FSG REIMAGINING SOCIAL CHANGE

A PIPE Publication

The Preschool Promise

The Opportunity to Transform Learning Outcomes for India's Working Poor

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EXECUTIVE SUMMARY

India has made remarkable progress toward universalizing primary education, but learning outcomes are poor: only 35 percent of ninth and tenth graders in government and private schools are able to read at a level expected of a fourth grader.

Current attempts to address these unsatisfactory outcomes mostly focus on improving primary education in government schools. This narrow concentration misses two important elements:

- **Affordable Private Schools (APSs):** 86 percent of children from low-income (or working poor) urban households—who constitute 70 percent of all urban households—attend APSs. The response to poor learning outcomes cannot leave these children behind.
- **Early childhood education (ECE) delivered through high-quality preschooling:** The preprimary years (ages three through five) are when children learn critical pre-literacy and pre-numeracy skills that lay the foundation for grade school. Interventions in these early years have a higher return on investment relative to interventions directed at older children.

Children from low-income households see greater impact from high-quality preprimary classes. The right home environment can significantly impact learning outcomes. Children from low-income families lack many of the advantages at home relative to their wealthier counterparts, and they therefore are at risk of falling behind even before they enter first grade. High-quality preschooling can help address these early disparities.

Unfortunately, the current quality of preschooling for low-income children is extremely poor. Although low-income families are sending their children for preschooling, the child's education is based on rote learning and strict discipline. The effects of poor-quality preschooling are clear: 54 percent of children entering first grade in APSs could not pick out the correct number of objects corresponding to numbers from 10 to 20, and 78 percent could not read three simple, three-letter words.

Improving preprimary education in APSs is an immense opportunity to transform learning outcomes for India's working poor. Replacing rote learning with high-quality preschooling (in particular with schooling that focuses on activity-based approaches) can help children learn

actual concepts; support their physical, cognitive, socioemotional, and executive function development; and lay the foundation for improving outcomes from Kindergarten through 12th grade.

We spoke with 4,407 low-income urban parents across eight cities in India in order to understand their beliefs and behaviors around preschooling, and reveal insights on how high-quality practices can be spread. While our research focused on preprimary education, many of the insights we share in this white paper, *The Preschool Promise*, are also important for the APS sector in general, both because they bring out parents' beliefs that span the schooling years and because preprimary classes are the typical entry point into APSs.

Parents Value Preschooling and Are Investing in It

India's working poor believe preschooling is a critical element in ensuring their child's academic success. 95 percent of four- and five-year-olds were enrolled in preprimary classes, with 90 percent of parents reporting their child's academic prospects as the reason for enrollment. Parents view preprimary classes as helping the child academically in two ways:

- **Learning basic academic skills** with a particularly strong focus on English and numeracy
- **Forming habits required in grade school** such as doing homework, taking tests, and sitting quietly in the classroom

Peer pressure also plays a significant role, with nearly a third of parents reporting that one of the reasons for enrollment was because most other children of a similar age in the neighborhood were enrolled.

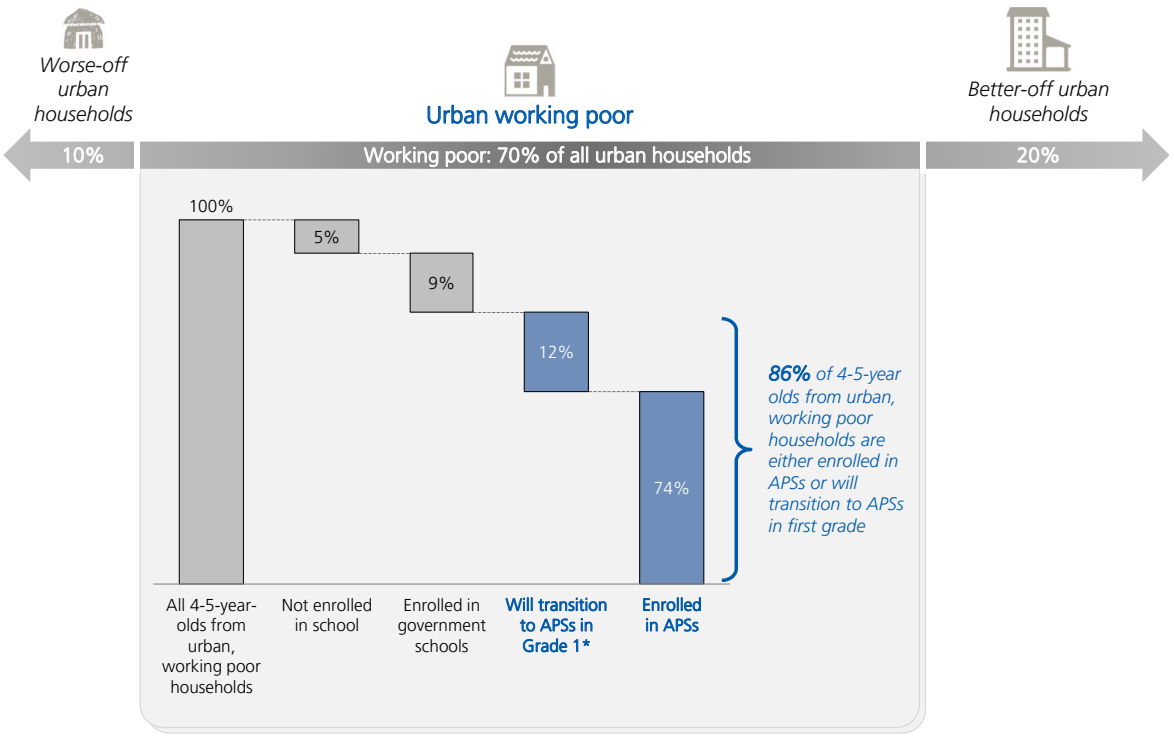
Low-income parents are investing their limited financial resources in preschooling. 90 percent of four- and five-year-olds attending preprimary classes are enrolled in a fee-charging private institution. Despite the availability of free public options, parents believe the private sector provides better quality. These parents spend an average of about 6 percent of household income on a child's preschooling. A quarter of parents are also investing in tuition classes to further support their child's academic progress, spending an additional 2 percent of household income (see Figure A).

Parents already value preschooling and are investing in it. The task ahead is to ensure children receive high-quality preschooling that will lead to better learning outcomes.

Parents Expect Preschooling to Teach English and Mathematics and Want to Know that their Child is Learning

Parents' desire for preprimary classes to teach their children English and mathematics reflects their views about which skills are needed for success in grade school and to secure a white-collar office job—an aspiration for many working poor.

FIGURE A



*Assumes that those attending a private provider without grades beyond Kindergarten will transition to an APS in first grade because they believe private schools to be of superior quality.

Parents believe preprimary classes should function in a manner similar to grade school and involve almost all of the same activities that a child would experience in first grade: 98 percent of parents wanted their child to be given homework every day, and 98 percent wanted their child to be tested regularly. These findings highlight parents' focus on practicing academic skills (through homework) and on knowing their child is doing well (through testing).

Parents want to know their child is learning **but unfortunately use the "wrong" markers for doing so.** By "wrong" markers we refer to markers that do not assess whether the child has actually learned the concept but rather test whether the child has rote learned and memorized the content. Parents use markers such as whether their children can recite numbers up to 20 or whether they can read words commonly found in their textbooks rather than whether they can pick out 12 sticks from a stack of 20 or use phonological awareness to read new words. There is a crucial gap between what parents expect their children to learn, and the markers they are using to test learning.

Parents Select the APS They Believe Provides the Best Quality, and APSs Cater to Parent Demand

Parents have four primary criteria when choosing a preschool provider:

ENGLISH-MEDIUM (I.E., ENGLISH IS THE MAIN LANGUAGE OF INSTRUCTION)

English-medium schools are believed to support the child's English skills more than those that use the local vernacular for instruction. Of the parents who had chosen a private preschool provider, 78 percent had opted for an "English-medium" provider and were paying a 28 percent premium on core preschool expenses (on fees, uniforms, and books) compared to non-English-medium private providers.

ATTACHED (PROVIDES CLASSES BEYOND PREPRIMARY)

85 percent of parents of four- and five-year-olds were sending their child to preprimary classes at an "attached" preschool provider. These providers offer classes beyond primary (i.e., they are APSs with preprimary classes), unlike a "standalone" provider. Parents want to ensure that their child gains admission into a "good" grade school and fear they may miss out unless they enroll in the preprimary classes of the desired grade school.

PROXIMITY

Parents also want the preschool provider to be close to home: 64 percent of parents were sending their children to providers within 10 minutes of travel time from home. The catchment area for preschool providers is therefore quite limited.

QUALITY

Urban low-income parents have many choices when selecting a preschool provider. Most dense, low-income communities have 30 to 40 APSs within a 2-kilometer radius, many of which are English-medium. Therefore, being English-medium, attached, and nearby are not differentiating characteristics, so quality becomes the key selection criteria: 90 percent of parents reported this as a reason for choosing their provider.

There are no formal mechanisms that parents can use to assess the quality of APSs. Word-of-mouth recommendations and the school's reputation for quality were the primary drivers behind 92 percent of parents' choice of provider.

The APS' reputation for quality, and therefore its competitiveness in the market, is heavily influenced by the academic performance of past graduates and current students. Schools widely

advertise the exam results of their tenth- and twelfth-graders, and parents look to markers that are closely related to highly-valued skills such as English to make their choice: "Does my neighbor's child who goes to this school get good grades or speak a lot of English words?"

In addition to academic outcomes, parents also look at the quality of the infrastructure, the presence of technology-enabled products such as computers and smartboards, and security measures such as whether a guard is stationed at the school.

APSs have been able to keep parents extremely satisfied by catering to what they look for. Parents reported satisfaction rates of well over 90 percent across five different aspects of quality and performance. Only 4 percent had switched providers because they were unhappy with the quality.

In order to keep parents satisfied, APSs cater to the wrong markers that parents currently use that don't test conceptual learning, such as whether the child can recite numbers and English phrases. APSs fill class time with activities such as repetitive recitation of poems and English phrases or copying down numbers from the blackboard. Activities that would support the actual learning of concepts or broader early development, such as activity-based approaches, are largely absent.

There is an Opportunity to Transform the Market

APSs currently have no incentive to move away from rote-learning practices given the high satisfaction rates they enjoy among parents. In order to provide children with quality learning opportunities, the market needs to be disrupted.

Replacing the wrong markers that parents are currently using with the "right" markers could prove to be transformational. The right markers would intuitively demonstrate the child has learned a concept and not just memorized words, without requiring parents to have a broader understanding of early childhood education. If parents were informed about the right markers, two crucial shifts would occur:

- Parents would demand APSs teach their children the concepts being tested by these markers, and
- Information about the right markers would spread as parents talk to each other about their children's education.

Given the competitive nature of the market in which APSs operate and their need to satisfy parent demands, it is likely that as more parents demand conceptual learning, more APSs will shift their practices to the activity-based approaches that support conceptual learning and the holistic early development of children.

GLOSSARY OF TERMS

Affordable Private School (APS): Educational institutions that are accessed by low-income households. APSs typically charge fees under INR 1,500 ($23) per month, and offer preprimary classes in addition to higher grade levels (for example, up to grade 10 or grade 12).

Anganwadi: Government-run centers that provide early childhood education (ECE) along with other services such as supplementary nutrition and health check-ups, typically free of cost.

Attached provider: Preschool providers in which the pre-primary classes are part of a larger grade school (for example, a K-10 or K-12 school), and graduation from Upper-KG guarantees admission into first grade at the same school.

Core preschooling expenses: The total fees paid to preschool providers and additional expenditure on uniforms and books.

Early Childhood Education (ECE): The formal education a child receives between the ages two through five. Although early childhood is typically considered to range from birth to age six, this narrower definition has been chosen to reflect the research's interest in the years when formal pre-primary education is typically provided in India.

English-medium provider: Institutions that use English rather than the local vernacular as the primary language of instruction.

Markers: Indicators or signs that parents use to assess whether their child is learning.

Preschooling/Preprimary classes: All formal educational classes prior to first grade.

Preschool provider: Institutions providing preschooling/preprimary classes.

Primary caregiver: The person in the household who is primarily responsible for ensuring the child's development and well-being on a day-to-day basis.

Program to Improve Private Early Education (PIPE): A six-year initiative run by FSG that aims to improve learning outcomes for over 200,000 low-income children annually and to set the urban APS market on the path to transforming learning outcomes.

Socioeconomic class/NCCS: The New Consumer Classification System (NCCS) is used to classify households into socioeconomic classes based on two variables: Education level of the chief wage-earner, and the number of consumer durable goods owned by the household from a predefined list of 11 durables. For a full list of variables and the exact classification system, see **http://www.mruc.net/?q=new-consumer-classification-system-nccs**.

Solution Providers: Organizations that provide educational services (for example, curriculum and teacher training) to schools.

Standalone provider: Preschool providers that do not offer classes beyond preprimary.

Stay-at-home mothers: Mothers who are not regularly going out of the home for paid work.

Tuition class: After-school coaching/tutorial classes that provide extra academic support to children.

"Working poor" households/Low-income households: Households belonging to socioeconomic classes D1 to A3 under the New Consumer Classification System (NCCS). These households constitute the middle 70 percent of urban India and have an average monthly household income of between INR 9,000 and INR 20,000. The term "low-income household" has been used interchangeably with the term "working poor."

INTRODUCTION

India's progress toward achieving the Millennium Development Goal of instituting universal primary education has been remarkable, with a net enrollment ratio in primary education of over 94 percent today.[1]

Despite these considerable developments toward access, learning outcomes are poor. An assessment conducted in three Indian states found that only 35 percent of ninth and tenth graders were able to read at a level expected of a fourth grader, and learning outcomes were poor in both government and Affordable Private Schools (APSs).[2]

There are two important elements missing in current attempts to address these unsatisfactory outcomes:

First is the lack of attention being given to APSs[3] despite their dominant role in serving low-income families across urban India: 86 percent of low-income, urban children in India attend these private schools,[4] and there is no indication this trend is likely to reverse. The working poor households to which these children belong constitute 70 percent of urban India—a significant majority that cannot be forgotten. While free, high-quality public education would be ideal, the reality is that parents are choosing private schools for their children because they believe them to be of superior quality. The response to poor learning outcomes cannot leave children in private schools behind.

The "working poor" or low-income households constitute 70 percent of urban India. 86 percent of low-income, urban children attend Affordable Private Schools.

