Indian Institute of Management Bill, 2023

Why in news?

The Indian Institute of Management Bill, 2023 was recently introduced in Lok Sabha.

What is Indian Institute of Management Act 2017?

- **Institutes of national importance-** It declared 20 existing IIMs as "institutions of national importance.
- **Aim-** To empower IIMs to attain standards of global excellence in management, management research and allied areas of knowledge".
- **Autonomy-** The legislation seeks to grant greater administrative, academic and financial autonomy to these IIMs.
- The institutes will be made free of government interference and will be board-driven.
- **Offer degrees-** The legislation would grant IIMs power to award *full-fledged degrees* instead of diplomas.
- **Board of Governors-** It is the *executive body* of each IIM, comprising up to 19 members.
- In 19 members, 2 members will be nominees from the central and state governments, respectively. The Board appoints its own Chairperson.
- **Director-** It is appointed by the Board of Governors for each IIMs, A search committee will recommend names for the post of the Director.
- **Functions of Academic council-** It shall be the principal academic body of each institute which will determine the
    - Academic content
    - Criteria and process for admission to courses
    - Guidelines for conduct of examinations.
- **Coordination forum-** It is the representation from the 20 IIMs which is set up to discuss matters of common interest to all IIMs.

What is the need for amendment?

- **Tussle with director-** At IIM Ahmedabad, faculty and alumni were up in revolt against the then director's decision
    - To change the institute's logo
    - To demolish the Louis Kahn structures on the campus which are widely regarded as among the architectural marvels of our times.
- At IIM Calcutta, the majority of faculty signed a petition against the director's way of functioning.
- The Board of Governors took the extraordinary step of curtailing her powers following which she left before the end of her term.
- **Legal battle**- At IIM Rohtak, the government is locked in a legal battle with the

institute over the director's continuance in office.

- **Low rank of IIMs-** Evidence suggests that some IIMs lower in rank unchallenging power of Director.
- **Fee structure**- There is a rise in the fee for the MBA course, which is not related to the costs of the course.
- **Lack of accountability**- The Board of Governors' role is ineffective as there were only 2 Government nominees who played a passive role.
- The other members have no stake in respective institution and no incentives to exercise the necessary oversight.
- **Governance vacuum**- The Act requires Board of Governors (BoG) to commission an independent review of the institutes at least once every 3 years and place the report in the public domain.
- Among the top four only the review report of IIM Bangalore is available on websites.

What are the new features of the bill?

Features	Existing Act	New Bill
Visitor	No such provision	It designates the *President of India as Visitor* of every Institute
Appointment of IIM directors	Appointed by the Board of Governors on the recommendations of a Search-cum-Selection Committee	Mandates the Board to obtain the prior approval of the Visitor before appointing an Institute Director
Composition of Search Committee	Chairperson of the Board, and 3 members from amongst eminent administrators, industrialists, educationists	Reduces 3 members to two, and adds another member to be nominated by the Visitor
Removal of director	Removed due to insolvency, mental and physical incapacity, conflict of interest	Requires prior approval of the Visitor before removing a Director. Visitor has the authority to terminate the services of the Director
Chairperson of the Board of Governors	Appointed by the Board of Governors	Nominated by the visitor
Power of inquiry against IIMs for non-compliance with law	A retired High Court judge conducts inquiries, then the Board may take any action that it deems fit.	Conferred upon visitor who may appoint persons to review the work of any Institute. The visitor then issue directions to the institute which is also recommended by the board
Chairperson of coordination forum	Selected by the search cum selection committee constituted by the forum	Nominated by the visitor. The Chairpersons of all Institutes will be ex-officio members of the Forum
Incorporation of institute	If existing institution converts to an IIM, every employee of such institution will retain the same tenure, salary, pensions	The Bill excludes the Director of such institutions from this provision

What are the other amendments?

- **Functions of visitor-** It prescribes the primary roles for the visitor

    - To make appointments,
    - To audit the working of institutions,
    - To conduct an inquiry.
- **Dissolution of Board**- The central government prescribes the conditions and procedure for dissolving or suspending an Institute's Board.
- If a Board is suspended or dissolved, the central government will constitute an interim board for six months or until a new Board is constituted.
- **IIM classification**- The National Institute of Industrial Engineering (NITIE), Mumbai is classified by the bill as IIM, Mumbai.

What lies ahead?

- **IIT governance -** Government control has not kept the IITs from creating a brand that is way above that of the IIMs.
- **Democratic accountability-** It is mandatory in a public institution which will improve the governance and administration of IIMs.
- **US model-** Private universities are funded through large endowments and the state supports research.
- The donors have deep emotive connect with the institutions and hence there is no game of large profits which improves the competitive environment and discipline of the financial markets.
- **Californian system-** The Governor of the state often sits on the board which is best in the world.

Quick facts

Institute of National Importance
• It is a status conferred to a premier public higher education institution in India by an Act of Parliament. • It is conferred on an institution which "serves as a pivotal player in developing highly skilled personnel within the specified region of the country/state". • INIs receive special recognition and funding. • All IITs, NITs, AIIMS', School of Planning and Architecture and Indian Institutes of Science Education and Research are considered Institutes of National Importance.

References

1. The Hindu- IIM bill is a bold move
2. Indian Express-Concern over autonomy of IIMs
3. PRS- IIM bill 2023

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