



FOREIGN DIRECT INVESTMENT (FDI) IN HIGHER EDUCATION

Shilpa Kaura

Former Asst. prof., Khalsa College for Women, Civil Lines, Ludhiana

Abstract

Education is governed by the constitution of India. Maintenance of standards of Higher Education comes in the union list and setting up of universities falls in the union and states list. FDI in education is not a new concept since the impact of privatization is penetrating all sectors of the Indian economy, it is bound to affect education sector as well. According to deloitte, a global consultancy firm's report, India which ranks third after china and united states in terms of higher education enrollment requires more FDI in this sector in order to meet its target of doubling its gross enrollment ratio by 2020. The government has set an aggressive target of achieving 30 percent in higher education by 2020 from the current level of 15 percent. Role of private sector in higher education has significantly increased in the last decade Higher education is an economic requirement for the country for growth. Government must consider seriously corporatization of higher education so as to allow corporate houses to enter higher education and deliver education of global standards. This will also facilitate several private universities, research house, large corporate to consider FDI in India's higher education market. The globalization of knowledge its creation, dissemination and acquisition poses a tremendous challenge to India's governing bodies and national education policy makers who are aiming for the sustained integration of global knowledge into the country's national educational system which demands transparency, openness, flexibility and innovation. The present paper survey, examines and reassesses the literature and work done in FDI in education and on foreign educational collaborations and provides a strategic analysis at the Indian higher education sector from the perspective of education in India's universities and colleges from the view point of foreign investor to attract and encourage more foreign direct investment in education.

Key words: *FDI, Higher Education Sector, Present Opportunities for FDI in India.*

INTRODUCTION

The education sector in India is one of the most important sectors as it holds the key to social and economic development of the country. FDI inflows to education sector in India are expected to provide significant benefits to Indian students. Many foreign educational institutions and universities have expressed interest in setting up branches in India. If Indian statistics are to be compared with other countries, India's higher education system is the world's third largest with respect to student enrollment, next only to China and the USA. The higher education sector could broadly be divided into 2 segments: Regulated and un-Regulated. While FDI in the regulated segment is not feasible as of now due to restriction imposed on the form of legal entity to be setup. FDI in the unregulated segment is seeing a considerable inflow. It was USD 492mn during the period April 2000 to January 2012. There are several factors which have contributed to the exponential growth the sector has experienced in India.

- Higher demand/supply gap in the sector.
- Greater number of private players venturing into the education sector.
- Growth of services sector particularly the information technology sector, leading to demand for skilled workers.
- Increasing FDI into the sector.
- Increase in internet based education methods.
- Increased ability to capitalize on brand and reputation.
- Increased forms of the government of India on liberalizing the education sector in recent times.

More FDI needed in Higher Education Sector:-

According to Deloitte, a global consultancy firm's report, India which ranks third after China and the United States in terms of higher education enrollment requires more FDI in this sector in order to meet its target of doubling its GER or Gross Enrollment Ratio by 2020.

Foreign Investment in education is not entirely a new concept. For many years, American Universities have gone ahead to establish educational programme centres in European countries and have also been awarding their degrees. Be it Singapore or China, the countries have permitted foreign investment in the education sector and that too in a big way.

In a recent report, "Indian Higher Education Sector: Opportunities aplenty, Growth unlimited", Deloitte Touche Tohmatsu India was quoted as saying that, "The private sector's role in the higher education sector has been growing at a rapid pace over the last decade and needs to further expand at an accelerated rate in order to achieve the GER target."

The government on the other hand has set up a target of achieving 30% GER in higher education sector by 2020 from its existing level of 15%.

If projections are to be believed, this sector is expected to register a Compound Annual Growth Rate (CAGR) of 12% from 2008 and reach \$31.47 billion.

According to estimates made by the National University of Educational Planning and Administration (NUPEA), if such a target has to be achieved then around \$190 billion of additional investment that includes operating expenditure and capital expenditure needs to be made and that too in the next 8 years itself.

The report also talks about another factor which seems to slow this process which is the limited support that the government can offer in this sector and for this private sector will have to jump in and play a much larger role.

The report also states that the higher education system and universities comprise of 33,023 colleges and 610 universities. It is also mentioned that in the academic year 2010-2011 the total number of students who had enrolled in colleges and universities was reported to be 16 million. However, this figure doesn't include the enrolment of students in higher education through Open and Distance Learning.