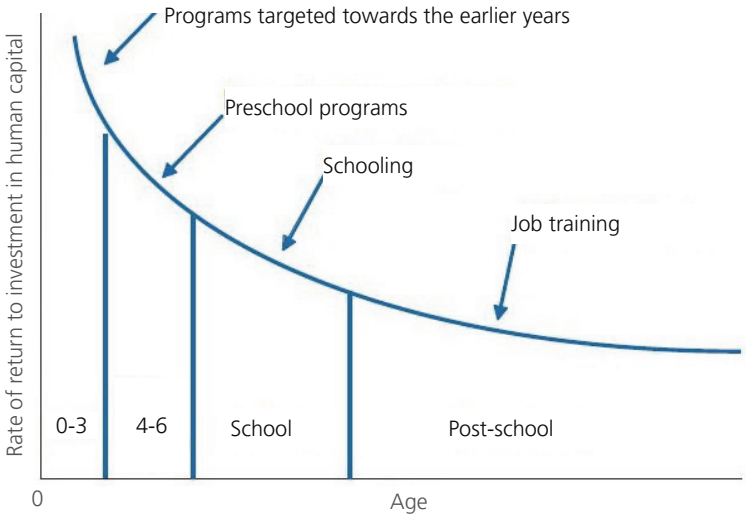
1 Unicef. *Millennium Development Goals*, **http://unicef.in/WhoWeAre/MDGs**, accessed 18 July 2017.

2 Educational Initiatives, *Strengthening Innovation and Practice in Secondary Education through a Benchmarking Study of Student Learning Outcomes*, Working Paper 15 (2016).

3 Loosely defined as private schools charging less than (or close to) INR 1,500 per month ($23).

4 Based on research presented in this white paper, 95 percent of all four- and five-year-old children from working poor households are enrolled, and 90 percent of them are going to a private provider. Most other estimates of private provision relate to all of urban India, and hence, are much lower than the estimate presented here which pertains only to the working poor in urban India. See Sections 2, 3, and Appendix A for details and references to other estimates.

FIGURE 1. HECKMAN CURVE—RATE OF RETURN TO HUMAN DEVELOPMENT ACROSS AGES[5,6,7]



Returns to a unit dollar invested at different ages, assuming one dollar initially invested at each age

The second element missing in current attempts to address unsatisfactory learning outcomes is the **missed opportunity to apply one of the most powerful levers for improving learning outcomes: early childhood education (ECE)** delivered through high-quality preprimary classes. While the current focus of the field is on primary schooling, the preprimary years (ages three through five) are when children learn critical pre-literacy and pre-numeracy skills that can lay the foundation for grade school and help improve learning outcomes throughout their K-12 education. Organizations such as the World Bank[8] have published numerous examples of the impact of preschooling from across the world: For example, in Bangladesh, children who received some form of organized preschooling outperformed peers in a control group by 58 percent on a standardized test for school readiness. Interventions in the early childhood years also have a higher rate of return for each dollar invested relative to interventions directed at older children (see Figure 1).

5 J. Heckman and D. Masterov, *The Productivity Argument for Investing in Young Children*, Working Paper 5, Invest in Kids Working Group, Committee for Economic Development (2004).

6 Department of Children and Youth Affairs, Govt. of Ireland, The Heckman Curve: Returns to a Unit Dollar Invested, [image] (2004), available at: **https://www.dcya.gov.ie/viewdoc.asp?DocID=2612, a**ccessed 24 July 2016.

7 The Heckman Curve is a stylized representation of the rates of return to investment at different ages.

8 S. Naudeau, N. Kataoka, A. Valerio, M. Neuman, and L. Elder, *Investing in Young Children: An Early Childhood Development Guide for Policy Dialogue and Project Preparation*, World Bank (2011).

Children from low-income households see greater impact from high-quality preprimary classes. Research demonstrates that cognitive abilities are strongly affected by the quality of home environment and stimulation children are exposed to from birth onwards.[9] Disparities in home environment between low-income and wealthier households—for example, the lexical richness and sentence complexity of language heard at home—put children from low-income households at much greater risk of falling behind, even before they begin grade school. In Ecuador, a study showed that while differences in vocabulary among three-year-olds were generally small, by age six children in less wealthy households had fallen significantly behind their counterparts in wealthier households.[10] High-quality preschooling can help address these early disparities.

Unfortunately, the current quality of preschooling being provided to children from low-income households is extremely poor and can sometimes even be detrimental.[11,12] There is a strong focus on rote memorization of academic concepts (such as alphabets and numbers) and a strict disciplinarian approach that interrupts natural paths of learning and development. Activity-based approaches that support the actual learning of concepts through activities and experimentation are largely absent.[13]

The effects of poor-quality preschooling were evident in our research.[14] We found that over 54 percent of children entering first grade in APSs could not pick out the correct number of objects corresponding to numbers from 10 to 20 (for example, picking 13 pencils from a stack of 20), and 78 percent of children could not read three simple, three-letter words.

One of the keys to spreading high-quality preschooling is understanding what parents value when it comes to their child's preprimary education and how they choose a preschool provider. In *The Preschool Promise*, we present the beliefs and behaviors uncovered in our research in order to aid funders, practitioners, and other stakeholders working to improve K-12 outcomes for low-income children in India. Through our research, we have identified several key implications for practice, which are outlined in Section 5.

While our research focused on preprimary education, many of the insights presented in this white paper are also important for the APS sector in general as parents' beliefs and behaviors also span the later school years and as preprimary classes are the typical entry point into APSs.

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9 L. Fernald, P. Kariger, and A. Raikes, *Examining Early Child Development in Low-income Countries: A Toolkit for the Assessment of Children in the First Five Years of Life*, World Bank (2009).

10 C. Paxson and N. Schady, "Cognitive Development among Young Children in Ecuador: The Roles of Wealth, Health, and Parenting, *Journal of Human Resources* 42(1) (2007), pp. 49-84.

11 Based on FSG's experience with low-cost ECE providers and interactions with ECE experts in India.

12 CECED, ASER, and Unicef, *Policy Brief: The India Early Childhood Education Impact Study* (2017). Note: This study relates to rural areas of three Indian states.

13 When we mention high-quality preprimary practices and high-quality preschooling programs in this white paper, we are referring to activity-based approaches that provide developmental benefits across the cognitive, physical, and socio-emotional domains.

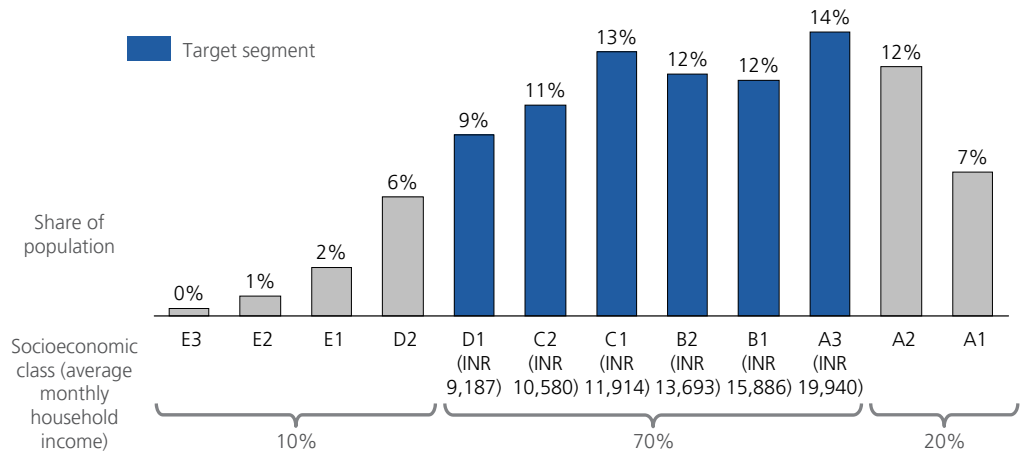
14 Based on testing of 254 grade 1 students at APSs and government schools, using an adapted IDELA tool. Separate from the research on which this white paper is based. Details available at **http://www.fsg.org/PIPE**.

Research Focus: Low-Income, Urban Parents

Our research focused on urban India's low-income households, also referred to in this white paper as the "working poor." These households constitute the middle 70 percent of urban India in terms of socioeconomic class; only 10 percent of households are worse off.[15,16] At the lower end, our target households were in blue-collar employment, daily-wage labor, petty trade, or other similar informal work. At the upper end, the chief wage-earner may own a small business, such as a local corner store, or do low-paid clerical work (see sidebar for illustrative profiles). Our target segment reported earning an average monthly household income of between INR 9,000 ($138) and INR 20,000 ($308).[17,18]

Our focus households constitute the middle 70 percent of urban India in terms of socioeconomic class; only 10 percent of households are worse off.

FIGURE 2. DISTRIBUTION OF HOUSEHOLDS BY SOCIOECONOMIC CLASS IN CITIES WITH 1 MILLION+ POPULATION[19]



15 The research selected households belonging to socioeconomic classes D1–A3 according to the New Consumer Classification System (NCCS), which is based on education level and household assets and is correlated with income. See Appendix A for details.

16 Data from the Indian Readership Survey (IRS),) 2014, conducted by the Media Research Users Council.

17 Self-reported incomes. The actual reported average in the D1 class was INR 8,352 and INR 18,127 in the A3 class. However, as self-reported incomes tend to be lower than actual, we estimate INR 9,000 and INR 20,000 to be closer to the actual averages for D1 and A3 classes, respectively. All self-reported incomes presented in this white paper have been adjusted by 10 percent to account for this downward bias.

18 All INR to $ conversions based on a nominal exchange rate of 1 $ = 65 INR.

19 Distribution of households in cities with populations less than 1 million is similar: 68 percent lie between D1–A3; 22 percent are worse-off; and 9 percent are better-off.

ILLUSTRATIVE PORTRAIT: HOUSEHOLD INCOME OF INR 20,000 PER MONTH, FAMILY OF FIVE[20]

Deepak works in the finance department of a small logistics company in Delhi six days a week. His shift starts at eight in the morning and for the next ten hours, he patiently tends to incoming bills, creates invoices, and helps out with whatever else is needed in the office. Cigarettes used to be a welcome break, but after he had children and his expenses grew, he had to switch to a cheaper brand that he doesn't like as much. It's tedious work, but at least it's indoors in a proper office: he's done better than a lot of his college classmates who are either struggling to keep their small corner shops going or are working to find a job that pays even as much as his does.

Still, Deepak struggles to make ends meet. His landlord keeps raising his rent every year for the small one-bedroom flat his family of five live in, though he already pays INR 4,000 (20 percent of his income). His mother's recent diabetes diagnosis has stretched the household finances to near breaking point. With no health insurance and almost no savings, Deepak sometimes has to make difficult choices between getting his two young children what they need and spending money on his mother's medications. Before the diabetes diagnosis, things were a little easier. He even managed to save up enough to buy a small fridge on credit two years ago. The washing machine his wife wants will have to wait, as will the rear-view mirrors for his old, second-hand scooter.

20 Fictional, for illustrative purposes only.

Estimates suggest urbanization in India is expected to double to 60 percent of the population over the next three decades.[21] This steady increase in the number of urban parents underscores the importance of understanding their perspective on preschooling in order to improve outcomes. And because urban trends in education are often followed by similar trends in rural India, being able to influence urban parents will have an impact across the country.

Close to half of urban India lives in cities with populations of over one million people. Our research focused on eight cities with these population levels, including five "metro" cities with populations of over five million people each and three relatively smaller cities with populations of between one and two-and-a-half million people each.

In general, the research population appeared fairly homogenous in terms of beliefs and behaviors across geography, city sizes, income levels, and between genders. Instances where interesting variations existed have been highlighted in the findings.

In general, the research population appeared fairly homogenous in terms of beliefs and behaviors across geography, city sizes, income levels, and between genders.

21 "India's urbanization likely to be 60% in 3 decades: Panagariya," Times of India, April 27, 2016, **http://timesofindia.indiatimes.com/business/india-business/Indias-urbanization-likely-to-be-60-in-3-decades-Panagariya/articleshow/52008570.cms** accessed 18 July 2017.

ILLUSTRATIVE PORTRAIT: HOUSEHOLD INCOME OF INR 9,000 PER MONTH, FAMILY OF FOUR[22]

Deepti hates the slum in Hyderabad she lives in. It's crowded and dirty, and they have to pay INR 2,000 for the one room that she and her two children live in with her husband. The room is bare except for some mats to sleep on, a small cupboard, a kerosene stove, and a small color television with a damaged speaker. Bathrooms are 50 meters away, and she does laundry in a narrow street out front. At least back in her village, Deepti had space and didn't have to pay rent.

Deepti's husband Rahul tries to do the best he can financially for the family. He works as a daily wage laborer often on construction sites or with a moving company. The work is backbreaking and unreliable—Rahul never knows whether he will get enough work in a month to make ends meet.

Their two children are their priority. Rahul makes sure he buys a few vegetables so that his children can eat something healthy at least a few times a week. Deepti and Rahul work hard to make sure they have INR 1,000 every month to pay in school fees. They don't always succeed and sometimes have to ask the principal for more time—like during the last monsoon when work was particularly hard to come by.

Deepti worries about her father back in the village. He is old and needs looking after, but Rahul says they can't bring him to Hyderabad—they can't afford the extra space or the extra mouth to feed. Deepti understands. Once her children are educated and get good professional jobs, she hopes things will get easier. For now, they just need to make sure they keep paying the school fees every month.

22 Fictional, for illustrative purposes only.

Research Approach

For the purposes of this research, we defined early childhood as ages two through five. Although early childhood is typically considered to range from birth to age six, our narrower definition focused on the preschool years when formal preschooling is typically accessed in India.

Research cities

We interviewed 4,407 low-income, urban parents of children between the ages two through five using the following methods:

- Qualitative interviews with 108 parents to develop a deep and holistic understanding of beliefs and behaviors
- Quantitative "listing" interviews with 4,299 parents to quantify selected aspects of behavior and screen respondents for more detailed, "structured" interviews
- Quantitative, "structured" interviews with 2,010 parents to quantify broader aspects of both behavior and belief. These were conducted with a subset of respondents in the "listing interviews" who were sending their child to a preschool provider charging between INR 300–INR 1,200 per month ($5–$18)

Details about which quantitative data points have been sourced from "listing and structured" interviews are provided in Appendix A.

All final outputs from the research and methodology (including questionnaires) are available at **http://www.fsg.org/PIPE**. Details about the methodology are also provided in Appendix A of this white paper.

SECTION 1: WHAT IS EARLY CHILDHOOD EDUCATION? THE PARENTS' PERSPECTIVE

How Does a Child Develop in the Early Years and Who is Responsible?

Early childhood development consists of three distinct but interrelated domains: physical, socio-emotional, and mental (including cognitive and linguistic). Understanding how parents think about their child's early development in each of these domains is useful in several ways:

- It can help in designing interventions that parents will embrace. Interventions that leverage parents' pre-conceived ideas of development could gain traction quicker than those that require parents to dramatically revise their beliefs.
- For funders and practitioners seeking to change parent attitudes and behaviors, a sense of where gaps exist in parents' understanding of early childhood development could help identify where efforts should be focused.

In general, parents were most aware of what it means for their child to be developing physically and were least aware of socio-emotional development, but important gaps in parents' understanding existed across all three domains.

DEVELOPMENT AS WHAT IS VISIBLE

For parents, the signs of early childhood development were primarily **physical**. Parents looked for obvious signs of physical growth, such as increases in height and weight, and cited signs such as whether the child was regularly outgrowing his or her clothes. Parents believed that ensuring physical development was primarily their responsibility as it was linked closely to nutrition, which parents saw as something they provide.

