

FDI IN INDIA IN EDUCATION SECTOR

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ABSTRACT

Despite the fact that investing in the Indian education industry is fraught with difficulties, it presents investors with several opportunities. A lot of research and publications show that the industry might provide substantial profits. The MHRD's attempt to allow FEIs to establish autonomous bases in India (without the requirement to partner with Indian universities) appears to be a step toward enabling foreign engagement in India's education industry. The purpose of this study is for the researcher to investigate Foreign Direct Investment (FDI) in Indian education in order to improve its influence on education. This study aims to analyse the potential for FDI to offer quality, greatness, and greater chances in "education." The research focuses on the benefits of FDI in education, with a special focus on India, and examines the benefits and drawbacks of FDI.

KEYWORDS: Education system, foreign direct investment and factors

INTRODUCTION

In recent years, India's education business has experienced a paradigm shift. It was formerly largely seen as a charitable or humanitarian endeavor, but it has now grown into a 'company' in its own right. Basic elementary education and select technical institutions for higher education, such as the Indian Institutes of Technology (IITs) and Indian Institutes of Management (IIMs), were the backbone of the Indian education industry in the past. However, as market competition and demand for excellent education at the grassroots level have increased, Indian authorities have gently but steadily placed the Indian education system on a path of reform. The government is undertaking a number of steps to encourage investment in the education business, including increased engagement by Foreign Educational Institutions ("FEI") and educational service providers. In order to increase Foreign Direct Investment, the Public Private

Partnership ("PPP") model has also been used in this industry ("FDI").

Furthermore, efforts have been made to foster major collaboration between well-known foreign institutions & Indian universities in order to encourage enhanced intellectual exchange among students. Such foresight has aroused interest of private equity firms & venture capital funds, which are interested in this unique and increasing economic potential that mixes financial returns with social responsibilities.

Education is cornerstone to nation-building in India. It is also widely acknowledged that educating youngsters with the necessary information and skills helps assure overall national advancement & economic success. The Indian education system respects education's importance in fostering principles such as secularism, equality, respect for democratic traditions & civil freedoms, & pursuit of justice. India's education industry is booming & has emerged as a key prospective market for investments in training & education due to its favourable demographics (young population) & status as a services-driven economy. Furthermore, India's expanding presence in areas such as software development, generic pharmaceuticals, & healthcare would need investments in learning and training sector. The education business in India is also viewed as one of the most potential investment industries, as the whole education system is being rebuilt.

Foreign direct investment provides highly productive benefits to both public & private enterprises & organisations worldwide. Both the receiving nations (foreign money and finances) and the investors profit from foreign direct investment. With 1.3 million schools, 30,000 colleges, and 542 universities, India boasts one of the world's largest educational systems. In previous year's budget, Finance Minister Pranab Mukherjee set out Rs 52,057 crore for industry (2011-2012). In 2011, the public education industry was worth \$40 billion, while private sector was worth \$60 billion. The current law permits hundred percent FDI

in education. According to Confederation of Indian Industry (CII), foreign direct investment (FDI) is another easy and effective strategy to promote private investment in higher education, as are specific reforms to Foreign Currency Regulation Act (FCRA).

FACTORS OF GROWTH INTEREST IN EDUCATION SECTOR EXPECTED GROWTH IN THE MARKET SIZE

According to a survey by rating agency CARE Ltd, Indian education industry's market size is estimated to be over USD 100 billion & is predicted to nearly double to USD 180 billion by 2020.¹

As a result, the education business is receiving significant investment, particularly in elementary, intermediate, and university education. According to data given by Department of Industrial Policy & Promotion, the education industry attracted FDI of USD 1465.44 million from April 2000 to June 2017. (DIPP).²

SCALABLE INVESTMENT

Due to a scarcity of suitable educational facilities and institutions, as well as an overwhelming demand for excellent education, there are prospects for operational scale-expansion and top-line development.

MIGRATION TO QUALITY

Students at private institutes frequently surpass those at government-run institutes. Parents have noticed the qualitative difference. As a result, the number of international schools providing higher-level education has grown. Needless to say, all of these initiatives greatly contribute to India's internationally competitive skilled workforce.

