

# Legislative Brief

## The Indian Institutes of Management Bill, 2017

The Bill was introduced in Lok Sabha on February 9, 2017 by the Minister of Human Resource Development, Mr. Prakash Javadekar.

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### Highlights of the Bill

- ◆ The Bill declares 20 existing Indian Institutes of Management (IIMs) as institutions of national importance and confers on them the power to grant degrees.
- ◆ The Board of Governors will be the executive body of each IIM, comprising upto 19 members. It will nominate 17 board members including eminent persons, faculty members and alumni. The remaining two members will be nominees from the central and state governments, respectively. The Board appoints its own Chairperson.
- ◆ The Board of Governors will appoint the Director of each IIM. A search committee will recommend names for the post of the Director. The Director is eligible for variable pay, to be determined by the Board.
- ◆ The Academic Council of each IIM will determine the: (i) academic content; (ii) criteria and process for admission to courses; and (iii) guidelines for conduct of examinations.
- ◆ A coordination forum will be set up, which will include representation from the 20 IIMs. It will discuss matters of common interest to all IIMs.

### Key Issues and Analysis

- ◆ Currently, the central government has a role in the functioning of IIMs which includes appointment of the Chairperson of their Boards, their Directors and pay to the Director. In contrast, the Bill extends greater autonomy to the Board in the performance of these functions.
- ◆ Under the Bill, the autonomy envisaged for IIMs exceeds the autonomy granted to other institutions of higher education such as IITs and AIIMS. For example, Directors of IITs and AIIMS are appointed by the central government. Introduction of new courses of study at AIIMS requires approval of the Medical Council of India.
- ◆ It is unclear if there is a plan to extend the enhanced autonomy proposed for IIMs to other higher educational institutions of national importance as well.
- ◆ Certain recommendations of expert committees have not been addressed in the Bill. These relate to: (i) the Board having the autonomy to determine faculty pay; and (ii) creation of an autonomous Standing Committee for management education under an apex regulatory body for higher education.

## PART A: HIGHLIGHTS OF THE BILL

### Context

Indian Institutes of Management (IIMs) are registered as societies under the Societies Registration Act, 1860 (or State Societies Registration Acts). Each society has a Memorandum of Association and rules specifying its objectives and the system of governance. At present, there are 20 IIMs. The earliest IIMs were set up in 1961 in Ahmedabad and Calcutta, and the latest has been established in Jammu in 2016.

Currently, IIMs can offer diplomas and not degrees. IIMs offer Post Graduate Diplomas in Management (PGDM) (equivalent to MBA) and Fellow Programmes in Management (FPM) (equivalent to PhD).<sup>1</sup> For the PGDM or the FPM to be used for further education, the Association of Indian Universities provides an 'equivalence' of these qualifications as an MBA and a PhD respectively.<sup>2</sup> However, there may be some ambiguity on this equivalence among universities and employers outside India.

The governance and control of an IIM lies with the Board of Governors at each IIM. However, there are certain powers reserved for the central government with regard to the functioning of IIMs. These include: (i) determination of cadre and pay scales of academic and non-academic posts; (ii) use of the funds; and (iii) review of the work and progress. Note that powers including setting fees, academic structure and granting of diplomas lie with the IIMs.<sup>1</sup>

The Indian Institutes of Management Bill, 2017 was introduced by the Minister of Human Resource Development, Mr. Prakash Javadekar in Lok Sabha on February 9, 2017.<sup>3</sup> It declares the IIMs as institutions of national importance.

### Key Features

#### Power to grant degrees, diplomas and other academic distinctions or titles

- Under the Bill, IIMs will have the power to grant degrees in addition to diplomas and other academic titles.

#### Board of Governors

- The Board of Governors will be the principal executive body of each IIM. The powers of the Board include: (i) policy decisions; (ii) annual budget approvals; and (iii) determination of fees. The existing Board of Governors of an IIM shall continue to hold office till the new Board is constituted under the Act.
- The Board will be composed of a maximum of 19 members including: (i) a Chairperson, who is a distinguished person in the field of industry, education or any such field; (ii) a nominee each from central and state governments; (iii) faculty members; (iv) eminent persons from fields including education, and industry; and (v) the Director. Other than the two government nominees, the 17 other board members will be nominated by the Board. The Board appoints its own Chairperson.

#### Appointment and pay of the Director

- The Director of each IIM shall be recommended by a search-cum-selection committee constituted by the Board of Governors. The terms and conditions of service of the Director shall be determined by the central government, and the variable pay will be determined by the Board based on performance.

#### Academic Council

- It shall be the principal academic body of each institute. Its functions include determination of: (i) the academic content of programmes; (ii) criteria for admission to courses; and (ii) guidelines for the conduct of examinations.
- The composition of the Academic Council will include: (i) the Director, (ii) Deans in charge of academics, research, and such other functions of the Institute; (iii) Chairs and coordinators of various departments and schools; and (iv) full time faculty at the level of professors; and (v) such number of other full time faculty as determined by the Board.