Parents also looked for some basic and easily noticeable signs of **mental** development, such as the child reading and writing, counting, asking more questions, expanding vocabulary, and increasing his or her ability to understand instructions. However, unlike physical development, parents saw mental development primarily as the responsibility of the school. While parents believed they could support the process by ensuring the child attended school and completed her homework, they considered mental development as something that happened in school and was driven by teachers.

PARENT PERCEPTIONS ON THE BENEFITS OF PLAY

Play is incredibly important for the holistic development of preschoolers. Role-playing using imagination helps build cognitive skills, interacting with other children develops critical socio-emotional skills, and playing sports helps gross and fine motor development.

We asked parents whether they believed play was important for their preschool-aged child's development.

94 percent of parents believed that outdoor play could be good for the child's physical development. The physical activity involved in most outdoor play—running, jumping, riding—were all things they felt could help their child grow physically and become stronger.

"It's good for my son to ride a bicycle. It will help him grow taller and stronger."

88 percent of parents also believed that some indoor play could be beneficial. While parents did not like the amount of time children were spending in front of the television (an average of 1.5 hours a day), they approved of games on mobile phones or tablets, especially if they were of an educational nature involving English words or numbers (children spent an average of 25 minutes per day on these devices).

"These mobile apps keep my daughter busy. I'm happy that she actually enjoys solving math problems because the app is like a game."

There was recognition among parents that children needed a break from their schoolwork. Play was therefore important in terms of helping children refresh and concentrate better on their academics.

GAPS IN WHAT PARENTS LOOK FOR

Socio-emotional development did not emerge in conversations with parents without prompting. This aspect of development could potentially be a significant gap in terms of parents' conception of early childhood development. Once prompted, parents mentioned good manners, the ability to make friends, and the ability to express preferences as signs that a child was developing emotionally and socially. However, they did not actively look for key aspects such as whether the child is able to identify and express emotions, empathize, and resolve conflicts. Parents did not view socio-emotional development as something that required active support by either parents or educators. Rather, they saw it as occurring naturally as the child grew older and interacted with more people, in sharp contrast to their beliefs around mental and physical development, which had to be actively supported.

Parents' conception of early physical and mental development did not include a number of critical aspects. For example, parents did not look for **physical development** of fine motor skills—movements using small muscles such as holding a pencil or picking up small objects. Fine motor skills are essential building blocks for basic academic skills such as handwriting—a skill highly prized by parents.

Parents' conception of **mental development** did not include crucial pre-math and pre-literacy skills that form the bedrock of successful performance in grade school. For example, parents did not mention the child's ability to match or group similar objects together—a skill necessary for basic arithmetic operations and geometry. Similarly, while parents did look for the child's ability to understand instructions, they did not mention equally important aspects such as the child's attention span when listening or ability to focus on a particular task.

Schooling in the Early Years

Parents view the child's formal schooling as starting well before he or she enters grade school, with the child typically expected to begin attending an academic institution between the ages of two and three.

Parents currently think of pre-grade-school education as having two distinct stages: two years of pre-kindergarten (pre-KG) followed by two years of kindergarten (KG).

Pre-kindergarten is typically thought of as being attended by children who are two to three years of age and is considered an early introduction to basic academic concepts and habits. The first pre-kindergarten year is often referred to as playschool and the second as nursery.[23] While both these pre-KG years involve learning alphabets, numbers, and poems, parents perceive

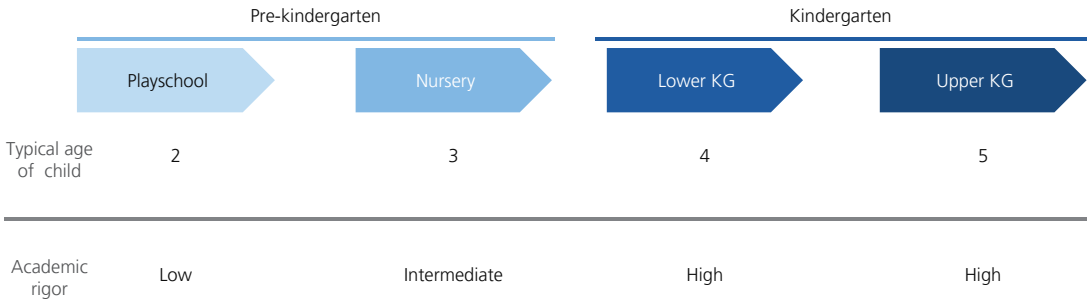
23 Terminology varies across different areas of India.

pre-KG to be less rigorous than the later years of preschool, with more time for play (which is not typically thought of as a learning activity).

Kindergarten is thought of as involving much greater academic rigor compared to pre-KG and is deemed to be essential preparation for grade school. The first year of KG is commonly referred to as lower-KG (LKG) and the second year as upper-KG (UKG).[24] Parents expect children of ages four to five to be enrolled in KG classes.

In this white paper, **we refer to playschool, nursery, lower-KG, and upper-KG classes collectively as either preschooling or preprimary**. We refer to institutions providing these classes as preschool providers.

FIGURE 3. PARENTS' CONCEPTION OF PRESCHOOLING



24 Terminology varies across different areas of India.

DOES THE MOTHER'S LEVEL OF EDUCATION MATTER?

Mothers are seen as having primary responsibility for a child's development and wellbeing (96 percent reported that the mother was the child's primary caregiver). With 94 percent of mothers within the socioeconomic group being stay-at-home mothers, they are often the parent who most interacts with her child.

Given this, does a mother's level of education affect her beliefs and behaviors around education or influence the home environment of her child?

As compared to mothers who had not attended fifth grade, those who had attended college reported spending close to 50 percent more time on average interacting with her child, either playing, reading, or talking. This type of interaction has been shown to provide great developmental benefits in a child's early years.

College-educated mothers were also more likely to believe that play had developmental benefits (78 percent versus 65 percent) and were more likely to have children who spent more time playing (63 minutes of outdoor play per day on average versus 47 minutes).

THE INDIAN SCHOOL SYSTEM

India has the largest school system in the world, with around 260 million students and around 1.5 million schools.[25] These include schools run by the government (central, state, and local), which are generally free, and fee-charging private schools. Some private schools are "private-aided-schools" that receive financial aid from the government in return for charging low fees. Many APSs catering to India's working poor do not receive government aid.

While around 1.1 million schools are run by the government,[26] 86 percent of India's urban working poor send their children to APSs.[27] Private provision is also increasing in rural areas.[28]

Although all private schools in India are required by law to be registered as not-for-profit trusts or societies, much of the APS sector functions in the manner of a small or medium-sized for-profit enterprise.

Indian children between the ages of six and fourteen have a constitutionally guaranteed right to free education, but this right does not extend to preprimary education. A National Early Childhood Care and Education policy was adopted by the central government in 2013 to improve access and quality of ECE. However, the policy saw little implementation on the ground, as there were no laws compelling adherence to the policy.[29]

Education policies and regulations vary widely between states. Jurisdiction over education is shared between the central and state governments, but responsibility for implementation lies primarily at the state level. Several regulations are aimed specifically at private schools. In the state of Tamil Nadu, for example, a 2009 law[30] mandates that private schools' fees be fixed once every three years by a district committee. At the central level, India's Right to Education Act (RTE) requires private schools to meet a number of standards related to infrastructure and teacher qualifications. Those that do not meet these standards can be fined or shut down.[31] Implementation of regulations is often very poor. Estimates suggest

25 Ernst & Young and FICCI, *Private Sector's Contribution to K-12 Education in India: Current Impact, Challenges and Way Forward*, FICCI-Ernst & Young Report (2014), **http://www.ey.com/Publication/vwLUAssets/role-of-private-sector-on-K-12-education-in-India/$FILE/EY-role-of-private-sector-on-K-12-education-in-India.pdf**.

26 V. Jha, "*The numbers don't add up*," India Development Review (IDR) (2017), **http://idronline.org/the-numbers-dont-add-up/** accessed 9 August 2017.

27 Based on research presented in this white paper, 95 percent of all four and five-year-old children from working poor households are enrolled, and 90 percent of them are going to a private provider. Most other estimates of private provision relate to all of urban India, and hence, are much lower than the estimate presented here which pertains only to the working poor in urban India. See Sections 2, 3, and Appendix A for details and references to other estimates..

28 G. Kingdon, *The Emptying of Public Schools and Growth of Private Schools in India*, Report on Budget Private Schools in India, Centre for Civil Society (2017), pp.12-31.

29 Details about this policy and its implementation are available at **www.fsg.org/PIPE**.

30 Analysis of School Fee Regulation in India (2014), Centre for Civil Society.

31 M. Madhavan and K. Sanyal, *Regulations in the Education Sector*, India Infrastructure Report: Private Sector in Education, Routledge (2013), pp.3-16.

THE INDIAN SCHOOL SYSTEM (CONTINUED)

that less than 10 percent of schools are fully compliant with RTE standards.[32]

Learning outcomes are a serious challenge. The two Indian states that were selected by the government to participate in PISA 2009, an assessment conducted annually by the OECD to evaluate education systems worldwide, had some of the lowest scores in reading literacy, mathematical literacy, and scientific literacy amongst all 75 participating countries and economies, including Georgia, Venezuela, and Moldova.[33]

The quality of teachers is a key concern for many in the education sector. In 2012, a commission appointed by the Supreme Court identified various issues, including poor regulation of Teacher Education Institutes, outdated curriculum and pedagogy for teacher training, and a lack of practical exposure for aspiring teachers.[34]

The Indian education sector, particularly the APS sector, lacks quality assurance mechanisms. There are no formal quality certifications or comparison systems, either public or private, that low-income families can use to assess the quality of schools.

32 D. Nawani, "Right to Education: Are We on the Right Track?" *Economic and Political Weekly*, 52, no. 31 (2017).

33 M. Walker, PISA 2009 *Plus Results: Performance of 15-year-olds in Reading, Mathematics and Science for 10 Additional Participants* (Melbourne: ACER Press, 2011). Note: Results based on surveys in two states in India—Himachal Pradesh and Tamil Nadu.

34 High-Powered Commission on Teacher Education Constituted by the Hon'ble Supreme Court of India, *Volume 1: Vision of Teacher Education in India: Quality and Regulatory Perspective*, Government of India, Ministry of Human Resource Development, Department of School Education and Literacy (2011).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SECTION 2:
IS PRESCHOOL IMPORTANT? WHAT PARENTS BELIEVE

Low-income families across urban India are enrolling their children in preprimary classes. Our research found that 96 percent of five-year-olds, 94 percent of four-year -olds, and even 45 percent of two-year-olds were enrolled in a preprimary class.

> 96 percent of five-year-olds, 94 percent of four-year olds, and even 45 percent of two-year-olds were enrolled in a preprimary class.

Children were attending preprimary classes in a formal setting with a defined educational curriculum. They were at the preschool provider for an average of 4.4 hours a day, at least five days a week. These high rates of enrollment in "formal" preschooling—especially in a context where the state does not legally require it—indicate that low-income parents value preschooling and consider it an important experience for their child.

When asked why they had enrolled their child in preprimary classes, the response by 90 percent of parents related to improving their child's future academic prospects.[35] This motivation was the same across income levels. Parents overwhelmingly see preschooling as crucial groundwork required before entering first grade.

> For 90 percent of parents, the reasons for preprimary enrollment were related to improving future academic prospects.

This strongly academic motivation could help explain the lower enrollment rates for two-year-olds, who typically attend playschool classes perceived to be less academically rigorous relative to four- and five-year-olds, who typically attend KG classes that are perceived to have a greater academic focus.

35 Parents provided multiple responses. For 90 percent of parents, at least one of the responses related to the child's future academic prospects.

Parents saw preschooling as preparing children for grade school in two particular ways:

1. **Learning basic academic skills:** 66 percent of parents reported that they had enrolled their children in preprimary classes because it would help teach them the basic academic concepts and skills required in grade school.[36] As described in Section 1, parents think of preschooling as an introduction to academic concepts such as alphabets and numbers. The main difference between grade school and preprimary is the extent to which the same academic concepts are covered. For example, while the national curriculum guidelines in India recommend that numbers up to 100 be taught in second grade,[37] preprimary classes often teach children to recite the numbers up to 50 in LKG and up to 100 in UKG.
2. **Developing habits required in grade school:** This was the first reason stated for preprimary enrollment by a quarter of parents, and 65 percent of parents included this goal as one of several reasons. Parents believe that children need to form certain habits in order to succeed in grade school, including doing homework, taking tests, being away from home, and sitting quietly in a classroom. For parents, preschooling provides an important opportunity for children to form these habits prior to grade school.

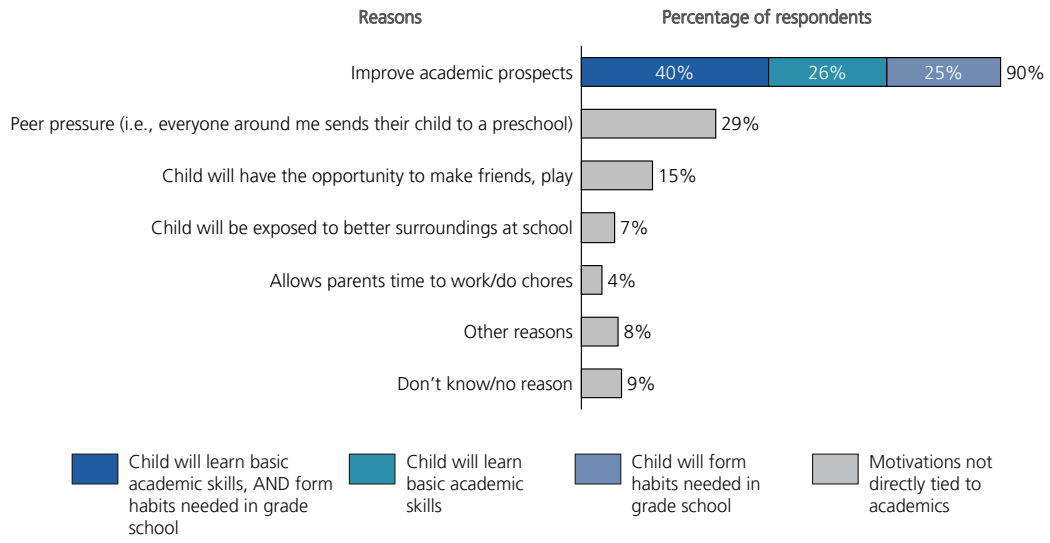
Peer pressure also plays a significant role in the decision to enroll children in preprimary classes. Nearly a third of parents reported that one of the reasons for preprimary enrollment was because most other children of a similar age in the neighborhood were also enrolled. This finding could have important implications for practitioners seeking to identify channels of influencing parental behavior. First, it suggests that parents are extremely keen to ensure their child does not get "left behind" other children in their peer group, either academically or otherwise. Second, it suggests that parents are aware of, and even look to, the behavior of others within their community when making decisions about their own child.

Nearly a third of parents reported that one of the reasons for enrollment was because most other children of a similar age in the neighborhood were also enrolled.