OBJECTIVES OF STUDY

- To study need of FDI in education sector in India
- To analyze status of Indian education system

THE INDIAN EDUCATION SYSTEM

Bill No. 2010 on Foreign Educational Institutions Regulation of Entry & Operations

(Quality Maintenance & Commercialization Prevention). Foreign Educational Institutions Entry & Operations Regulation (Maintenance of Quality & Prevention of Commercialization) On March 15, 2010, the Central Government unanimously approved Bill 2010. (as in "Bill"). The Bill aims to allow foreign education providers to establish campuses in India & give students degrees & certificates. The Union Human Resource Ministry claimed that hundred percent FDI will be authorised under the new higher education law, despite the fact that Group of Ministers on matter had said that only 50% FDI would be permitted in the field. Many restrictions are included in the proposed Bill to prevent it from being abused. It establishes a timetable for granting permission to international educational institutions to establish campuses in India. They would be registered with University Grants Commission (UGC) or any other regulatory body (which would supersede UGC), which would review prospective institutions' bids in accordance with India's goals. Foreign institutions wishing to establish a campus will also be required to deposit Rs. fifty crore as a corpus fund & would be unable to withdraw any excess created by educational operations in India. Furthermore, a foreign education provider must use no more than 75% of the profits from corpus fund for growth of its schools in India. The human resource development minister has already stated that quotas will be introduced if government permits foreign institutions to operate in India. In reality, enforcing new reservation policy in foreign educational institutions when they visit India was one of the points raised by Man Mohan Singh in opposition to the commerce ministry's plan to allow FDI in education.

Education is listed in the Indian Constitution's Concurrent List, which indicates that both the centre and the states can act on it. Furthermore, while states have the right to create and operate universities through private or state university law, the centre has the authority to determine criteria for higher education institutions. The Ministry of Human Resource Development ("MHRD") is central nodal ministry for education. The MHRD starts & implements key higher education programmes while also giving financial

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assistance to University Grants Commission ("UGC").

The main objectives of MHRD include³:

- Creating National Education Policy & ensuring that it is followed in text & spirit.
- Development plans include extending access to & enhancing the quality of educational institutions across country, even in areas where people do not have easy access to education.
- Giving extra consideration to disadvantaged populations such as poor, women, & minorities.
- Scholarships, loan subsidies, and other forms of financial assistance should be made available to qualified students from underserved areas of society.
- Encouraging international educational cooperation, such as collaboration with UNESCO, foreign governments, and institutions, in order to promote educational opportunities in country. Other regulatory authorities involved in the monitoring & maintenance of school/higher education standards include:

State governments are in charge of granting money and creating state institutions and colleges, as are National Council of Educational Research & Training ("NCERT"), the University Grants Commission ("UGC"), and the All India Council of Technical Education ("AICTE"). The State Council of Educational Research & Training & the State Department of Education ("SCERT") has important duties at the state level. The education industry in India encompasses pre-school, elementary, & secondary education. Following that is higher education segment, which covers professional & technical education. In addition, segment contains vocational training, coaching courses, online education via e-learning platforms, & other services of a similar nature. With multiple regulatory organisations overseeing each part of the education industry, each has its own set of issues.

DISCUSSION

PRE-SCHOOL

With the exception of a few states like as Delhi, Karnataka, and Andhra Pradesh, the day care and pre-schools market (also known as kindergarten

in India) is currently unregulated in India. The National Commission for the Protection of Child Rights issued the "Regulatory Guidelines for Private Play Schools" on January 2, 2017. ("Guidelines"). The purpose of these Guidelines is to govern private play schools (also known as play groups, play schools, pre-schools, and nursery schools) for children aged three to six years. The Guidelines state, among other things:

- that playschools cannot be created without the approval of the appropriate authorities;
- Minimum legal prerequisites for establishing and operating a play school;
- Every private educational institution subject to these Guidelines must contain the term "play school" in its name.
- The play school's fees must be controlled by proper government, collected on a monthly or quarterly basis, & records must be audited.

However, these Guidelines provide states choice of notifying these Guidelines or adopting the substance of these Guidelines as law to control private play schools in their individual states. As a result, they are only advisory in nature. These Guidelines also do not apply to institutions organizations establishments centres/or any other body that provides any type of early childhood services to children aged 0 to 3 years. Because most states have not included pre-primary schools within their regulatory scope, many pre-primary schools have been established around country.

The lack of regulatory obstacles, cheap investment costs, & the possibility to grow geographically via franchise models, as well as a high rate of return on investment, have resulted in the formation of several such schools around country. Kangaroo Kids, Eurokids, and Kidzee are few of names in pre-school market that operate in several Indian cities.