PRESENT OPPORTUNITIES/OR FOREIGN UNIVERSITIES IN INDIA

Within the parameters of the extant regulatory regime, there are a variety of opportunities for Foreign Universities in India, inter-alia, the following (this is not an exhaustive list and only illustrative samples based on general observation of the sector/media reports):

➤ **Tie-ups with Indian Educational Institutions for Twinning programs**

There could be several variations of twinning programs. Generally, a twinning arrangement operates via a student undertaking a study course at its own institute in India for a prescribed period and then subsequently spending equivalent time in the overseas institute.

Tie-ups with Indian Educational Institutions for providing services Foreign Universities can enter into tie-ups with Indian Educational Institutions for providing expertise and services like faculty for teaching, curriculum, affiliations etc.

➤ **Tie-ups with Indian Educational Institutions for Distance Education programs**

Another mode of operation which is rampant is the e-learning or the distant education course/ program offered by many Foreign Universities to Indian students. Here, Foreign Universities deliver their teaching, often on an individual basis, to students who are not physically present in a additional educational setting such as a classroom, using technologies/ medium like the Internet. Distance education in India is regulated by the Distance Education Council which is established under the 'Indira Gandhi National Open University Act, 1985.

➤ **Setting up of entity in India**

Setting up entity in India/entering into arrangements with Indian parties for assistance with student recruitment activities - where the objective is to attract students from India and encourage them to enroll with the University overseas.

➤ **Tie-ups with Indian Educational Institutions for Student exchange programs**

With an intention to enhance cross cultural exposure and so as to provide a global perspective to students, these programs encourage Indian students to spend short time periods generally ranging from 2 weeks to a term/ semester at the campus of Foreign University overseas.

➤ **Tie-ups with Indian Educational Institutions for Faculty exchange programs**

These programs are devised with an intent to enable the teaching staff to teach or conduct research for short periods at the campus of the counterpart university/college. This is often a win-win situation for both the institutions as the reaching staff can benefit tremendously from exposure to a culturally varied and diverse family make-up, with an opportunity to exchange ideas and observe a variety of styles.

➤ **Tie-ups with Indian Educational Institutions for Joint research programs.**

The purpose of these programs is to advance collaborative research between excellent researchers in Foreign Universities and Indian Institutes while providing opportunities for young researchers to hone their skills. These programs are typically carried out in cooperation with overseas science promotion organizations 'so as to respond to the global development of scientific research activities.

➤ **Vast Opportunity for provision of innovative services**

India has a fairly liberated economy with no regulatory restrictions on payments made outside India for services amongst others. Thus, there is a vast opportunity for provision of innovative services. Given the lack of infrastructure and severe competition for quality education, amongst others, there is a large and rapidly growing market for coaching and tutoring services imparted through new and innovative means, particularly the internet.

Another recent trend that is catching up is that Indian corporate is increasingly looking to outsource skill training activities to specialized institutions abroad.

Impact of Neo-liberal Policies on Education and the Consequent Policy and Legislative issues

The higher education sector in India has undergone major changes since the adoption of neo-liberal economic policies in the beginning of the 1990s. This decade is also known as the start of era of LPG liberalisation, privatisation and globalisation. Under neo-liberal reforms, one witnesses economic liberalisation, free trade and markets, privatisation and deregulation. Size of the public sector is decreased and we witness continued disinvestment of the public sector and greater role of private and corporate sector.

Often the terms 'globalisation' and 'neo-liberalism' are used as if they were interchangeable. Neo-liberal, economics promotes exploitation, produces inequality, changes economic and government policies to increase the- power of corporations, and a shift to benefit the upper classes, and deregulates the labour market producing casualisation of labour and greater informal employment. It increases the disparities between the rich and poor.

Rich countries and corporate sector have been preaching that globalisation was meant to benefit all members of the global community and it brought new potentials for development and wealth creation. However, overall globalisation has had a devastating effect on developing countries as the problems of unemployment, inequality and poverty have tremendously increased. It has also adversely affected the life and work of people, their families, and their societies, working conditions, income and social protection, security, culture and identity, and the cohesiveness of families and communities. It is estimated that about 40 percent of families in the world survive on less than one dollar per day. In India, according to Arjun Sengupta report, more than 75 percent people live on just Rs. 26 per day.