36 Teaching basic academic concepts and skills was one of multiple responses.

37 NCERT, *Syllabus for Classes at the Elementary Level* (2006), **http://www.ncert.nic.in/rightside/links/syllabus.html**, accessed 24 August 2017.

FIGURE 4. REASONS FOR PREPRIMARY ENROLLMENT[38]



Parents also reported that schools reinforced the view of preschooling as a prerequisite for grade school by insisting that children complete kindergarten prior to joining first grade.[39] If the child completes kindergarten at a different institution, the school may give the child an entrance exam that tests basic academic skills and have the child repeat kindergarten if he or she does not pass this exam.

Interestingly, day-care was not a significant reason for preprimary enrollment. Only four percent of parents reported giving themselves time to work or complete chores as a reason for enrollment, and only one percent had it as their first response. One likely explanation for this could be that 94 percent of mothers in the sample were reported to be stay-at-home mothers who may not have required day-care services.

Other reasons for preprimary enrollment were also mentioned that were not directly tied to academics, including allowing children the opportunity to make friends and a belief that the school provided a cleaner, safer environment than at home.

38 Parents provided multiple responses to the question "Why did you enroll your child?"

39 Emerged strongly during qualitative interviews, not during quantitative.

What Preschooling Should Entail

Parents believe preprimary classes should function in a manner similar to grade school and should involve almost all of the same activities that a child would experience in first grade. This is unsurprising given the overwhelmingly academic motivations behind preprimary enrollment and the view of preschooling as first grade done earlier. Low-income parents are also unlikely to have been exposed to alternatives to traditional rote learning, such as activity-based approaches.

Parents think of preschool as first grade done earlier.

We asked parents about their preferences for including two common grade school activities in preprimary classes: daily homework and regular exams. 98 percent of parents wanted their child to be given homework every day, driven primarily by a belief that homework could help reinforce the academic lessons learned in class. Parents also responded that it was important for children to form the habit of doing homework as it would be required in grade school and noted that homework was preferable to the child "wasting time" at home.

98 percent of parents also wanted their child to be tested more frequently than once every six months, while 90 percent wanted their child to also be ranked against their classmates. In addition to reemphasizing parents' conception of preprimary as an extension of grade school, this finding also supports the insight on peer pressure: parents want to ensure their child is keeping up with and, ideally, doing better than his or her peers.

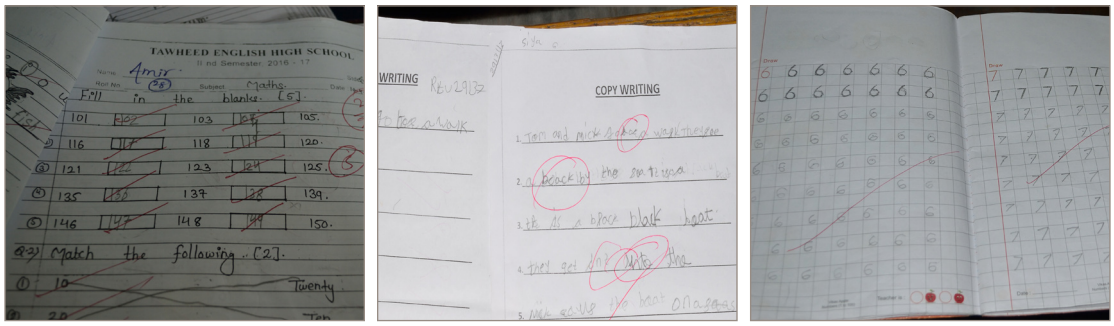
98 percent of parents wanted their child to be given homework every day and to be tested more frequently than once every six months, while 90 percent wanted their child to also be ranked against their classmates.

It is important to note that the way these activities are typically delivered in Indian preprimary classes is often developmentally inappropriate. Homework, for example, focuses on copying extensive amounts of texts with penalties for deviation in style, while exams tend to focus on repeating rote-learned material in an environment that could be stressful for the child.

When it comes to actual content and subject matter, parents have a strong desire and expectation that preprimary classes will teach their children English and mathematics. This likely reflects not only their views about which skills are necessary for success in grade school, but also their views about which skills are required to secure a white-collar office job—an aspiration for most low-income parents.[40]

Parents have a strong desire and expectation that preprimary classes will teach their children English and mathematics.

Parents are keen to know whether their child is learning, but unfortunately use the "wrong" markers for doing so. By "wrong" markers, we are referring to markers that do not test whether the child has actually learned the concept but rather test whether the child has rote-learned and memorized the content. Parents check whether children can recite English alphabets, phrases, and poems, but not whether they can read new words or apply the phrases they are reciting in conversation. With mathematics, parents use markers such as whether children can recite up to 20 or fill out the number two when presented with one plus one; rather than whether they can pick out 12 from a stack of 20 or actually understand why one plus one equals two. There is a crucial gap between what parents expect their children to learn and the markers they are using to check whether children are learning.



Homework and exams tend to focus on repetitious rote-learning.

40 Based on FSG's experience with low-income households since 2006. The research presented in this white paper did not explicitly ask parents about future aspirations for their children.

A TYPICAL DAY AT AN AFFORDABLE PRESCHOOL PROVIDER[41]

Subhash is four years old and is unsure about his Lower-KG class at The Modern School in Mumbai. He loves meeting his friends at school, but he often gets bored because the teacher won't let him speak to them. The most common phrase he hears in class from his teacher is "Finger on lips! No talking in class."

The rest of the day in class is boring. Every day, the teacher makes the students recite the same English alphabets, phrases, and the same numbers. Subhash wonders what some of the phrases like "The cat is under the table" mean. He doesn't think he's allowed to ask the teacher, but there doesn't seem to be a problem as long as he repeats it loudly enough.

The teacher draws the alphabets and numbers on the blackboard and Subhash has to copy them down—he gets smiley faces if he copies them down right.

The best part of the day is reciting the English poems, when he can sing loudly, stand, and move a little near his desk—there isn't much space to move around though. The classroom is barely 8 feet by 10 feet and must squeeze in 30 children, a teacher, desks, chairs, and a small cupboard.

The worst days are when there is a test. Subhash doesn't like when everyone goes quiet, and he worries the teacher will scold him if he gets something wrong. While the teacher checks their answers, Subhash is not even allowed to lift his head off the desk. It is no fun.

41 Fictional portrait, for illustrative purposes only.

SECTION 3: THE INVESTMENT PARENTS MAKE IN PRESCHOOLS

Choosing to Go Private

A key finding was that 87 percent of parents who had enrolled their child were choosing to invest in a private preschool provider rather than opting for free public options.

> 87 percent of parents who had enrolled their child chose to invest in a private preschool provider.

This finding has important implications for funders and practitioners:

- Efforts to improve the quality of preschooling must address the private sector.
- Parents are already investing in preschooling. Convincing low-income families to spend on a product or service they do not already pay for is challenging, given their limited financial resources. As parents are already paying, the task ahead is one of improving the quality of preschooling rather than the harder task of convincing parents to invest.

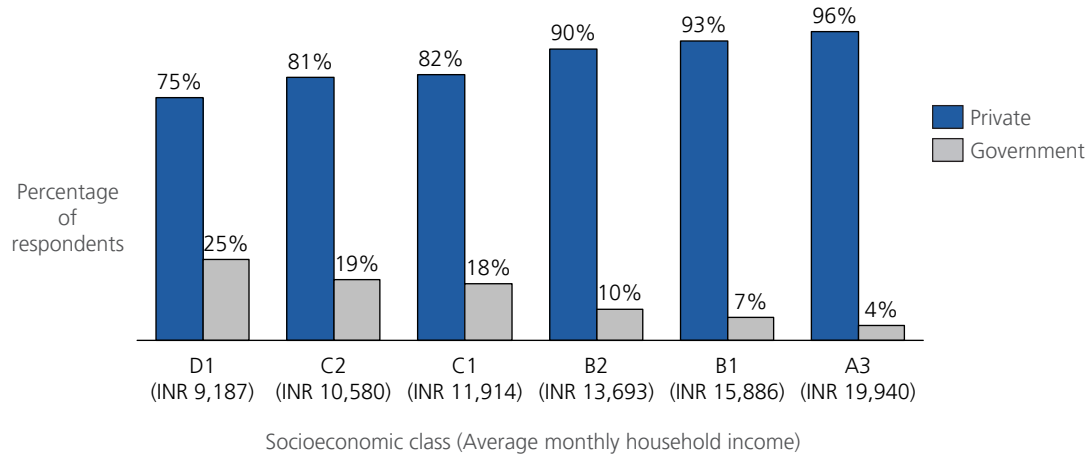
The proportion of parents investing in private preschool providers increased from 77 percent for two-year-olds to 90 percent for parents of four- and five-year-olds. As incomes increase and parents are better able to afford a private option, they become more likely to choose private preschool providers over the free options (see Figure 5).

Parents were choosing private providers because they believed government provision (typically through government centers called *anganwadis*[42]) to be of poor quality (including suffering from teacher absenteeism); and as not providing adequate training in English (the local vernacular is typically the language of instruction in government schools). Our qualitative findings on this are supported by a recent study published by the Center for Civil Society which found that over 75 percent of parents who had chosen private schools over government schools had done so because they believed the quality of private schools to be superior; and roughly 15 percent had done so because English was the medium of instruction in private schools.[43]

42 ECE is typically provided free of cost at local government-run centers called *anganwadis*. These centers also provide other services such as supplementary nutrition and health check-ups. Some states such as Maharashtra have a subset of public schools which do provide preprimary classes.

43 Joshi, R. and Kumar, S. (2017). *Understanding Consumer Demographics for Primary Unaided Private Schools*. Report on Budget Private Schools in India. Centre for Civil Society, pp.32-41.

FIGURE 5. PREVALENCE OF PRIVATE PRESCHOOLING BY SOCIOECONOMIC CLASS



The predominance of private provision is not due to an absence of public options in urban areas. Subsequent research by FSG[44] found that public options were in fact available—physically present and functional, i.e., open six days a week for three to four hours each day—in the localities where parents were choosing private providers.[45]

Low-income parents are investing about six percent of household income per child on core preschooling related expenses.

A Substantial Investment

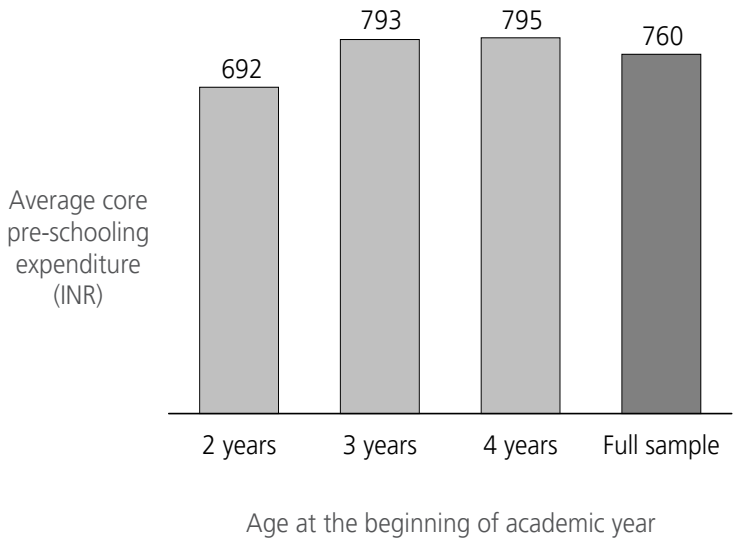
Parents choosing private preschool providers were typically investing about six percent of household income per child on core preschooling related expenses (fees, uniforms, and books). Given that the average household had two children, during their school years we estimate total investment on education to be over 12 percent of household income. Parents invested more as the child grew older and moved from playschool through kindergarten.

Accurately estimating parents' investment in preschooling is challenging. Fee structures can be extremely complicated at private preschool providers, and parents often do not have an accurate sense of exactly how much they pay over a full academic year. Private providers typically charge a base monthly fee along with several additional fees such as "activity fees," "prize day fees," "exam fees," and others. The specific fees that are charged and their frequency vary across

44 Based on research in Ahmedabad, Delhi, and Hyderabad. Included field visits to 5–-6 low-income localities in each city (a subset of the localities where quantitative research for this white paper was conducted), 78 field interviews, 5 expert interviews, and extensive desk research. This research was separate from the research on which this white paper is based.

45 It is however possible, however, that parents do not feel that *anganwadis* provide preprimary education, and see them only as centers for nutrition and health.

FIGURE 6. CORE PRESCHOOLING EXPENDITURE BY AGE



schools. Based on our research, we estimate that the total fee payments to the school are 28 percent higher than the base-fee quoted by a parent.

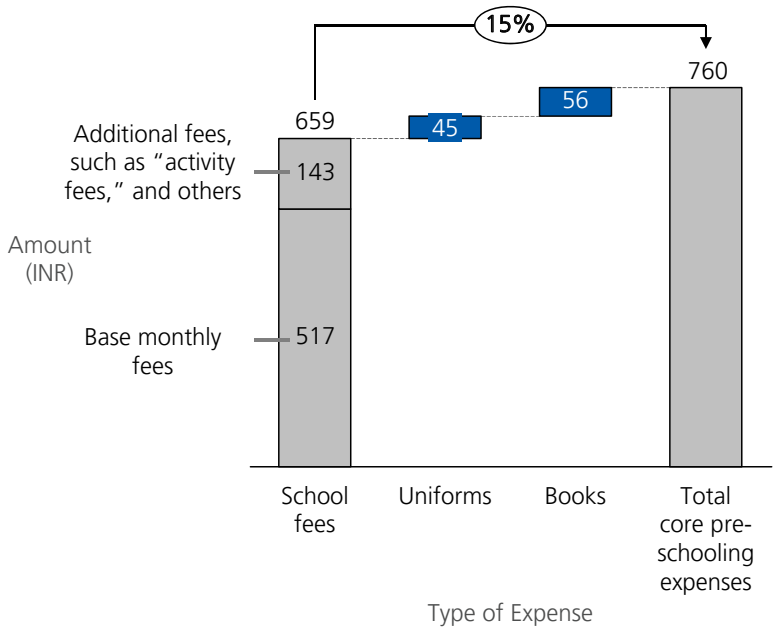
After all fees are accounted for, parents pay a school's base-fee plus an additional 28 percent.

Core preschooling expenses go beyond school fees and also include necessities such as uniforms and books, which we estimate add a further 15 percent on average to the cost of preschooling.

For the 23 percent of parents who are spending on transport for their child to attend school, transportation expenditure adds a further 51 percent of core preschooling expenses to the total cost, or an additional 4 percent of household income per child. Interestingly, we found that parents from lower socioeconomic classes were less likely to be spending on transport (10 percent of D1 parents versus 27 percent of A3 parents)[46] and that transportation spending becomes more prevalent as the child grows older (20 percent of three-year olds versus 26 percent of five-year olds).