PRIMARY & SECONDARY EDUCATION

Unlike pre-schools, elementary & secondary education in India is regulated, and educational institutions must follow both government and state-specific laws (unless expressly excluded). The first & most important step toward providing basic and secondary

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education is to secure the appropriate licences from government officials for the establishment of a school. Furthermore, connection with one of following important boards/authorities is required to secure acknowledgment of school's education and qualifications.⁴

- Central Board of Secondary Education
- Council for Indian School Certificate Examinations
- International Baccalaureate (“IB”) from Geneva
- State Boards

CENTRAL BOARD OF SECONDARY EDUCATION (“CBSE”)

The CBSE is overseen by the Department of Education, which reports to the Ministry of Human Resource Development.⁵ It was established with intention of:

- establish examination conditions and hold public examinations at conclusion of Class X & XII;
- provide qualifying certificates to accomplished students from linked schools
- prescribe and revise examination course of instruction;
- associate institutions for purpose of exams & raising country's academic standards.⁶

Schools that follow the CBSE examination format must be connected or affiliated with them. Affiliation to CBSE is controlled by its affiliation bylaws, which outline specific prerequisites and qualifications.

COUNCIL FOR THE INDIAN SCHOOL CERTIFICATE EXAMINATIONS (“CISCE”)

CISCE, a private, non-governmental school examination authority in India, administers the Indian Certificate of Secondary Education (“ICSE”) and the Indian School Certificate (“ISC”). The ICSE Exam follows a ten-year educational program (Classes I to X). The ISC Examination, on the other hand, is intended to be taken after a two-year course of study that goes beyond the ICSE Examination (Class X) or its equivalent. However, permission to provide an ISC course of study is not granted unless the school also offers an ICSE curriculum, i.e. Class X.

Schools that want to follow CISCE programme of study and examination, like the CBSE, must be connected with CISCE. Affiliation to CISCE is similarly controlled by its own affiliation criteria, similar to CBSE.⁷

IB SCHOOLS

The International Baccalaureate Organization (“IBO”) is a charitable educational organization headquartered in Geneva, Switzerland. IBO is not affiliated with any one country and operates its program in a variety of them.⁸

In India, there are over a hundred IB World Schools that provide one or more of three IB programmes. Primary Years Programmes are available in 75 schools, Middle Years Programmes in 2811 schools, and Diploma Programmes in 116 schools.⁹

The Association of Indian Universities (“AIU”) recognises the IB Diploma for equivalence purposes, which is a method in which the AIU assesses comparability of courses & awards a certificate indicating such similarity by awarding an equivalent degree certificate. Since 1983, the IB Diploma has been considered comparable to a +2 stage (Grade 12) credential from an Indian Board for admission to Bachelor's degree programmes in Indian universities. However, only around 223 universities presently recognise IB Diploma.¹⁰

Despite the fact that AIU recognises the IB Diploma, some institutions and universities do not.¹¹ While CBSE and ICSE school affiliation by-laws/guidelines require that schools be established by a non-profit organisation, no similar rules/by-laws are mandated for IB schools. However, IB schools must also adhere to local regulations. Since most states (excluding Haryana) require schools to be conducted on a non-profit basis, IB schools would also be required to follow these rules (such as The Right of Children to Free & Compulsory Education Act, 2009) while creating a business to manage schools in India.

STATE BOARDS (UNDER STATE ACTS/REGULATIONS/AUTHORITIES)

Aside from CBSE or ICSE boards, which give affiliation and certification to schools across states, the Department of Education is in control of

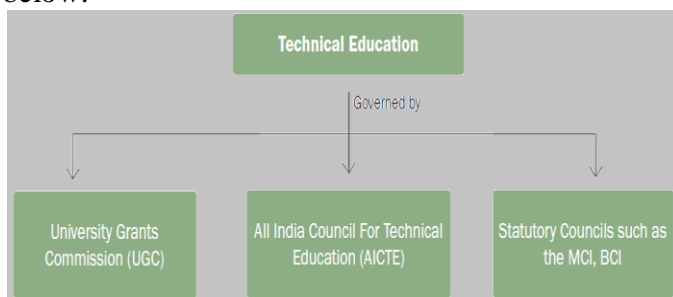
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state-specific boards. As a result, state-run schools and aided schools that are privately held but subsidized by the state are associated with and accredited by state boards. These state boards are created by state education legislation. As a result, schools managed by state boards must follow state government regulations.

