

Foreign Direct Investment (FDI) and Opportunities in Higher Education: A Critical Issue with reference to India

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Abstract

India has reached that but one moment when the world is waiting to hear of the great exploits of the nation as a whole. The land of mystic, the land of colours, the land of diversity, beauty and talents is ready to open its wings and fly high. With a growth rate of 10 to 15 per cent expected over the next decade, education in India has witnessed a series of developments and changes in the last few years, which has resulted in a significant increase in the market size and investment opportunities as compared to previous years. This has resulted in a significant increase in the market size of the education industry compared to previous years. India needs 1.2 million more teachers under the Right to Education Campaign, according to Shri Kapil Sibal, Union Minister for Human Resource and Development. He also added that with 546 million people under 25 years of age Undoubtedly there is a potential for significant spill over benefits from FDI, with training and human capital development as a particularly important channel for these positive externalities. However, spillovers are not automatic consequences of FDI. Spill over benefits are realized only if local firms have the ability and motivation to invest in absorbing foreign technologies and skills.

Introduction :

In this moment we need not be bowed down with our limitations and infirmities, in capacities but arm ourselves with all possible techniques, technologies and opportunities and make a move. Therefore at this juncture we need all the possible ways and means to equip the talents of our nation to rise high and march towards an era of globalization. The once upon a time great civilization and its glory of Nalanda is past, we cannot sit and keep nostalgizing about the old times, when scholars from around the world came to be educated and be trained in the skills; we need to create a new era when India will be known for being an educational hub. Today we are again at a crossroad when we can realize the old dreams and educate the world. This liberalization of our policies are a great opportunities to widen our tents and spread our wings. We desperately need funds, expertise and technology in the field of education and Foreign Direct Investment is just the one we have been looking for. In India, education is the key to nation-building. It is also a well-accepted fact that providing the right knowledge and skills to the youth can ensure the overall national progress and economic growth. The Indian education system recognizes the role of education in instilling the values of secularism, egalitarianism, respect for democratic traditions and civil liberties and quest for justice. The education sector in India is evolving and has emerged as a strong potential market

MARKET VOLUME OF EDUCATION SECTOR IN INDIA

With a growth rate of 10 to 15 per cent expected over the next decade, education in India has witnessed a series of developments and changes in the last few years, which has resulted in a significant increase in the market size and investment opportunities as compared to previous years. Vocational education/training is gathering huge investments from corporate and private equity (PE) firms as the methodology and technology pertaining to this sector is witnessing significant improvements. It is estimated that private education sector alone to grow to US\$ 70 billion by 2013 and US\$ 115 billion by 2018. There are clear investment opportunities for private players to enter the Indian education space. The opportunity exists in all three segments – schooling, higher education and vocational training. Some success stories are Manipal University, Amity University and the Indian School of Business. Public-private partnerships (PPP) arrangements, tax concessions for education and encouraging foreign capital to build infrastructure in India would encourage the creation of new capacities by the private sector. India's education sector is expected to witness huge investments from PE funds over the next couple of years on the back of increased Government spending and expansion plans of private players. With increasing population in India, the demand for educational institutes has also augmented. Today, the Indian education sector is one of the biggest education systems in the world. The sector is one of the leading areas for investment opportunities. The education sector in India is divided into two main segments; the core segment comprises of schools and higher education, while the non-core comprises of coaching classes, pre-schools and vocational trainings. With a growth rate of 10 to 15 per cent expected over the next decade, the Indian education market has witnessed a series of developments and changes in the last few years. This has resulted in a significant increase in the market size of the education industry compared to previous years. India needs 1.2 million more teachers under the Right to Education Campaign, according to Shri Kapil Sibal, Union Minister for Human Resource and Development. He also added that with 546 million people under 25 years of age, there is huge potential in India in the education sector that needs to be tapped.

FOREIGN DIRECT INVESTMENT OPPORTUNITIES IN HIGHER EDUCATION

India, which has the third largest higher education system in the world in terms of enrolments, after China and the US, needs more FDI to meet its target of doubling the gross enrolment ratio (GER) by 2020.