46 D1 and A3 refer to socioeconomic classifications. Refer to Appendix A for details.

FIGURE 7. AVERAGE CORE PRESCHOOLING EXPENSES BY TYPE OF EXPENSE



Tuition classes, after-school coaching/tutorial classes that provide extra academic support to children, were a notable additional expense for many parents. Over a quarter of parents were investing in tuition classes for their three- to five-year-old child and were paying the tuition-class provider roughly 34 percent of what they were paying as core expenses (fees, uniforms, and books), increasing their share of household income spent on preschooling from 6 percent to 8 percent. As shown in Figure 8, households from lower socioeconomic classes were spending a larger share of household income on tuition. For a household from the lowest socioeconomic class in our sample (i.e., D1), the share of household income spent on education could be as high as 16 percent (or 8 percent per child), assuming the household had two children enrolled in a private school, and both children were attending tuition classes.

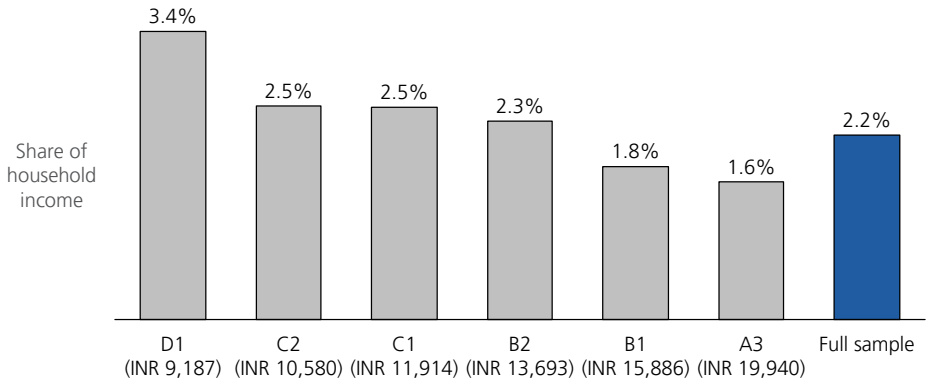
Over a quarter of parents were investing in tuition classes for their three to five year old child.

Less-educated mothers were more likely to send their child for tuition classes.

Interestingly, less-educated mothers were more likely to send their child for tuition classes compared to their more-educated, often wealthier counterparts who may feel more able to support their children with their academic work at home.

89 percent of parents who sent their children for tuition classes reported that it was to reinforce lessons and to help with the child's school work (often the homework that had been assigned by

FIGURE 8. SHARE OF HOUSEHOLD INCOME SPENT ON TUITION CLASSES BY SOCIOECONOMIC CLASS

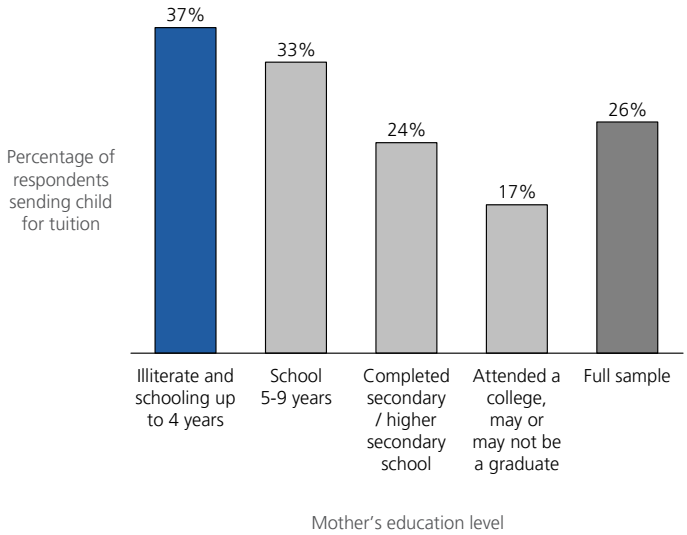


the preschool provider); poor quality of the main preschool was not a driver. Children attended tuition classes six days a week for two hours a day; 34 percent of their parents said children would "waste time" at home if they didn't go, another indicator that parents often view time spent on non-academic activities, including play, as a "waste."

Because of parents' perception that academic rigor increases with the child's age, it was unsurprising to find that four-year-olds were more likely to be enrolled in a tuition class compared to two-year-olds (31 percent versus 17 percent).

Low-income parents are clearly investing a significant amount of money to ensure their child gets the best possible preschooling they can afford. By understanding how they make these investment decisions, we can identify opportunities to direct those investments toward high-quality preschooling. In the next section, we will explore how parents choose where to invest.

FIGURE 9. PREVALENCE OF TUITION CLASSES BY MOTHER'S EDUCATION LEVEL



GENDER DIFFERENTIALS

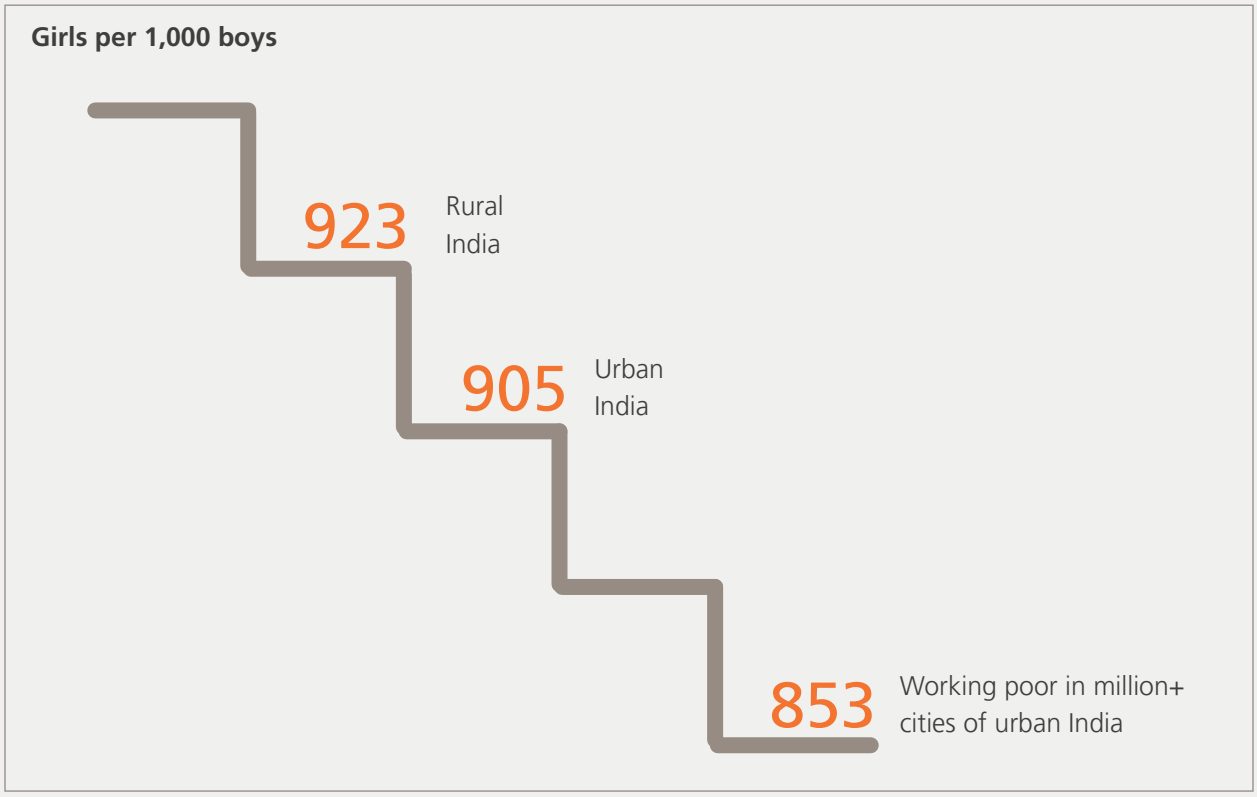
We did not identify any disparities in preschool enrollment rates by sex. 80 percent of girls and 78 percent of boys were attending preprimary classes.

Their parents' investment in private preschooling was also roughly equal: 85 percent of girls and 89 percent of boys enrolled in preprimary classes were with private providers. The average monthly fees paid for preschooling were also nearly equal between the two sexes.

Parents agreed on why they were sending both their boys and girls to preprimary classes: they wanted their children of both sexes to have a head start for grade school.

Our data relates to the child's early years and does not address how gender differentials may play out as children progress through grade school.

However, our research suggests that the child sex ratio gap among the working poor in million+ cities of urban India could be wider than both the urban and rural averages reported in the 2011 census. According to the 2011 census, the child sex ratio in rural areas of the country was 923 girls per 1,000 boys aged zero to six years, and 905 girls per 1,000 boys in urban areas. The ratio of two- to six-year-old girls to boys within our sample was just 853 girls per 1,000 boys, with some areas of the country showing wider gaps than others. The western cities of Rajkot (735), Ahmedabad (746), and Mumbai (828) had some of the lowest ratios, along with the northern capital city of Delhi (832). Interestingly, the southern city of Coimbatore had more girls than boys, with 1,044 girls per 1,000 boys.



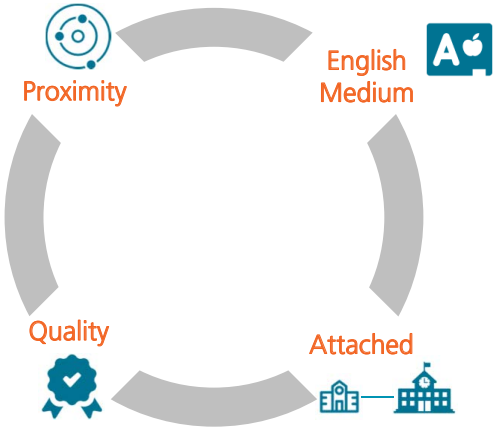
SECTION 4: CHOOSING A PRESCHOOL: HOW PARENTS DECIDE WHERE TO INVEST

Low-income parents are investing heavily in their children's preschooling. By understanding what drives parents to choose one preschool provider over another, we can identify areas to implement improved learning activities. These interventions would not only be developmentally appropriate, but would also appeal to parents in a crowded market.

Because preprimary is the typical entry point into APSs, many of the beliefs and behaviors around school selection that we describe in this section relate to the APS market in general, not only to preprimary.

Primary Requirements

Parents have four primary requirements in mind when choosing a preschool:



The research did not reveal a consistent ranking between these four requirements, and the findings presented below are in no particular order.

ATTACHED

Private preprimary classes are provided by two types of providers:

1. **Attached**: The preprimary classes are part of a larger grade school (for example, a K-10 or K-12 school). A key feature of an attached preschool is that graduation from upper-kindergarten guarantees admission into first grade at the same school. **APSs with preprimary classes are attached providers,[47] as are government schools which provide preprimary classes in addition to higher grades.**

2. **Standalone**: The provider does not offer classes beyond preprimary.[48]

Drivers of behavior: The preference for attached providers is driven by a number of factors:

- Parents believe the "good schools" may not have space in their first-grade classes, as the school would prioritize students who had enrolled at the preprimary level.

"If I hadn't enrolled her into the KG class, they wouldn't have let her into their first grade."

- Parents reported that some schools require students who complete preprimary at a different institution to take an entrance exam to demonstrate academic readiness for first grade. Parents seek to avoid the risk of their child being asked to repeat UKG by enrolling him or her in the preprimary classes of the desired grade school.

- Nearly 40 percent of parents also reported being asked for "admission fees"[49] by preschool providers.[50] These fees can sometimes be as high as INR 10,000 ($154). Parents therefore prefer attached providers where they are required to pay this fee only once (on entry) rather than a standalone school where they may have to pay the admission fee again to an APS (where they enroll their child after the standalone preschool).

Behavior: 85 percent of parents of four- and five-year-olds are choosing to send their children to an attached provider. This trend of choosing an attached provider is evident even with parents of children as young as two and three years old.

85 percent of parents of four- and five-year-olds are choosing to send their child to an attached provider.

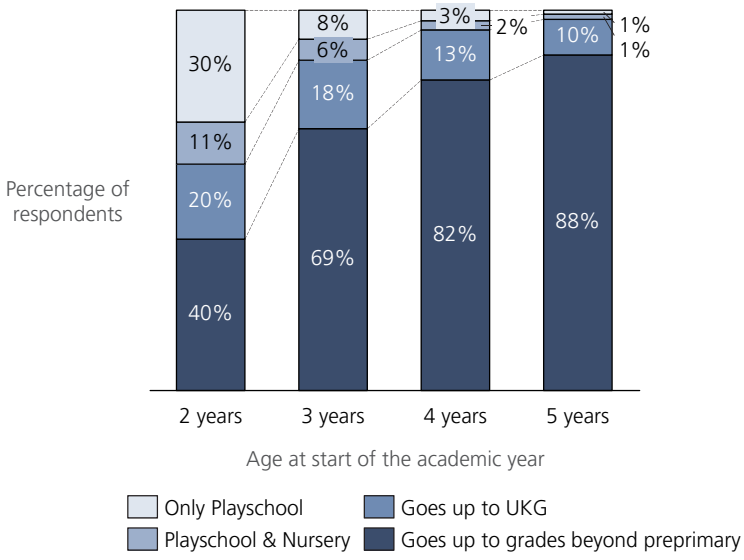
47 Attached providers accessed by low-income households typically charge fees less than INR 1,500 ($23).

48 Typically not part of a preschool chain or franchise, but small independent providers.

49 A one-time payment made to secure enrollment at the institution.

50 39 percent of parents who had chosen attached and 26 percent of parents who had chosen a standalone provider were asked for admission fees.

FIGURE 10. CHOICE OF ATTACHED VERSUS STANDALONE PROVIDERS BY AGE



Schools that offer classes up to tenth and twelfth grade are able to command a substantial premium for their preschool classes (see Figure 11).