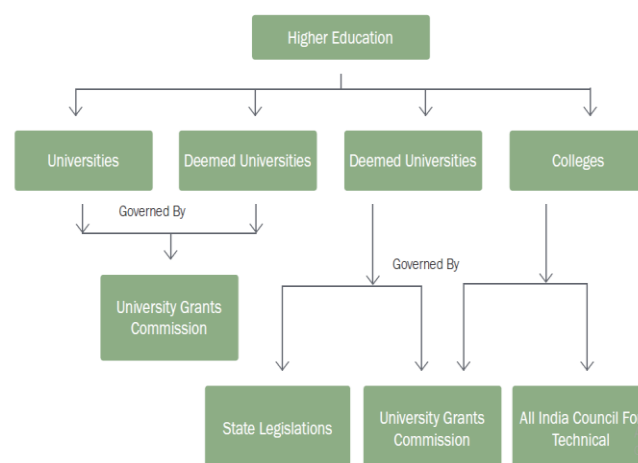
HIGHER EDUCATION

Higher education in India is divided into Diploma Courses, Bachelor's/Undergraduate Degrees, Master's/Postgraduate Degrees, and Pre-Doctoral/Doctoral programs. It can also be divided into technical and non-technical education. The AICTE Act defines technical education as "programs of education, research, and training in engineering technology, architecture, town planning, management, pharmacy, and applied arts and crafts, as well as such other program or areas as the Central Government may declare by notification in the Official Gazette, in consultation with the Council."¹²

Non-Technical Education would so relate to courses that are not technical in nature. India's Gross Enrollment Ratio (GER) in higher education is now 24.5 percent.¹³ The goal is to raise GER to 30 percent by 2020.¹⁴ The number of unassisted higher education schools is growing, and the private sector now accounts for over 65 percent of all higher education institutions.¹⁵ Private sector educational institutions have increased access to higher education and now enrol more than half of all students. There are several bodies/authorities in India that regulate technical education, as listed below:



Universities, colleges, and deemed universities are examples of accredited higher education institutions. Each of these establishments is administered by a distinct body, as listed below:



REGULATORY BODIES

UNIVERSITY GRANTS COMMISSION

The University Grants Commission (UGC) was established by University Grants Commission Act of 1956 ("UGC Act") to provide for the coordination & setting of standards in institutions. Its mandate includes the following:

- University education promotion and coordination
- establishing and sustaining university teaching, examination, and research standards;
- Creating regulations governing minimal educational standards;
- Following advancements in collegiate & university education;
- Grants are distributed to universities & institutions.
- Serving as a critical link between Central & State Governments & higher education institutions;
- Advising Central & State Governments on steps that must be taken to strengthen university education.

ALL INDIA COUNCIL FOR TECHNICAL EDUCATION

The All India Council for Technical Education (AICTE) was established by the All India Council for Technical Education Act, 1987 ("AICTE Act") to ensure proper planning and coordinated development of the country's technical education system; qualitative improvement of such education in relation to planned quantitative growth;

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regulation and proper maintenance of norms and standards in the technical education system; and related matters. The AICTE was founded in 1945 as a technical education advising organization, and it was granted full status by an Act of Parliament in 1987.¹⁶

The AICTE Act grants the AICTE regulatory authority over institutions that provide 'Technical Education.' The UGC, which was founded by statute in 1956, oversees education at the university level and is the final organization for giving accreditation and affiliation to schools. The AICTE is in charge of technical education and the operation of technical colleges throughout the country. As a result, under the AICTE Act, the term "Technical Institution" refers to institutions other than universities that offer courses or programs in the field of Technical Education.

STATUTORY PROFESSIONAL COUNCILS

Statutory Professional Councils are in charge of course recognition, professional institution marketing, and granting funds to undergraduate programmes and numerous prizes. For example, the Medical Council of India has the authority to specify minimum requirements for medical education necessary for the award of recognised medical credentials by Indian universities or medical institutes. It is also in charge of advising the government on the formation of new medical schools. Similarly, important councils include the Bar Council of India, the Dental Council of India, the Indian Nursing Council, and others. These councils have been granted the responsibility to establish standards and draught laws in their respective fields of competence.

