b>ii. S</b>			
<b>iii. ALMIRAHS</b>			
<b>TEACHERS'</b>			
<b>iv. DESKS</b>			
<b>TEACHERS'</b>			
<b>v. CHAIRS</b>			
<b>vi. BLACK BOARDS</b>			
<b>vii. OFFICE CHAIRS</b>			
<b>viii. OFFICE DESKS</b>			



- NOTICE**
- ix. BOARDS**
- x. DUSTERS**
- ELECTRICAL FITTINGS**
- i. FANS**
- ii. LIGHTING**
- AIR**
- iii. CONDITIONERS**
- iv. COMPUTERS**
- SUPPLIES**
- i. CHALK BOXES**
- ii. STATIONARY**
- HOW MUCH DOES IT COST TO SET UP A SCHOOL**

**31 ?**

The second part of the questionnaire

**QUESTIONNAIRE**

**(Related to the funding of the school)**

- 1 TYPE OF SCHOOL  
( AIDED / UNAIDED )**
- 2 LEVEL OF EDUCATION FACILITY  
(primary/  
secondary)**
- 3 MEDIUM OF INSTRUCTION**
- 4 IS THE SCHOOL RECOGNIZED OR NOT?**
- 5 ANNUAL BALANCE SHEET**

**( a )**

<b>SOURCES OF INCOME</b>	<b>AMOUNT IN RUPEES</b>
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i.	GRANT-IN-AID ( funds from the trust/soc. )	
ii.	FEES' CONTRIBUTIONS	
iii.	ENDOWMENTS	
iv.	OTHER CHARGES AND PAYMENTS	
v.	DONATIONS	
vi.	GIFTS	
vii.	PUPILS' FUND	
viii.	RESERVE FUND	
ix.	EXPANSION/ DEVELOPMENT FUND	
x.	ANY OTHER	
<b>TOTAL ANNUAL INCOME</b>		

**( b ) WHAT IS THE TOTAL CAPITAL EXPENDITURE INCURRED TILL DATE?  
DO BANKS OFFER LOANS TO SCHOOL? IF YES, ON WHAT TERMS**

**( c ) AND  
INTEREST RATES? IF NOT, WHY DO BANKS REFUSE TO EXTENT  
LOANS?**

**( d ) HAS SCHOOL TAKEN ANY LOANS FROM BANKS? IF SO, TO WHAT  
EXTENT?**

**( e ) WOULD YOU LIKE BANKS TO OFFER FUNDS TO YOUR SCHOOL?  
WHAT PERCENTAGE OF YOUR EXPENDITURE IS MET OUT OF**

**( f ) SCHOOL FEES?**

**( g )**

	<b>SOURCES OF EXPENDITURE</b>	<b>AMOUNT IN RUPEES</b>
i.	SALARIES (All employees )	
ii.	DEARNESS ALLOWANCE	
iii.	CREDIT POLICIES FOR TEACHERS	
iv.	TRANSPORT REIMBURSEMENT	
v.	RENT FOR SCHOOL INFRASTRUCTURE	
vi.	SCHOLARSHIPS / CONCESSIONS	

vii.	MAINTAINANCE CHARGES ( Annual )	
viii.	INSURANCE PREMIUMS	
ix.	INVESTMENTS IN GOVT. SECURITIES	
x.	AVERAGE ANNUAL DEVELOPMENT EXP.	
xi.	INTEREST PAYMENTS	
xii.	TRAINING COSTS	
xiii.	ANY OTHER ( please specify )	
xiv.	COMPLIANCE( Unofficial payments )	
<b>TOTAL ANNUAL EXPENDITURE</b>		

**6 WHAT IS THE AVERAGE ANNUAL EXPENDITURE PER STUDENT?  
HOW HAS IT VARIED OVER THE PAST 10 YEARS?**

**7 HAVE YOU BEEN DIRECTED TO FOLLOW THE ACCOUNTING  
POLICIES**

**OUTLINED IN THE 'GUIDANCE NOTE ON ACOOUNTING FOR  
SCHOOLS'**

**PUT OUT BY INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA?**

**8 IS IT POSSIBLE TO RUN A SCHOOL ON SELF-SUSTAINING BASIS  
THAT IS BY GENERATING AT LEAST AS MUCH INCOME FROM FEES  
AND OTHER MEANS AS REQUIRED TO COVER THE ANNUAL RECURRING  
COSTS TO RUN THE SCHOOL?**

**9 CAN THE SURPLUS GENERATED BY THE SCHOOL BE USED TO FUND  
THE SETTING UP OF A NEW SCHOOL? IS THIS LEGALLY ALLOWED?**

**10 IF THE COSTS EXCEED THE REVENUE, WHAT DO YOU DO?  
HOW OFTEN HAS IT HAPPENED?**

## **RECOMMENDATIONS FOR THE PLAN**

The first response came from *Amulya, Sa-dhan*: the association of community development finance institutions. He asked for an even detailed explanation on the issues enlisted below. His exact words were

'What is the core objective of your proposed project?'