FIGURE 11. AVERAGE MONTHLY FEE BY HIGHEST GRADE AVAILABLE AT THE PRESCHOOL PROVIDER

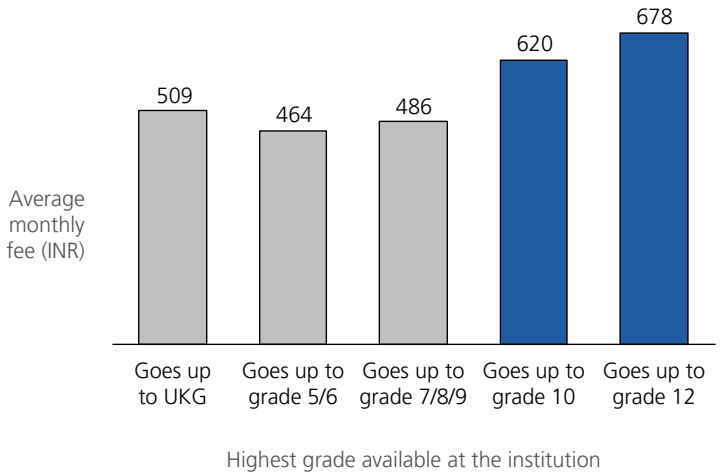
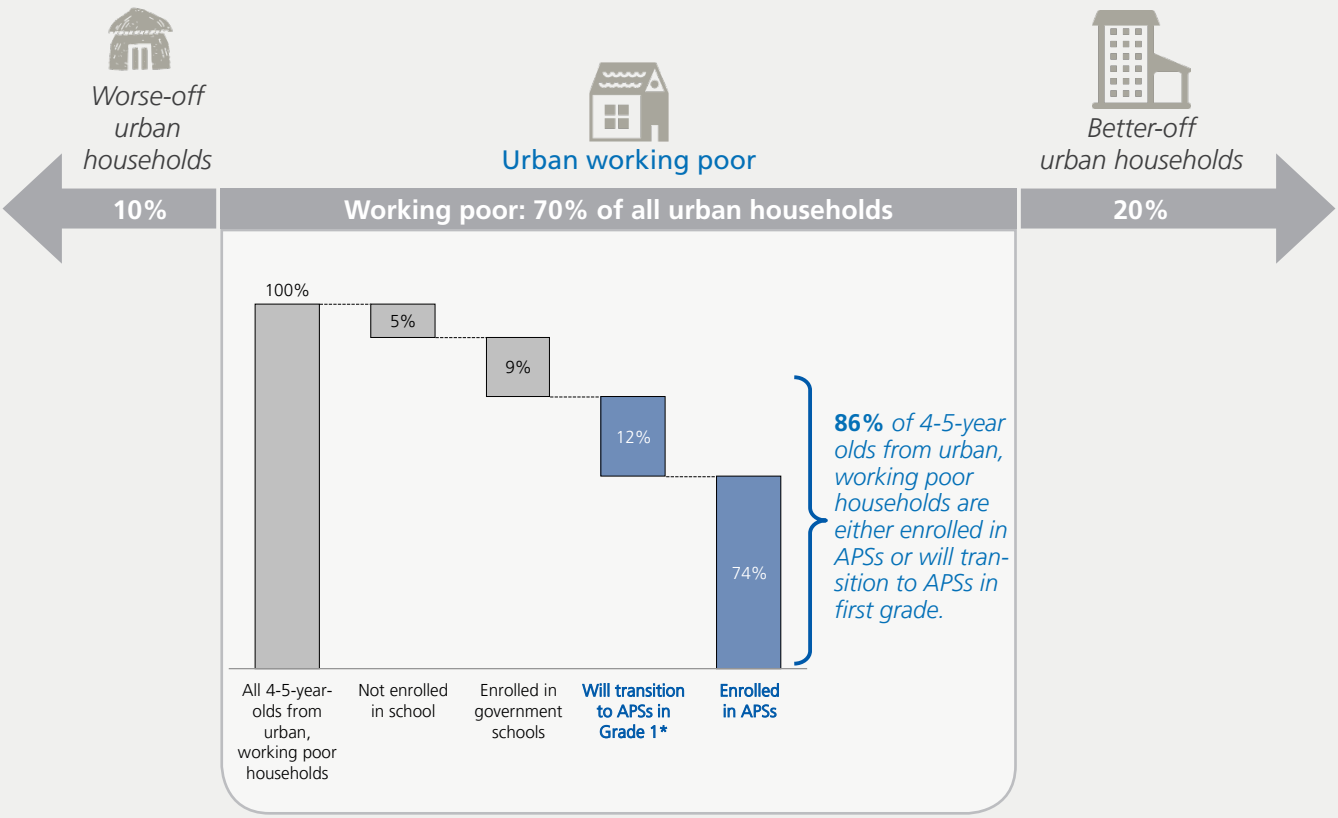


FIGURE 12. SHARE OF URBAN, LOW-INCOME CHILDREN ATTENDING APS



*Assumes that those attending a private provider without grades beyond Kindergarten will transition to an APS in first grade because they believe private schools to be of superior quality.

These findings suggest that standalone preschool providers must adequately address parents' concerns about entry into a "good" grade school in order to compete in the low-income segment of the market.

Opportunity: Preschool quality improvement for children from low-income households must include APSs, as this is where the vast majority of parents choose to send their children.

ENGLISH-MEDIUM

An "English-medium" school is one that uses English as the primary language of instruction rather than the local vernacular—though typically all urban private schools offer English as a subject.

Drivers of behavior: Parents strongly prefer providers that brand themselves as "English-medium" because of the perception of greater exposure to English and therefore better preparation for the English language demands of both grade school and white-collar jobs.

Despite the branding, we have discovered that many "English-medium" APSs[51] will often use other languages.

Behavior: Of the parents who had chosen private providers, 78 percent of parents had opted for an English-medium provider and were paying a 28 percent premium on core preschool expenses compared to non-English-medium private providers.[52] This proportion rises to 95 percent when parents from the state of Gujarat, which is an outlier in this regard, are excluded. Government schools are not typically English-medium—as shown in Section 3, this is a contributing factor to enrollment in private schools (in addition to the primary reason of government schools being perceived to be of poor quality).

> Of the parents who had chosen private providers, 78 percent of parents had opted for an "English-medium" provider and were paying a 28 percent premium on core preschool expenses.

Opportunities: Interventions that address parents' desire to provide their children with better English skills are likely to be something that parents are willing to invest in.

PROXIMITY TO HOME

Drivers of behavior: Parents strongly prefer providers that are close to home for two primary reasons, both of which are related to the young age of the child:

1. Parents expressed the need to be able to reach the child quickly in case of an emergency.
2. Parents did not think it appropriate for young children to be travelling long distances and worried about the child tiring on the journey.

> "I want to be able to pick him up and bring him home quickly if he falls ill. His father won't be at home, so I'll have to walk to him."

Behavior: 64 percent of parents were sending their children to providers within 10 minutes of travel time from home, while another 34 percent had chosen a provider between 11 and 30 minutes away. Preschooling is clearly a highly localized market with preschools competing for a limited number of children within a small locality.

51 Based on FSG's work with over 60 APSs across five cities as part of the Program to Improve Private Early Education (PIPE) (separate from the customer research on which this white paper is based). See Appendix B for details on PIPE.

52 78 percent of parents who had chosen private providers *and* had been included in the structured interviews as they were paying fees of between INR 300 and INR 1,200. See Appendix A for details on structured interviews.

QUALITY

90 percent of parents reported the quality of the preschool provider as a reason for selecting it. However, there are no formal certification systems or rating systems, either by the government or private entities. Parents must instead rely on a variety of methods to form an opinion about the quality of preschool providers.

90 percent of parents reported the quality of the preschool provider as a reason for selecting it.

Choosing the Best

Urban, low-income parents have many choices when selecting a preschool provider for their child. Most dense, low-income communities have 30 to 40 APSs within a 2-kilometer radius.[53] Given this abundance of APSs, three of the primary selection criteria (English-medium, attached, and proximity) are easily met. How do parents then select for the remaining criterion, quality?

Word-of-mouth recommendations and the school's reputation for quality were the primary drivers behind 92 percent of parents' choice of provider. The strength of these two factors was further highlighted by the finding that 90 percent of parents had not visited more than two providers before enrolling their child. This strongly suggests that parents use recommendations and local reputation to narrow down their list of options. How then does a provider build a strong local reputation and earn recommendations?

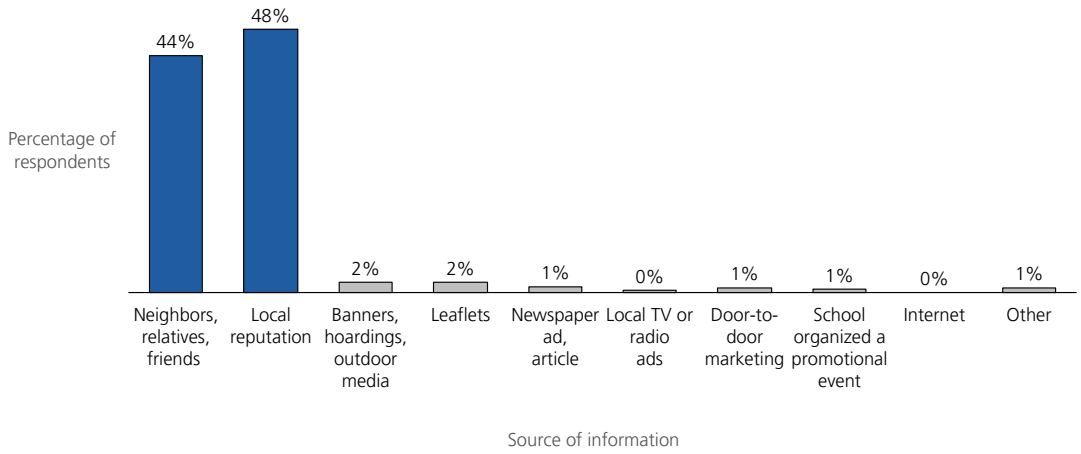
Word-of-mouth recommendations and the school's reputation for quality were the primary drivers behind 92 percent of parents' choice of provider.

To parents, the **perceived academic performance of past graduates and current students** is incredibly influential and is therefore one of the most important contributors to a provider's reputation. Schools widely advertise their tenth- and twelfth-grade students' board exam results[54] to signal their academic quality to parents. Parents also use grades of current students and other signs that are closely related to certain highly valued skills such as English and mathematics: does my neighbor's child who goes to this school speak a lot of English words? If he does, then the school must be teaching him well.

53 Gray Matters Capital, *Affordable Private Schools (APS) Sector Analysis Report – 2012*.

54 Similar to GCSEs or International Baccalaureate; for the APSs, these are typically conducted by government state-level boards.

FIGURE 13. SOURCE OF INFORMATION WHICH MOST INFLUENCED CHOICE OF PRESCHOOL PROVIDER



In addition to academic outcomes, parents also look at the size and condition of the premises (e.g., does the building have a fresh coat of paint); the presence of technology-enabled products, such as computers and smartboards; and security measures, such as whether a guard is stationed at the school.

Schools widely advertise their students' board exam results to signal the school's academic quality.

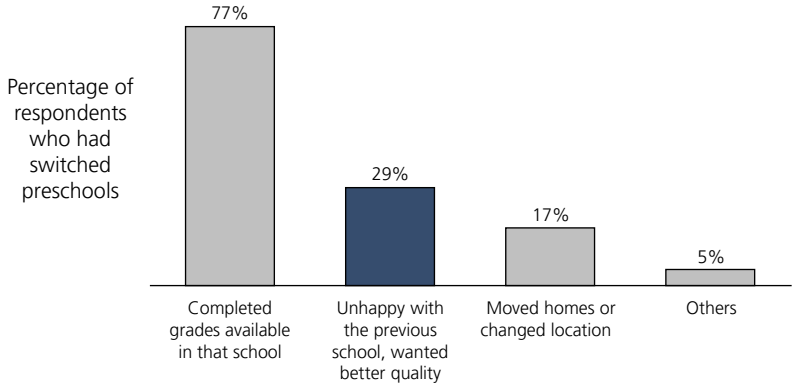
Choosing to Stay

Parents were overwhelmingly satisfied with the preschool they had chosen. Only 14 percent of parents reported that they had switched their child's preschool provider. The most common reasons for switching were either because the provider did not offer classes beyond the grades already completed or because the family was moving to a different neighborhood.

Only 29 percent of parents who had switched providers reported being dissatisfied with the previous provider as a reason for switching their child's preschool (see Figure 14).

In fact, satisfaction rates with the current preschool provider were well over 90 percent across five different aspects of quality and performance (see Figure 15).

FIGURE 14. REASONS FOR SWITCHING PRESCHOOL PROVIDER



Because private preschool providers cater to the wrong markers that parents currently use to assess whether their child is learning, they are able to maintain exceedingly high levels of parent satisfaction.[55] We describe in Section 2 some of these wrong markers, such as the ability to recite and write English alphabets, recite English poems, and recite numbers. Preprimary classes at private providers are designed to meet precisely these wrong markers, with class time filled predominantly by activities such as repetitive recitation of poems and English phrases or copying down numbers from the blackboard. The right markers that would test whether the child has learned the actual concept—such as whether the child understands the cardinal value of a number—are largely unaddressed in these classrooms because parents do not currently look for them, and teachers do not know how to teach them.

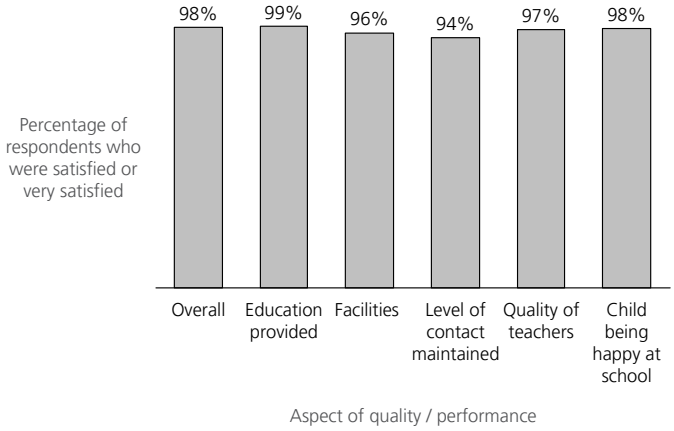
Private preschool providers cater to the wrong markers that parents currently use to assess whether their child is learning.

Most children at APSs would not do well if parents used the right markers: We found that over 54 percent of children entering first grade in APSs could not pick out the correct number of objects corresponding to numbers from 10 to 20 (for example, selecting 12 pencils from a stack of 20), and 78 percent of children could not read three simple three-letter words.[56]

55 Based on FSG's work with over 60 APSs across five cities as part of the Program to Improve Private Early Education (PIPE) (separate from the customer research on which this white paper is based). See Appendix B for details on PIPE.

56 Based on testing of 254 first grade students at APSs and government schools, using an adapted IDELA tool. Separate from the research on which this white paper is based. Details available at **http://www.fsg.org/PIPE**.

FIGURE 15. SATISFACTION WITH CURRENT PRESCHOOL PROVIDER



Private providers also meet parent expectations in terms of emulating activities typically associated with grade school, such as assigning daily homework and exams. 90 percent of parents reported that their child was given homework every day, and 91 percent reported their child was given an exam more frequently than once every six months.

Despite a desire from 90 percent of parents to see their child ranked among their classmates, only 23 percent were. Our work with APS owners[57] suggests that this is likely because APSs recognize that parents may grow dissatisfied if their child is ranked poorly in class and may take it as a sign that the APS is not teaching well. This situation can be avoided by assigning non-ranked results and giving most children good grades. And since parents view grades of current students as a sign of good quality teaching, grade inflation can improve the reputation of the school.

90 percent of parents reported that their child was given homework every day, and 91 percent reported their child was given an exam more frequently than once every six months.

57 Based on FSG's work with over 60 APSs across five cities as part of the Program to Improve Private Early Education (PIPE) (separate from the customer research on which this white paper is based). See Appendix B for details on PIPE.