Globalisation is a multifaceted process with economic, social, political and cultural implications for higher education. It poses new challenges at a time when more and more private institutions of higher education are being established and the academic community is generally not consulted in decision making. Such challenges not only address issues of access, equity, funding and quality but also those of national sovereignty, cultural diversity, poverty and sustainable development.

Predatory and powerful transnational corporations have been targeting public education, particularly higher education, for profit-making. Though predominantly a government supported service, most governments are, as a consequence of neo Liberal economic reforms,

withdrawing from it. The government of India through extensive privatization, commercialization and deregulation has been encouraging this process.

The first decade of the twenty-first century witnessed world over large-scale and bitter protests from the students, teachers and people at large against the privatization and commercialization of higher education and bringing higher education sector under General Agreements on Trade in Services (GATS) and World Trade Organization (WTO) by their governments. The idea behind WTO-GATS has been the creation of an open, global marketplace where services, like education, can be traded to the highest bidder.

Twenty-first centuries witnessed unprecedented demand for higher education: general as well as professional. Instead of meeting 'the demand for higher education and ensuring further growth of the country, higher education in India is being de facto commercialized. There are several reasons responsible for it which includes socio-economic policies adopted by the successive union governments, particularly since mid-eighties, the ideological commitments of the ruling classes, proactive role of the judiciary, and vested interest of the business houses. It got legitimacy because of the failure of the State funded education system due to gradual withdrawal of the State in responding to the needs and requirements of the people. It got further boost due to growing choice of the elite, neo-rich and affluent sections for the private sector institutions both local and foreign.

CONCLUSION

Higher education in today's global environment, is neither charity nor a purely social objective. Higher education is an economic requirement for the country for growth. Corporate need well trained professional to take on global challenges and capture overseas markets.

It is understandable to keep primary and secondary school education as charity or social objectives to enhance literacy rate to 100 % level but higher education has to be freed from this tag.

Government must consider seriously corporatization of higher education so as to allow corporate houses to enter higher education and deliver education of global standards. This will also facilitate several private universities, research houses, large corporate to consider foreign direct investment in India's higher education.

REFERENCES

- Anandakrishnan, M., 2006, "FDT and False Hopes", Frontline, Vol NO.:23.
- Arun Nigvekar (2001), "Gats And Higher Education", University Grants Commission.

- Ambani, M. and K. Birla (2001): Report on a Policy Framework for Reforms in Education, Government of India, New Delhi.
- Chinnammai, "Effects of Globalization On Education And Culture", ICDE International Conference, 2005.
- J.L. Azad (1971), Report of The Study Of The Patterns, Procedures And Policies Of Financing Of Higher Education In India, Planning Commission.
- K.D. Raju, Barriers To Trade in Education Services Under The Gats Experience", Amity Law Review, Vol. 5, Part 1, January 2004-June 2004.
- McBurnie, G., (2004): Transnational Education: National and International Responses, in K. B. Powar and K. L. Johar (Editors), Private Initiatives in Higher Education, pp. 78-93, Yamunanagar: Sneh Prakashan.
- Nigavekar, A. S., (2001): GATS and Higher Education: What is at stake for India, Paper circulated at a National -level Meeting on "Trade in Education Service under WTO Regime", NIEPA, New Delhi.
- Pawan A., "Higher Education Policy Many Contradictions", Economic And Political Weekly, 2006, November 11, 2006
- Powar, K. B., (2002): WTO, GATS and Higher Education: An Indian Perspective, AID Occasional Paper 2002/1, AID, New Delhi.
- Rani, Geetha. P. (2002): "Financing Higher Education in India during the Post Reform Period: Focus on Access and Equity", NIEP A Occasional Paper, No. 31, NIEP, New Delhi, September, 2002.
- Satish Y. Deodhar(2002), "Managing Trade In Educational Services: Issues for India's Response In WTO Negotiations," Lima Working Paper No. 2001-10-03.

http://www.researchandmarkets.com/research/f4dd10/industry_insight

Business world Issue Dated 02-04-2012

www.ventureintelligence.in

www.ficci-hen.com/mrbhushan

www.pwc.com/in/en/industries/education.jhtml

<http://www.ebc-india.com/practicallawyer>

IDFC SSKI India research report June 2009

KPMG Edge forum report 2012

UIS statistics in brief General Profile -India

www.indianresearchjournals.com

vijendersharma.wordpress.com/tag/fdi-in-education/

