

Is Everything Right With The Indian Institutes Of Management?

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The Indian Institute of Management, Ahmedabad was set up after independence because it was believed that as India developed and its business and industry grew we would have to create a cadre of highly skilled managers who could professionalise the manner in which business is conducted and industry is managed. At about the same time the Indian Institutes of Technology were also conceived. Today there are thirteen IIMs.

IIM Ahmedabad had an almost organic link with the Harvard Business School and even today the academic model of all the IIMs in India is that established by business schools such as Harvard, Kellogg and Stanford. The teaching methodology, the case study method, are all very strongly influenced by the leading business schools in the United States. Whether this model is really relevant to India still remains an open question. In fact the establishment of the Institute of Rural Management, Anand and the Indian Institute of Forest Management, at Bhopal seems to indicate that IIMs did not consider rural India or the informal sector to be important and were quite happy to hive off these sectors to specialised institutes like IRMA or IIFM. The argument, of course, would be that these are specialised sectors and need a more focused attention. Personally I do not buy this argument because carried to its ultimate limit we would have to provide specialised institutions for every segment or sub-segment of industry and business.

All the Indian Institutes of Management have been established by government by providing large chunks of high value land besides funding the building of the complete infrastructure and providing generous grants annually to run the institute. It is true that, of late, IIM Ahmedabad and IIM Bangalore and to some extent IIM Calcutta and IIM Lucknow have tried to become self-sufficient by charging very heavy fees from students. However, for all infrastructural development these institutes still continue to get large block grants from government. Between 2008-09 and 2012-12 IIM Indore received a total of Rs. 10.20 crores as nonrecurring grant, IIM Lucknow received Rs. 23.68 crores, IIM Bangalore received Rs. 20.80 crores and IIM Ahmedabad received Rs. 24.16 crores. The nonrecurring grant is paid at the rate of rupees eight lakh per student. In addition recurring grant at Rs. 1.50 lakh per student was paid to the tune of Rs. 9.00 crores for IIM Indore, Rs. 9.15 crores for IIM Bangalore, Rs. 11.01 crores for IIM Lucknow and Rs. 10.05 crores for IIM Ahmedabad. In other words, none of the Indian Institutes of Management can turn around and say that they no longer get government funding. Despite this the fee charged by IIM Ahmedabad for the two-year MBA course is Rs. 17.50 lakh per student. IIM Indore is probably the cheapest at Rs. 6.50 crores per student. This means that every IIM is priced out of the reach even of the middle class and is certainly not even a distant dream for those from the lower income groups. The argument given by IIMs is that an IIM student gets loans quite easily and because IIM students are coveted by business houses they all get good placements and can afford to repay the loans. Therefore, fee is only notional because it is not the parents of the student who have to bear the burden.

I am sure all the Directors of the Indian Institutes of Management are top-notch teachers but I would like to ask them a question about which world they live in. Are they aware of the red tape involved in getting an education loan from a bank? Even if the IIMs facilitate taking of a loan, do they know the enormous burden on the students' parents cast by the shadow of the loan because at the end of the loan term it has to be repaid? When a student who has taken a large loan enters the institute his first thought is not about education he is about to receive but rather of the placement he will get at the end of his term in the institute. In other words, his entire energy is expended in improving his employability rather than in gaining knowledge. The institutes have also taken to measuring their success in obtaining good placements and high salaries for their students. In this scenario where is the place for education? That is why the IIMs take the raw material, students who are amongst the brightest in India because of the process of selection is rigorous and then the institute is only engaged in converting this raw material into an employable product. Very few students from the IIMs go for doctoral studies because the pressure of loan repayment is so high that a good job takes priority over everything else. Dr. Murali Manohar Joshi as HRD Minister had pleaded with the Indian Institutes of Management that they should keep their fee structure at an affordable level, with government giving a cast-iron assurance that the state will provide them

complete funding to cover all their costs. He was laughed out of court by IIM Ahmedabad and IIM Bangalore, both of which stated that this was an attack on their autonomy. The Indian Institutes of Technology and the Indian Institutes of Information Technology charge reasonable fees. Government funds these institutions. I am Chairman of the Board of Governors of the Indian Institute of Information Technology and Management, Gwalior and I would like to go on record to state that in all academic and administrative matters we have total autonomy with zero interference from the government. An Indian Institute of Management is not really more autonomous than we are. The difference is that many of our students do go for doctoral and post doctoral studies in India and abroad and the faculty does have time and inclination for research. Perhaps the Indian Institutes of Management get the absolute cream of the students and we have to make do with lean milk. However, if the cream is not used properly it will curdle, whereas the milk will continue to nourish.

I have a suggestion. In India about eighty-five percent of all employment is in the informal sector. The formal sector employs about ten percent of the people and about five percent are unemployed. Growth is in the formal sector, but even with an eight percent annual growth rate the growth of employment is 0.3 percent, or less than one-third of one percent. Where is the extra money going? Does the informal sector not need management, working capital, skill upgradation, design and marketing inputs so that its productivity grows? Is there no need for developing a synergy between the formal and informal sectors so that both grow in tandem? The Indian Institutes of Management should be engaged in the kind of research which creates new business models, which generate employment in the formal sector and raise productivity in the informal sector. This would be a new paradigm which is a complete departure from the Harvard model. Perhaps a case study of how Y.V. Reddy, former Governor of the Reserve Bank of India and an IAS officer, steered the banking system which immunised it from the total collapse which Western Europe, Britain and the United States faced, would be much more relevant than anything done by Harvard and Stanford.