MORE INSIGHTS AVAILABLE ONLINE

Our research covered several aspects of parents' beliefs and behavior that are not included in this white paper including the size of the market for affordable preschooling in urban India, what parents expect from a preschool provider after enrollment, how parents monitor the performance of the pre-school provider after enrollment, and how parents and preschool providers engage and communicate. Findings from these areas include the following:

- Preprimary classes with a lower student-teacher ratio do not command a fee premium.
- Parents are concerned about the child's safety at school. When assessing whether a preschool provider is suitable, they observe signs such as whether the school leaves the gates unlocked or whether there are unsafe balconies.
- Parents consider the manner in which the teacher interacts with the child (whether she is gentle and "motherly") as more important than the teacher's formal qualification.
- Picking up and dropping off the child at school is a key interaction point between parents and teachers, where information about matters such as academic performance, the child's behavior, or homework is exchanged.
- Parents reported being willing to attend—and pay for—a parenting class if it would help them support their child in terms of academics.

Details about these and other insights are available at **http://www.fsg.org/PIPE**.

SECTION 5: IMPLICATIONS FOR PRACTICE

These findings highlight opportunities to spread high-quality educational practices among low-income households in India, in preschooling as well as the broader K-12 system. Below are implications for practice meant for funders, practitioners, and other stakeholders who are working to address the challenge of poor learning outcomes in India. This is not intended to be an exhaustive list, but rather a set that encourages thought and discussion:

- **Need to support children in APSs**: 86 percent of the urban, working poor households—who constitute 70 percent of urban Indian households—are sending their children to APSs because they believe the private sector provides better quality education than the public sector. There are no indications that this trend will change. However, learning outcomes at APSs are poor, and children at APSs must not be left behind. There is a need to improve quality at APSs.
- **Need to disrupt the APS market**: Despite poor learning outcomes, APSs are able to keep parents satisfied by catering to what parents currently look for—the wrong markers, like the recitation of numbers and English phrases, or technology-enabled products that signal good infrastructure, such as smartboards. APSs therefore have little incentive to move away from traditional rote-learning approaches. Over 90 percent of parents are satisfied with the current quality of preschooling, and transforming learning outcomes will require disrupting this status-quo.
- **Opportunity to leverage existing demand for preschooling**: The benefits of high-quality preschooling are widely recognized within the education sector: It lays the foundation for grade school and improves outcomes throughout the K-12 system. In addition, interventions in the early childhood years have the highest rate of return per dollar invested. Parents already prioritize their child's academic success, with 95 percent of four- and five-year-olds enrolled in preprimary classes, and parents investing around 6 percent of household income on core preschooling expenses. Parents do not need to be convinced of the importance of high-quality education, making the task ahead much easier.
- **Opportunity to drive demand for quality by introducing the right markers**: Parents care deeply about whether their child is learning the skills that will help him or her succeed, but unfortunately use the wrong markers to assess learning. Introducing parents to the right markers (those that would intuitively demonstrate the child has learned a concept and not

just memorized content) without requiring them to have a broader technical understanding of early childhood education would put pressure on APSs to deliver conceptual learning. For example, parents will expect the child to understand the cardinal value of the number and not just recite the number. As APSs need to keep parents satisfied to be competitive, they are likely to meet this demand.

- **Opportunity to support broader child development by emphasizing skills parents already value**: Activity-based approaches are the best means of teaching skills that parents value (such as English and mathematics) because they teach actual concepts rather than prioritize memorization. Importantly, they also provide a range of developmental benefits that parents may not currently value as much, such as the ability to work in teams or have empathy.
- **Opportunity to spread quality through word of mouth**: Parents actively talk to each other about their child's education. As described in Section 4, word-of-mouth recommendations were some of the strongest drivers of preschool provider choice; nearly a third of parents reported peer pressure as one of the reasons for preprimary enrollment. Word of mouth can be used to spread information about a range of topics linked to academics, including the right markers, APSs that are teaching concepts and not just memorizing content, and the importance of activity-based approaches.
- **Opportunity to help parents support their child at home**: If parents are provided with simple activities they can do at home with their children, that are clearly linked to right markers, they are likely to use them because they want to help their child do well academically and because they are keen to use after-school hours for academic purposes. With most mothers being stay-at-home mothers, home activities are also more feasible.

We hope that the findings and implications presented in this white paper serve to draw attention to the immense opportunity to transform learning outcomes for India's working poor through high-quality preschooling. We share one specific approach to leveraging this opportunity—FSG's Program to Improve Private Early Education (PIPE)—in Appendix B to illustrate how these findings can be applied in practice. Additional findings from PIPE's research and work are shared in Appendix C.

APPENDIX A: RESEARCH METHODOLOGY

The research presented in this white paper was carried out to understand the behaviors and beliefs of low-income parents regarding their child's early childhood education (ECE). The research investigated the complete "buying process" for preschooling including demand origination, demand activation, information gathering, selection, purchase and payment, and post-purchase behavior. The questionnaires used for the research are available online at **http://www.fsg.org/PIPE**.

For the purposes of this research, we defined early childhood as the ages two through five, although early childhood is technically typically considered to range from the ages zero to six. This narrower definition was chosen to reflect the research's interest in the years when formal ECE is typically provided in India.

The research employed both quantitative and qualitative techniques. The approach used to identify low-income households differed between the qualitative and quantitative research, and those differences and rationales are detailed below.

Qualitative Research

OBJECTIVES

The primary objective of the qualitative research was to gain a holistic and deep understanding of parents' beliefs and behavior with regards to their child's ECE, through interviews with parents.

Key insights gained through the qualitative research were tested further and quantified through quantitative research.

SCOPE

- 108 parents with a child between the ages of two and five who was enrolled in an ECE program outside the home
- Parents from low-income households, defined as households with self-reported monthly household incomes of between INR 10,000 ($154) and INR 25,000 ($385)
- 3 cities: Rajkot, Hyderabad, and Kolkata

RESEARCH DESIGN

The qualitative research consisted of in-depth family interviews and focus-group discussions.

IN-DEPTH FAMILY INTERVIEWS

In-depth interviews were conducted with both parents present, at their residence.

Four in-depth interviews were conducted in each of the three cities. In each city, two of the in-depth interviews were conducted with households earning between INR 10,000–INR 15,000 per month and the remaining two with households earning between INR 20,000–INR 25,000 per month.

FOCUS-GROUP DISCUSSIONS

Focus-group discussions were held with mothers and fathers separately and were conducted outside parents' residences.

Four focus group discussions were conducted in each city—two groups with mothers and two groups with fathers. In each city, one of the groups with mothers and one of the groups with fathers consisted of individuals from households earning monthly incomes between INR 10,000–INR 15,000 per month. The remaining groups consisted of individuals from households earning between INR 20,000–INR 25,000 per month.

SAMPLING TECHNIQUE

A non-random sample of respondents was recruited from low-income neighborhoods through a market research agency.

Quantitative Research

OBJECTIVES

- Test further and quantify a subset of insights obtained from the qualitative research
- Size the market for affordable ECE in urban India, defined as spending by low-income households on preprimary education

SCOPE

- 4,299 parents with at least one child who had completed a second birthday but not yet reached age six
- Parents from low-income households, defined as households falling into the socioeconomic classes of D1–A3 as per the New Consumer Classification System (NCCS). See below for further details on NCCS

- Eight cities, five of which had populations greater than 5 million people (Ahmedabad, Delhi, Hyderabad, Mumbai, and Kolkata) and three with populations between 1 and 2.5 million (Coimbatore, Nagpur, and Rajkot)

RESEARCH DESIGN

The quantitative research consisted of two different types of interviews—a shorter "listing" interview with all 4,299 parents and a longer "structured" interview with a subset of 2,010 parents.

LISTING INTERVIEWS

These were brief interviews with a larger sample of households compared to the structured interviews, with the objective of collecting data on the following key areas:

- Prevalence of ECE (whether children were attending an ECE program outside home)
- Financial investment in ECE by households (fee paid to preschool provider)
- Type of ECE being accessed by target households (private or public)
- Socio-economic classification data (self-reported income, occupation, other demographic details)

STRUCTURED INTERVIEWS

These were more extensive interviews conducted with a subset of parents who were included in the listing interviews. These were designed to collect quantitative data on insights from qualitative interviews relating to the following areas:

- Home environment
- Beliefs around early childhood education and development
- Purchasing behavior (how parents choose a preschool provider)
- Expectations and monitoring behavior once the child is enrolled in a preprimary class
- Interactions with the preschool provider

Structured interviews were conducted with those households from the listing interviews that met three additional criteria:

- Had at least one child who had turned three but not yet reached six years of age
- The child had accessed ECE outside the home for at least eight months
- And the monthly fee to the preschool provider for the child was between INR 300–1,200 ($5–$18)

The additional criteria were included to ensure that interviewees had adequate experience engaging with their child's preschool provider and therefore could provide richer data relative to

parents who had not yet interacted with a preschool provider over a significant period of time. The fee criteria allowed the research to focus on beliefs and behaviors of parents who were already spending above a minimum threshold on ECE—and therefore made questions about buying behavior more pertinent to them—but not beyond what could typically be expected of a low-income family.

Sampling Technique

A quota was set for the number of households from each NCCS class in the listing interviews. This quota was in proportion to the actual distribution of households in the target cities (as per Indian Readership Survey 2014),[58] resulting in a self-weighted sample.

A random sample of target households were then selected using the following method:

- 50 neighborhoods were selected in a random manner in each target city from a list that excluded "outlier" neighborhoods that were pre-identified as either the wealthiest or poorest neighborhoods in the city based on previous field knowledge.
- Using a municipal list of households, a starting address was identified in each neighborhood using systematic, circular, random-sampling methods.
- Starting from the first household thus identified, listing interviews were conducted with 10 households around each starting address.
- Structured interviews were conducted with eligible respondents from the listing interviews.
- Additional interviews were conducted where required, in order to get enough eligible respondents to meet the sampling quota for the various NCCS classes while still ensuring randomness of the recruited households.

NCCS

NCCS is used to classify households into socio-economic classes based on two variables: education level of the chief wage earner, and number of consumer durable goods owned by the household from a predefined list of 11 durables. For a full list of variables and the exact classification system, see **http://www.mruc.net/?q=new-consumer-classification-system-nccs**.

The rationale for using NCCS class in place of household income for the quantitative research was two-fold:

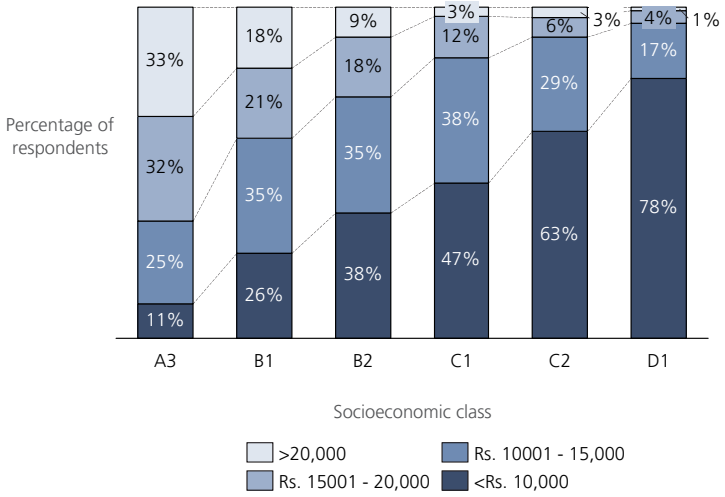
- Absence of data on the distribution of households by income in urban India, which meant findings from the research could not be extrapolated to the larger population, as we could not determine what proportion of the total population our target segment represented

58 Media Research Users Council (MRUC), Indian Readership Survey 2014.

- Biases in self-reported incomes by households (typically downward biases where households tend to underreport incomes)

Our research shows that NCCS classes are correlated to self-reported household incomes, with our lowest target NCCS class (D1) having an average self-reported monthly household income of INR 8,352 ($128) and our highest target NCCS class self-reporting an average monthly household income of INR 18,127 ($279). All household incomes reported in this white paper have been adjusted by 10 percent to account for a downward bias in self-reported incomes, e.g., INR 8,352 is reported as INR 9,187.

FIGURE 16. MONTHLY SELF-REPORTED HOUSEHOLD INCOME BY NCCS CLASS



Reference Period for the Research

Data for the quantitative research was collected in the months of June and July 2015. During this period, children attending ECE were either in academic year 2015-16, or on their summer break, having completed academic year 2014-15. For consistency, we report the child's age at the start of the academic year that we interviewed the parents about.

Statistical Techniques Applied

- **Weighting the sample by age**: In some cases, the sample has been weighted by age to account for the unequal numbers of children in each age group in our sample.
- **Trimmed averages**: All average figures reported are trimmed averages, i.e., where the top

and bottom 5 percent of values have been eliminated before averaging the data. The exception to this is data on income by NCCS class.

Calculating Share of Children from Low-Income, Urban Households Attending APSs

The reported share of children from low-income, urban households attending APSs is based on findings from the quantitative research that 95 percent of all four- and five-year-old children from low-income households are enrolled, and 90 percent of them are going to a private provider (either an APS or a standalone preschool provider). The resulting 86 percent figure is based on two assumptions:

- The 74 percent who are already enrolled in an APS at ages 4 and 5 will not be switched out from the APS into a government school as they enter first grade
- The 12 percent who are enrolled at a private 'standalone' provider at ages 4 and 5 will proceed onto an APS rather than switch into the government system

The rationale for these two assumptions is as follows:

- Parents of children who are currently enrolled with a private preschool provider are those who can afford private provision
- Parents perceive private schools (not just at the preprimary level) to be of superior quality compared to government schools[59]
- Parents seek out quality in education and generally want to get the "best possible" education for their child[60]

The 86 percent figure may include children attending a more expensive private school under the Right to Education Act. It also includes 6 percent paying fees of between INR 1,500 and INR 2,000; and 3 percent paying over INR 2,000.

Triangulation of Data

A government household survey conducted in 2014 reported that the share of children attending private schools in urban India at the primary school level is 69 percent, and 27.5 percent in rural India.[61] An analysis of data from the previous round of this survey shows that the share of children attending private schools has been increasing at a rate of 1.4 percent per annum between 2007 and 2014, suggesting that the figure for 2015 would be slightly over 70 percent.

59 As explained in Section 3.

60 As explained in Section 4.

61 71st round of the National Sample Survey, 2014-15, conducted by the National Sample Survey Organization.

This figure is for all socioeconomic classes, not just the working poor, and for all of urban India, not just cities with populations greater than 1 million. A comparable estimate of the share of children in urban India from all socioeconomic classes attending private schools from the data in this white paper is 73 percent. This estimate is based on the following:

- 86 percent of the urban working poor are attending private schools, and the working poor constitute 69 percent of the overall urban population[62]
- An assumption that all children from better off households, which constitute 14 percent of the overall urban population, are attending private schools[63]
- An assumption that none of the children from worse-off households, which constitute 17 percent of the overall urban population, are attending private schools[64]

The marginal difference between the government estimate (70 percent) and the estimate from this white paper (73 percent) could be explained by a trend of private school enrollment being slightly higher in cities with populations greater than 1 million relative to cities with populations less than 1 million. Data from this white paper shows that while 90 percent of two- to six-year-olds were enrolled in private schools in cities with a population of over 5 million, this proportion was 83 percent in cities with populations of 1 to 5 million. Extrapolating from this data, it can be assumed that cities with populations smaller than 1 million may have slightly lower private enrollment.