"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," Deloitte Touche Tohmatsu India said in a recent report titled 'Indian Higher Education Sector: Opportunities aplenty, Growth unlimited'. The government has set an aggressive target of achieving 30 per cent GER in higher education by 2020 from the current level of 15 per cent. According to projections, the sector is expected to register a CAGR of 12 per cent from 2008 to reach a size of \$31.47 billion. According to Deloitte, as per the recent estimates by National University of Educational Planning and Administration (NUPEA), in order to achieve this target, an additional investment of \$190 billion which includes capital expenditure and operating expenditure, has to be made in the next eight years." Therefore, given the limited support, which government

can provide to this sector in terms of investment, the private sector needs to play a much larger role," the report noted. Stating that the role of private sector in higher education has significantly increased in the last decade, the report said, "However, due to various impediments, the amount of foreign direct investment attracted by this sector since 2000 stood dismally low at just \$400 million." Therefore, it is important for foreign investment and experience to flow in this sector in order to transform the domestic higher education institutions into the world's top league, Deloitte report said. The number of students enrolled in the universities and colleges (formal system) has been reported to be 16 million in academic year 2010-11, the report said, adding, "this does not include enrolment in higher education offered through Open and Distant Learning. The university and higher education system comprises 610 universities besides 33,023 colleges as well. Foreign Direct Investment in education sector will lead to increased number of institutions and greater availability of opportunities to the students. It will enhance the access to international qualifications and technology. It will provide greater opportunities for utilization of improved infrastructure. This will further lead to competition which will help in improving the quality, innovative curriculum development and subject expertise. The access to technology and infrastructure will help in growth in the research and development. There will be improvement in resource utilization thus giving international exposure which will help in curtailing the immigration of students. On the other hand Foreign Direct Investment intrusion in the Education sector will cause profit making an important consideration by the investors. Investors will be interested in starting high demand courses this will side line the national agenda and needs. The courses that will be introduced will concentrate on making quick bucks which will have fancy nomenclatures and glamorous designs. This will lead to aggressive marketing and beginning of corrupt practices in the education field leading to dilution of the purpose. False impressions of quality and better job prospects will result in the dark side of marketing and commercialization of education.

FAVORABLE SIDE OF PROMOTION OF FDI IN EDUCATION:

- Students will be able to access best universities of the world in India.
- International exposure of higher education in India will help in curtailing the immigration of the students.
- Opportunities of international qualification and degree.
- World class technologies, laboratory and library will be available.
- Global innovation and development of research

DARKER SIDE OF PROMOTION OF FDI IN EDUCATION

- FDI in any sector is guided by profit motive alone and if this motive is not fulfilled, the investors look for other destinations for FDI. Since foreign investors aim to increase their profits, foreign educational institutions would launch course which the marked needs, create false impression about their courses through advertisements, and will charge exorbitantly hefty fees for course. Thus there is possibility of commoditization and commercialization of education. It may adversely affect a large section of the society and this main purpose of FDI infusion into education will be diluted.
- FDI in education sector would to unhealthy rivalry among differing institutions. Since competition necessitates reduction in costs, infrastructure, laboratories and

libraries would find least investment and the teaching and non-teaching staff would be appointed without necessary qualifications and on such terms which would be exploitative as is prevalent in most private institutions today.

- Foreign educational institutions will be interested in starting high demand courses this will side line the national agenda and needs. The courses that will be introduced will concentrate on making quick money which will have fancy nomenclatures and alluring scheme. These institutes will resort to various malpractices to allure and attract students.
- Superficial curriculum innovation with aggressive Marketing will further mislead students.
- Create false impression of quality by increasing convenience and flexibility for students.
- Further FDI in education would hamper the development of indigenous and critical research within our University education system.
- Degrees awarded by foreign institutions by partnering with unapproved domestic institutions will not be accredited in India.

CONCLUSION:

Attracting FDI into India has become a vital component of the economic development strategies for India. FDI has been a flourishing factor that has strengthened the economic life of India. 'Investor friendly' environment will help India establish itself as favoured destination of foreign investors. India has enormous potential for absorbing greater flow of FEI in years to come.

Undoubtedly there is a potential for significant spill over benefits from FDI, with training and human capital development as a particularly important channel for these positive externalities. However, spillovers are not automatic consequences of FDI. Spill over benefits are realized only if local firms have the ability and motivation to invest in absorbing foreign technologies and skills. However, our knowledge of these effects is still sketchy in many areas, and further research is needed to provide a more accurate and detailed picture of the relationship between FEI in education sector and economic growth of India, that could serve as a foundation for policy and strategy conclusions for Indian government and MNCs . The primary finding of our study is that though opportunity for investment and capital appreciation being offered by the Indian higher education sector is unprecedented. However, one needs to be cautious about the various complexities in terms of structuring of investment, market offering, entity options and tax implications. What India desperately need is good quality research oriented institutes. We need to establish institutes which can bring new culture and infrastructure for creating better talent pool. Indian higher education is at a verge of next generation quality improvement just like Indian industry was in early 1990 when government went ahead with liberalization of economy. Liberalization in education should be achieved through correct approach.

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