**EDUCATIONAL INSTITUTES
UNIVERSITIES**

According to UGC website, there are about 47 Central universities, 17 377 state institutions, 18 123 universities recognised as such¹⁹, and 282 private universities. ²⁰ Section 2(f) of UGC Act defines a university as one created or incorporated by or under a Central Act, a Provincial Act, or a State Act, as well as any institution that may be recognised by UGC in consultation with University concerned, in line with the UGC Act's rules. State Acts are often used to create universities. Private

universities are unitary institutions established within a state & are not authorised to operate or expand off-campus centres outside of the state in which they were established. A private university, on the other hand, may open off-campus center(s) after five academic years from the date of formation & with previous consent of the UGC.

DEEMED UNIVERSITIES

On the advice of the UGC, the Central Government may declare under Section 3 of the UGC Act that any higher education institution other than a university shall be deemed to be a university for the purposes of the UGC Act, and upon such a declaration, all provisions of the Act, including the power to award degrees under Section 22 of the UGC Act, shall apply to such institution as if it were a university within the meaning of the Act. The provision in the UGC Act for deemed universities was made to bring institutions under the purview of the UGC that did not qualify as universities for various reasons but were performing high-quality work in a specialized academic field comparable to that of a university, and grant of university status to which would enable them to further contribute to the cause of higher education, mutually enriching institution and university. The 'UGC (Institutions Deemed to be Institutions) Regulation, 2016' governs deemed universities at the moment ("Deemed Universities Regulations"). The Deemed Universities Regulations provide a variety of standards for granting university status, such as minimum land size and infrastructural requirements, financial requirements, and so on. Providing higher education that leads to brilliance and creativity in such fields of knowledge as may be judged acceptable, particularly at the post-graduate and research degree levels that completely conform with university norms, should be one of its key aims. The institution must have received the highest grade from the National Assessment and Accreditation Council (NAAC) and/or the NBA for two cycles and must receive the highest grade in the third cycle continuously (five year cycle) or must have the highest NAAC/NBA category at the time of application and in the immediately previous NAAC/NBA cycle, as well as at the time of application and in the two years prior (institutions

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devoted to innovations in teaching and research in unique and emerging areas of knowledge).

COLLEGE

The distinction b/w a college and a university is that colleges facilitate but do not issue degrees, whereas universities award degrees either via their own departments or through colleges connected with them. The capacity of a college to permit such degree grants by a university is due to its "affiliation" with such university, which is controlled by terms & circumstances of affiliation. The UGC (Minimum Standards of Instruction for Grant of First Degree through The Formal Education (Regulations of 2003) specifies instructional standards and maintains uniformity in admission, working days, syllabus, examination & assessment, physical facilities, degree awarding, and other areas throughout all colleges and universities in the country.

AUTONOMOUS COLLEGES

They refer to schools that have received this designation from the institution to which they are attached. The state government and the UGC must both agree for this status to be granted. Unlike affiliated colleges, autonomous colleges have ability to define their course curriculum & use flexible teaching techniques and modules. According to the current list of recognised autonomous colleges under UGC Scheme, India has 621 independent colleges⁴⁶ that administer their own examinations and select their own curriculum but are linked with a university.

INSTITUTES PROVIDING DISTANCE EDUCATION

In India, distance education was previously supervised by two regulatory agencies. –

- The UGC
- The Indira Gandhi National Open University Act of 1985 established the Distance Education Council ("DEC") to coordinate and regulate standards of teaching, evaluation, & standards in India's open & distance learning ("ODL") model of education.

While private universities established under State Acts were governed by the UGC (Establishment and Maintenance of Standards in Private Universities) Regulations, 2003 ("UGC Regulations"), any university intending to offer programs and courses via distance education mode was required to seek approval from the DEC and was also subject to the DEC's various guidelines and regulations. Under UGC Regulations and DEC Guidelines, universities were typically required to obtain specific approval from UGC and/or DEC in order to offer distance education courses to students, open new campuses, set up or affiliate with any private institutions in the nature of franchises, study centers, learning centers, and so on. However, a number of reforms in higher education administration have happened in India, the most recent and crucial of which being the dissolution of DEC on May 4, 2013. This also indicated that DEC's regulations and recommendations were null and void.

CONCLUSION

Despite the fact that investing in the Indian education industry is fraught with difficulties, it presents investors with several opportunities. A lot of research and publications show that the industry might provide substantial profits. With India's demographic dividend at its height, its working-age population accounting for over two-thirds of the total population, and a serious dearth of institutions providing high-quality education & training across segments, investors are presented with an opportune opportunity. The MHRD's attempt to allow FEIs to establish autonomous bases in India (without requirement to partner with Indian universities) appears to be a step toward enabling foreign engagement in India's education industry.

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