#### Coordination Forum

- A coordination forum will be set up to discuss matters that are of common interest to all the 20 IIMs. The composition of the forum includes: (i) a Chairperson; (ii) four Chairpersons from IIMs, by rotation for two years; (iii) the Director of each IIM; (iv) five persons of eminence from the fields of academia or public service; (v) the secretary to the central government, from the ministry or department related to management education; and (vi) two government secretaries from the states in which the IIMs are located, by rotation, each year.

## Funds of the institutes

- Each IIM will maintain a fund consisting of funds received from the government and other miscellaneous sources including fees and donations. These funds will be deposited or invested in a manner determined by the Board.

## PART B: KEY ISSUES AND ANALYSIS

### Greater autonomy to IIMs under the Bill

The Bill allows IIMs to grant degrees. In addition, the Bill extends autonomy to IIMs in areas such as appointment of the Chairperson of the Board of Governors, the Director, using the institute's funds and providing variable pay to the Director. This is at variance with the way IIMs function currently. For example, currently, the Chairperson of the Board of Governors in an IIM is appointed by the central government. The Bill proposes the appointment of the Chairperson by the Board of Governors of the IIM. Over the years, expert committees have recommended granting of greater autonomy to IIMs.<sup>4,5</sup> This has been addressed by the Bill. Table 1 captures the details of the change of autonomy from the current functioning of IIMs to the proposed Bill.

**Table 1: Comparison of existing functioning of IIMs (using MoA & Rules of IIM Bangalore) and IIM Bill, 2017**

Parameter	Memorandum of Association & Rules, IIM Bangalore	The Indian Institutes of Management Bill, 2017
Nature of establishment	<ul style="list-style-type: none"> <li>IIM, Bangalore is registered as a society under Mysore Societies Registration Act XVII, 1960.</li> </ul>	<ul style="list-style-type: none"> <li>IIMs are declared as institutions of national importance and shall be a body corporate.</li> </ul>
Power to grant degrees	<ul style="list-style-type: none"> <li>No. Awards diplomas and fellowships.</li> </ul>	<ul style="list-style-type: none"> <li>Yes.</li> </ul>
Total number of members in the Board of Governors	<ul style="list-style-type: none"> <li>Upto 28.</li> </ul>	<ul style="list-style-type: none"> <li>Upto 19.</li> </ul>
Government representation on the Board	<ul style="list-style-type: none"> <li>7 (4 from the centre; 3 from the state).</li> </ul>	<ul style="list-style-type: none"> <li>2 (1 from the centre; 1 from the state).</li> </ul>
Appointment of the Chairperson of the Board of Governors	<ul style="list-style-type: none"> <li>Central government appoints the Chairperson from a panel of names recommended by a search committee. The five member search committee is formed by central government.</li> </ul>	<ul style="list-style-type: none"> <li>The Board appoints the Chairperson from amongst eminent persons in fields including management and public administration.</li> </ul>
Appointment of the Director of the Institute	<ul style="list-style-type: none"> <li>Board appoints the Director, following the procedures, terms and conditions laid down by the central government.</li> </ul>	<ul style="list-style-type: none"> <li>A search-cum-selection committee appointed by the Board recommends candidates for the post of a Director.</li> </ul>
Variable pay to the Director	<ul style="list-style-type: none"> <li>No.</li> </ul>	<ul style="list-style-type: none"> <li>Yes, based on performance objectives.</li> </ul>
Courses of study	<ul style="list-style-type: none"> <li>Prescribed by the Board of Governors.</li> <li>Academic decisions are made involving all the faculty members (a collegiate system of decision making).</li> </ul>	<ul style="list-style-type: none"> <li>Prescribed by the Board of Governors.</li> <li>The Academic Council determines the content of these courses of study.</li> <li>The Academic Council composition includes: (i) the Director, (ii) all Deans, (iii) full time faculty at the level of professors and any other full time faculty as determined by the Board.</li> </ul>
Use of the Institute's funds	<ul style="list-style-type: none"> <li>Central government approval is required for deposit and investment of the Institute's funds.</li> </ul>	<ul style="list-style-type: none"> <li>The Board determines the manner of deposit and investment of the Institute's funds.</li> </ul>

Sources: Memorandum of Association & Rules, IIM Bangalore; IIM Bill, 2017; Report of IIM Review Committee, 2008; PRS.

The National Knowledge Commission (2007) had recommended the establishment of an autonomous Standing Committee for management education under an apex regulatory body (which would subsume all the multiple regulatory bodies for higher education).<sup>4</sup> This Committee would approve licenses to grant degrees or diplomas. The 2017 Bill does not address such a regulatory change. In 2008, the Bhargava Committee observed that the government determined pay of the faculty has been a deterrent in attracting adequate faculty at IIMs.<sup>6</sup> The 2017 Bill does not address this and the central government would continue to determine the faculty's pay.