Other estimates of private urban enrollment include those by:

- James Tooley: 70 percent of urban Indian children (~65 million) are in private unaided schools[65]
- Geeta Gandhi Kingdon: 49 percent of urban children between the ages of six and ten are in private unaided schools[66]

These estimates are not directly comparable to the data presented in this white paper, as our research did not draw a distinction between private aided and private unaided schools. This is because most parents could not distinguish between aided and unaided schools when asked during the interviews.

62 Indian Readership Survey 2014 conducted by the Media Research Users Council (MRUC).

63 Ibid.

64 Ibid.

65 Tooley, J. (2017). Understanding parental choice for Budget Private Schools. Report on Budget Private Schools in India 2016-17. Centre for Civil Society, pp. 46-51.

66 Kingdon, G. G. (2017). The emptying of public schools and growth of private schools in India. Report on Budget Private Schools in India 2016-17. Centre for Civil Society, pp.12-31.

APPENDIX B: PIPE—AN EXAMPLE OF LEVERAGING THE OPPORTUNITY

FSG's Program to Improve Private Early Education (PIPE) is a six-year initiative that aims to improve learning outcomes for over 200,000 low-income children annually and to set the urban APS market on the path to transforming learning outcomes for children from all urban working poor households.

The PIPE Theory of Change (ToC) and approach are based on insights presented in this white paper as well as additional research, including a detailed analysis of Affordable Private Schools that covers financials and owner and teacher mindsets[67] and research on business models for "solution providers" to commercially provide educational services to the APS market.[68] A selection of key insights from the additional research is presented in Appendix C.

The ToC is premised on the fact that solution providers already exist in the Indian market. There are enterprises delivering effective, activity-based solutions to preschool providers, albeit typically to the upper- and middle-end of the market. These are end-to-end solutions that include teacher training, curriculum, teaching-learning-materials, and ongoing implementation support. These solutions are appropriate (or can be adapted) for the APS market both in terms of price and the capabilities they require the school to have (such as teacher-quality levels or infrastructure). These solution providers also have the ability to scale in the APS market.

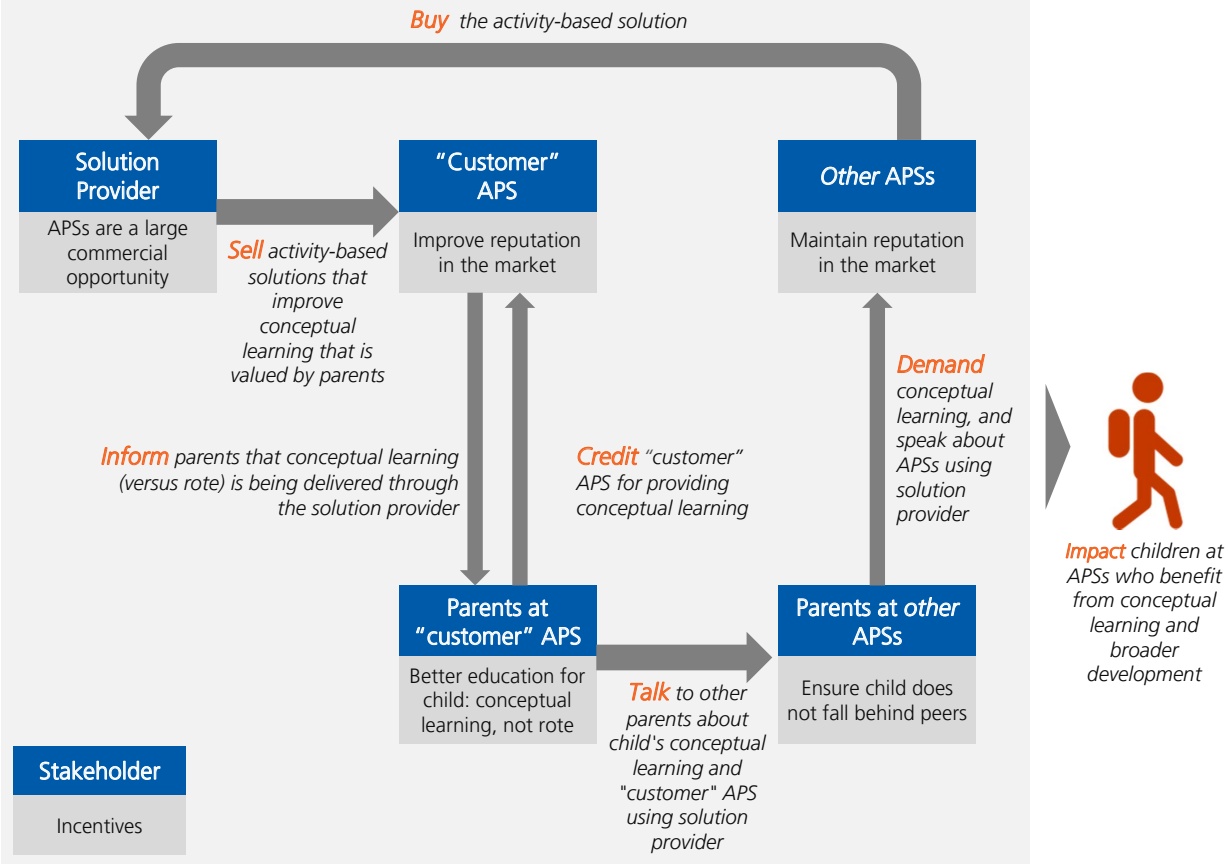
The ToC has been informed by the collective expertise and experience of the Program's funders, which included: Central Square Foundation, Children's Investment Fund Foundation, Douglas B. Marshall, Jr. Family Foundation, Omidyar Network, and the UBS Optimus Foundation. The ToC has also benefited from the insights of experts and practitioners across India and internationally.[69]

67 Based on FSG's work with over 60 APSs across five cities as part of the Program to Improve Private Early Education (PIPE), and financial analysis of the APS business model. Detailed findings and methodology available at **http://www.fsg.org/PIPE.**

68 Based on research of 12 educational companies and extensive financial modelling. Detailed findings and methodology available at **http://www.fsg.org/PIPE.**

69 Interacted with over 400 experts and practitioners.

THE PIPE TOC



We estimate there are between 130,000 and 160,000 APSs in urban India.[70] Solution providers see the APS market as a large, profitable business opportunity and Sell activity-based solutions to APSs. These are solutions that provide conceptual learning in areas that parents value (such as English and mathematics) while also providing broader development benefits. APSs will buy these solutions because they recognize that parents will value the conceptual learning they provide, and that this in turn will help improve the APS's reputation in the market as a provider of good-quality education.

To ensure its reputation is improved, the APS will Inform parents about how the school is now providing conceptual learning by using the solution provider and not just traditional rote learning. The APS will communicate the change by **using the right markers** to intuitively demonstrate the difference between conceptual and rote learning (e.g., showing that the child can now actually pick out 12 sticks from a stack of 20, rather than just recite up to 20) and

70 FSG Research. Details available at **www.fsg.org/PIPE**.

illustrating the improved learning of the child.[71]

Parents will see that their child is now learning actual concepts and not just rote learning and memorizing content. They will then:

- **Credit** the APS with providing conceptual learning by using the solution provider, i.e., for providing better-quality education in areas they value, such as English and mathematics, and
- **Talk** to parents at other APSs about their child's conceptual learning, and that their APS has used the solution provider to achieve this learning.

Parents at other APSs will not want their children to be left behind, and will **demand** their APS also teach the concepts tested by the right markers.

Other APSs will not want to be seen as providing inferior quality—they will want to maintain their reputation in the market—and will **buy** activity-based solutions from the solution provider (or another similar solution provider) since they will not be able to meet parent demand for conceptual learning through current rote-learning approaches.

This will lead to activity-based solution providers serving *other* APSs beyond the initial customer APSs, setting in place a virtuous cycle that spreads activity-based solutions: Parents at these *other* APSs will also be informed about conceptual learning (versus rote) using the right markers. More and more parents will begin talking about conceptual learning and the right markers, reinforcing and spreading demand for the solution provider (and for similar solutions that provide conceptual learning).

The PIPE Approach

The PIPE approach centers on identifying, attracting, and scaling six to eight promising solution providers that can deliver high-quality solutions in a cost-effective manner, resulting in development benefits for children at APSs, that will allow them to succeed in grade school.[72] The Program also includes broader work to address key gaps in the ecosystem, such as identifying the right markers, adapting tools to measure impact, and disseminating findings and insights to the field in order to increase awareness of the need and the opportunity for providing activity-based solutions.

71 Without requiring parents to have a broader technical understanding of ECE.

72 While these solution providers will focus on skills that parents already value (such as English and mathematics), they will do so through activity-based approaches that also develop other skills required for the child's holistic development, including in domains such as socio-emotional and executive function.

PIPE has three phases:

Foundation (June 2014–June 2016): Develop the ToC and learn how to provide an effective solution in the APS market.

- Year 1: Learn through research
  - Map the APS ecosystem including the regulatory environment, key actors, and their incentives.
  - Collect data on parent behavior and beliefs, APS economics and mindsets, and the commercial viability of serving the APS market.
  - Develop an effective ToC.
- Year 2: Learn by doing
  - Scan the market for promising solution providers.
  - Learn by actually implementing alongside solution providers on the ground including the following:
    - Learn which types of solutions work best by being in APSs with solution providers and experimenting with different implementation approaches.
    - Understand how to sell effectively to APSs by actually selling.
    - Learn the practicalities of implementation by directly executing elements of the solutions, such as arranging trainings and conducting parent-engagement sessions.

Pilot (July 2016–June 2018): Get six to eight solution providers committed to serving the APS market, and configure them for success.

- Year 1: Select six to eight solution providers (referred to as "partners") with the potential to scale and get them committed to serving the APS market.
  - Identify and partner with solution providers who have the potential to scale and a commitment to quality.
  - Illustrate the opportunity in the APS market by driving sales of the partner's solution to an initial set of 5 to 10 APSs, including securing leads and delivering sales pitches.
  - Work directly with partners to deliver in these initial APSs and help them understand what will be required (adaptations, resources, etc.) for effective delivery in the APS market.
  - Get a commitment to serving the APS market from the partner.
- Year 2: Configure the resources and processes required by the partner for effective delivery in the APS market.

- Support the solution provider in selling to 20 to 50 APSs (partner takes the lead in driving sales).
- Help the solution provider establish internal systems and processes to serve the APS market, potentially including a dedicated business vertical, new sales approaches, and new quality assurance systems.
- Support the solution provider in adapting the overall solution for the APS market, including developing parent-engagement modules, adapting to teacher capabilities, and adapting to physical space limitations.

Transition to Scale (July 2018–June 2020): Set the market on the path to scale.

- Provide customized support to each partner on their journey to scale, depending on need. This could include elements such as developing a dedicated brand for the APS market, raising capital for scaling, and developing and managing growth plans.
- Address barriers to scale across partners, including measuring outcomes and impact in order to attract greater support for the space, work with a wider set of stakeholders to support scaling (e.g., government), and resolve common operational barriers (e.g., facilitate access to working capital for all partners, if required).

All major outputs from PIPE, including key business model and process innovations, are public goods intended to benefit the broader field and are available at **http://www.fsg.org/PIPE**.

APPENDIX C: OTHER INSIGHTS

The Program to Improve Private Early Education (PIPE) has interviewed and worked with APS owners, teachers, parents, solution providers, and experts over the last several years. This work has allowed the program to gain insights that can help individuals and organizations who are working to improve learning outcomes in India's K-12 schooling system. Below is a selection of these insights:

- **The challenge is quality, not access, even at the preprimary level**: 95 percent of four- and five-year-olds for low-income, urban families are enrolled at a preschool provider. Urban Indian cities have an abundance of preschool providers at different price ranges, including free government schools. However, the quality provided to low-income families is extremely poor, and this fact is reflected in poor learning outcomes.
- **High-quality solutions can be delivered to APSs at scale, in a commercially viable manner**: Our research suggests that high-quality solution providers serving the APS market can potentially generate internal rates of return of over 25 percent.
- **Opportunity to influence teachers using the right markers**: Teachers at APSs are often unaware that their students do not know core concepts and that activity-based approaches can teach these concepts. Informing them about the right markers can:
    - Help them understand the problems with rote learning.
    - Help teachers understand the benefits of activity-based approaches.
    - Help teachers gauge levels of actual conceptual learning among their students.
    - Motivate teachers to continue to use activity-based approaches since they can observe their students' progress.
- **Word of mouth is a strong driver of behavior in the sector**: Information about new solutions and their effectiveness spreads quickly among APS owners and teachers through word of mouth. APS owners and teachers often interact informally, keep abreast of developments, and sometimes even come together in more formal settings such as local associations. These interactions can be leveraged by solution providers and others to spread awareness about solutions or other interventions that could help drive quality improvements.

- **Educational solutions must have the following features to be effective in an APS**:
  - **Be an end-to-end solution**: The solution must provide all the elements required for successful implementation. These include teacher training; curriculum; teaching-learning-materials; and on-going monitoring, support, and troubleshooting. Ongoing support is particularly important since teachers often encounter challenges when implementing solutions in the classroom after the initial training. Failure to support teachers through these challenges is likely to result in poor classroom delivery or in the solution not being implemented at all.
  - **Engage multiple key stakeholders**: Successful implementation of a solution requires the buy-in and support of not just the owner but also teachers and parents. Solutions must therefore demonstrate value to the owner (typically financial value, without excessive administrative burdens), support the teacher (see next point), and ensure parents see benefits and value the solution.
  - **Address teacher capabilities and limitations**: The solution must be designed appropriately for the level of training and experience that teachers at APSs are likely to have. Expecting teachers to completely transform their capability levels or change mindsets is unlikely to be successful. Similarly, solutions that burden teachers with additional tasks or require significant additional time investment are unlikely to work.
  - **Provide simple, thorough, and practical instructions**: Solutions that provide teachers with instructions or scripts that are jargon-heavy or training that involves extensive theory are unlikely to be effective since APS teachers may struggle to understand or relate to them. Effective solutions will also address practical aspects, such as classroom management and transitions within the classroom, in addition to just content or tasks. For example, a seemingly simple instruction to have the students form a circle may take an excessive amount of time and be disruptive to the overall lesson if the teacher does not have information about how to manage the class effectively and transition from one activity to the next.
- **There is an opportunity to leverage technology**: There is potential to leverage technology to improve quality and learning outcomes even at the preprimary level by engaging stakeholders, both inside and outside the school. Examples of potential technology-based interventions include: mobile applications to demonstrate phonic sounds to children as they learn English or a mobile-based chat application (such as Whatsapp or Viber) through which teachers can inform parents about simple activities they can do at home with their child and that a solution provider can use to support teachers.
- **There is a need to increase awareness about poor learning outcomes at the preprimary level**: While assessments such as ASER serve as a call to action and a measure of progress in terms of learning outcomes at the primary level, there are no similar surveys at the preprimary level. As a result, there is little awareness about the poor quality of preschooling and an inability to assess whether progress is being made.

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