- Is it meant to address the issues of education (issues of quality, issues of exclusion) and try to demonstrate a unique solution to that? or
- Is it going to be a unique enterprise of its kind with the prime objective of profit by selling the educational services?

(Really, I am confused with the fundamental position of this proposal? In compare to other private entities, what are the innovative things you are going to replace in the existing system?)

As your proposal completely sounding like a business proposal (it is absolutely fine, I don't have any issues to it) then your argument against profitability of the business is not adequate.

- It required proper feasibility study of your proposed action areas? Any study and news line have their own purpose so for a business plan these are not sufficient)
- It should give a picture of existing plays and their services, and their work and working
- It is required to properly articulate the potential clients' view and requirements.
- You should properly present the possible opportunities as well as potential risk to this project
- Your project strategy to manage the risk should clearly explain in your proposal (Anyone going to invest in such business will willing to see all these aspects)

Legal and regulatory environment

- As you foreseen this business will run by a Sole-Proprietor, I don't have any problem with this idea. But it creates confusion when you mentioned the word Company some part and Sole-Proprietor in the other part of proposal? These two entities have two different legal forms so make clear the legal-frame of the entity.
- Your proposal is suggesting to keep this activity out of the formal education-regulating system and completely delegating this exercise to the sole-proprietor. But my opinion is that it will be very difficult to access an Investor in such form of mix-approached projects (where it will deal with developmental aspects, as well as business)
- My suggestion to you that just think about the community involvement in regulation part.

I found the quality monitoring systems required re-look

I should congratulate you for your work and also suggest you to re-look the proposal from different angles like from society as a mass point of view, from the parent's point of view, student point of view, Local & State regulatory point of view, as well as from the investor (externals) point of view.'

**Followed by *Sa-dhan*, I also received an email from Ankur Gattani, student, IIM Calcutta in reply to my request for perusal of the plan. He mentioned the following:**

'Here are a few pointers to the business plan. The effort put in looks pretty good and it must be evaluated in the light of where it's coming from (who's' written it). I'll however be a devil's advocate... and pass critical remarks... to help you gain clarity.

it would be useful to analyse the other schools in the area,

It would be useful to make a table which has categories of schools (private, NGO

run, private- govt. aided, etc. and columns would be infrastructure, student-teacher ratio, key disadvantages,)

overall, why would someone want to leave that school and join yours, in a more straightforward manner, rather than a promise of better quality? Substantiate the basis of this quality difference, beyond just 'positive advertising'

what is the fundamental differentiator for your school? if it's cost, then are you providing : same quality at lower cost or superior quality at same cost? Superior quality at lower cost is utopian promise, so please be wary of that... if you can do that, you should take over all the schools in the country.

You're hiring teachers for 3500-5000 (which, by the way is not very much higher than the peon's salary you propose) have you studied the salary structures in other schools?

You're promising to provide quality with low cost teachers.. if this is so simple... why don't the existing schools do it?

**MOST IMPORATNTLY... WHAT'S YOUR OWN BACKGROUND IN RUNNING A SCHOOL?**  
There has to be a section on the management team, as to what they're bringing to the table (since you don't wish to put the money yourself). Investors are pretty touchy about the execution capability of the team.

'Sole Proprietor' is the misleading term: Legal definition is the single owner of a non registered company. In which case, the company and the individual are not different. In such a situation, the proprietor doesn't take salary himself; he owns the residual profit anyway.

Looking at the numbers a VC wouldn't be interested unless you make a plan to set up 100 schools in a year or two. As I'd mentioned previously, MFIs are not in this

business. This plan can be happily funded by govt. supported agencies or NGOs or public/private banks.'

**I was able to answer to some of his queries. So, in reply I wrote:**

1. In the case study conducted by me, I just covered 3 schools located at different places across Delhi. Therefore, I could not in the competition and strategy section include the market analysis table. I believe the edupreneur who shall look into my research paper would have to realize that it depends from person to person and the locations chosen to carry out such a detailed study.
2. The fundamental differentiator of the proposed company is the HQ that constitutes the R&D dept., the employees of which would continue exploring and implementing innovative teaching ideas for classrooms.
3. About the salary structure, yes I did conduct case studies of schools wherein I was made aware of the fact that teachers can be hired at a minimum rate of 3500-5000 per month. These low-cost teachers will on an annual basis undergo teacher training programmes that'll be conducted by the R&D dept.

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