### Varying standards of autonomy for different institutions of higher education

Under the Bill, the autonomy being granted to the IIMs is greater than the autonomy available to institutions like IITs, AIIMS and Delhi University. This implies unequal levels of autonomy across different institutions of higher education in areas including introduction of new courses and the Director's pay. It is unclear whether the autonomy granted to IIMs under the Bill will be extended to other institutions of higher education in the future.

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The role of the central government or the regulator in these other institutions is greater than what has been envisaged under the Bill. For example, for the introduction of a new course, AIIMS needs approval from the Medical Council of India (MCI), whereas IIMs can execute this internally through their Board of Governors. Also, appointment of the Director is by the central government in the case of IITs and AIIMS, but is determined by the Board in the case of IIMs. Table 2 compares the Bill with a few other institutions of higher education in terms of the autonomy across various parameters.

**Table 2: Comparison of the autonomy available to institutions of higher education across various parameters**

Parameter	The Indian Institutes of Management Bill, 2017	The Institutes of Technology Act, 1961	All India Institute of Medical Sciences Act, 1956	The Delhi University Act, 1922
Composition of Board of Governors (BoG)/ Executive Council	<ul style="list-style-type: none"> <li>▪ Upto 19 members, including Chairperson, Director, eminent persons, and alumni.</li> <li>▪ Two government nominees, one each from centre and state.</li> </ul>	<ul style="list-style-type: none"> <li>▪ 9 members, including Chairperson, Director, and persons with special knowledge.</li> <li>▪ A state government nominee and four persons nominated by the IIT Council.*</li> </ul>	<ul style="list-style-type: none"> <li>▪ Not specified.</li> <li>▪ Will be constituted by the institute with previous approval of the central government.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Upto 23 members, including the Vice Chancellor, Deans, principals, treasurer, and members chosen by the President and the Vice Chancellor.</li> </ul>
Appointment of the Director/Vice Chancellor	<ul style="list-style-type: none"> <li>▪ BoG appoints the Director based on recommendations of a Selection Committee.</li> </ul>	<ul style="list-style-type: none"> <li>▪ IIT Council (headed by the Minister of HRD).</li> <li>▪ Approval of the President required.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Decided by the central government.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Appointed by the President on recommendation of a Search Committee constituted by MHRD.</li> </ul>
Director's pay	<ul style="list-style-type: none"> <li>▪ Decided by the BoG.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Decided by central government.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Decided by central government.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Decided by central government.</li> </ul>
Pay to academic staff	<ul style="list-style-type: none"> <li>▪ As per pay scale determined by central government.</li> </ul>	<ul style="list-style-type: none"> <li>▪ As per pay scale determined by central government.</li> </ul>	<ul style="list-style-type: none"> <li>▪ As per pay scale determined by central government.</li> </ul>	<ul style="list-style-type: none"> <li>▪ As per pay scale determined by central government.</li> </ul>
Introduction of courses of study	<ul style="list-style-type: none"> <li>▪ By the BoG.</li> </ul>	<ul style="list-style-type: none"> <li>▪ By the BoG.</li> <li>▪ All India Council of Technical Education (regulator) may play a role.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Prior approval from the Medical Council of India (regulator).</li> </ul>	<ul style="list-style-type: none"> <li>▪ By the Academic Council.</li> <li>▪ Can be sent for reconsideration by the Executive Council.</li> </ul>
Fees	<ul style="list-style-type: none"> <li>▪ Determined by the BoG, through regulations.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Determined by the BoG, with the President's approval.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Determined by the central government, through regulations.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Determined by the colleges. University Grants Commission (UGC) may play a role.</li> </ul>
Management of Institute's funds	<ul style="list-style-type: none"> <li>▪ BoG manages the funds.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Central government approves usage of funds.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Central government approves usage of funds.</li> </ul>	<ul style="list-style-type: none"> <li>▪ UGC (regulator), with regard to its grants.</li> </ul>

\* The IIT Council, under the Institutes of Technology Act, 1961, consists of 19 members, including four members from the central government. It is responsible for co-ordination of the activities of all the IITs.

Sources: The Indian Institutes of Management Bill, 2017; The Institutes of Technology Act, 1961; All India Institute of Medical Sciences Act, 1956; The Delhi University Act 1922; The University Grants Commission Act, 1956; PRS.

1. Memorandum of Association & Rules, Indian Institute of Management, Bangalore, <http://www.iimb.ernet.in/sites/default/files/IIMB%20-%20memoruleslatest.pdf>.
2. Evaluation Equivalence Information, Association of Indian Universities, <http://www.aiu.ac.in/Evaluation/AIU%20Equivalence%20Information%20Brochure%2013.07.2015.pdf>.
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4. "Working Group on Management Education", National Knowledge Commission, October 15, 2007, <http://knowledgecommissionarchive.nic.in/downloads/recommendations/ManagementPM.pdf>.
5. "Report of the Committee to Advise on Renovation and Rejuvenation of Higher Education", Yashpal Committee, September 2008, <http://www.aicte-india.org/downloads/Yashpal-committee-report.pdf#toolbar=0>.
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