

Higher Education And Foreign Direct Investment In India

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ABSTRACT

This study focuses on the benefits of FDI in professional education, with a special focus on India, and examines the benefits and drawbacks of FDI. The unparalleled chance for higher education and professional education growth stems from India's demographic dividend, a rare 25-year window of opportunity. The government's stance of encouraging private investment in education has steadily eased over time. Finance Minister Nirmala Sitharaman stated in her 2020-21 Budget address that India's education system requires more funding to recruit outstanding instructors, innovate, and create better labs. She also stated that initiatives will be done to facilitate the sourcing of External Commercial Borrowings (ECBs) and FDI in order to provide higher-quality education.

KEYWORDS- Higher education, FDI, Need, Drawbacks, Importance and Government role etc

INTRODUCTION

The 1990s saw a significant increase in private capital flows to India, a development that represented a significant departure from previous two decades. In the 1970s, there was little fresh foreign investment in India, and several corporations departed. Private capital inflows

remained modest in 1980s, averaging less than \$0.2 billion each year from 1985 to 1990. Fresh foreign investment was encouraged in a variety of industries throughout the 1990s as part of a broad economic liberalisation. Flows to India increased consistently during 90s, surpassing \$6billion in 1996-1997.

The government's stance of encouraging private investment in education have steadily eased over time. In 1986, National Policy on Education launched a discourse to limit the commercialization of technical & professional education via constant efforts by private & volunteer organisations in accordance with agreed standards & aims. The Tenth and Eleventh Five Year Plans gave a flexible platform for private entities such as deemed universities and private colleges to participate, resulting in a large number of institutions actively participating in the growth of higher education. There has been a global shift toward mass higher education, which has resulted in a larger range of institutions and programmes, as well as a significant growth in number & size of universities. This is also true for the provision of professional education.

The swift and steady growth of India's economy across the majority of its sectors has elevated India to one of most renowned & attractive

locations in world for FDI. India is ever-expanding markets, the development & use of communication technology & technology in general, the liberalisation of trade policies & the loosening of various foreign investment restrictions, &, most importantly, India's demographic dividend have all contributed to India being apple of investors' eyes for most-productive, profitable, & secure foreign investment. According to a recent poll conducted by UNCTAD, India has emerged as the world's second most popular and desirable location for highly profitable foreign direct investment, behind only China. After a year, external financial flow into India's education sector has stalled. Only three enterprises in the education sector received ECB assistance between January and November 2020, according to RBI statistics. These firms raised a total of \$1.86 million (about 13.5 crore) for 'working capital' purposes. FDI inflows into education are no exception. Although 100% FDI has been permitted in the industry since 2002, total FDI inflows to the sector from April 2000 to September 2020 were \$3.89 billion, or 0.77 percent of total FDI inflows for the period. In contrast, Indian edtech start-ups garnered more than \$2.22 billion in investment in 2020 alone. (thehindbusinessline.com)

OBJECTIVES

- Research current trends and patterns of FDI flow into education.

- To evaluate FDI as a predictor of Higher Education expansion.
- Research the state of the Indian professional education system
- Research the FDI potential in India's education industry.

FDI IN HIGHER EDUCATION

The epidemic has provided an excellent chance for the education sector to adapt and evolve in response to the needs of the hour, which would have taken considerably longer otherwise. Through the automatic method, the government has permitted 100% FDI in the education sector. This implies that any foreign firm can invest in India without seeking permission from government or the Reserve Bank of India. However, the Indian business is required to disclose to the RBI within 30 days after receiving the investment. (fdimanager.com)

India's education system is built on three pillars: economic growth, social development, and technical advancement. According to the Department of Promotion of Industry and International Trade report, FDI equity inflows totaled US\$ 4495 million between April 2000 and March 2021. In the year 2020, ed-tech has attracted a US\$ 2.22 billion investment.

Expansion of higher education, particularly technical and vocational education, will be required to initiate FDIs, including franchising arrangements with third parties over which parent institution may exercise limited control, virtual course

delivery, and course delivery through satellite campuses.

The future lies in juxtaposing and allowing international universities to build avenues for both research and teaching. For the first ten years, they should only provide full-time PhD and post-graduate programmes with their own staff, utilising diverse technology & open source educational resources. This would prevent academic quality from deteriorating in current Indian institutions, both public & private, which is already dealing with a severe professor shortage.

This fulfils three functions:

- i. First, the competitive research spirit will boost research output and improve quality of life, contributing to India's economic and intellectual strength. According to a Kauffman Foundation assessment, the contribution of university research to a country's economy is far more than is typically recognised.
- ii. Second, such post-graduate education can help to meet the enormous need for faculty in present & future educational institutions.
- iii. Third, this pre-condition serves as a litmus test for the true intents of international colleges.

In the years after independence, the Higher Education sector has seen a great expansion in institutional capability. From 27 in 1950 to 504 in 2009, the number of universities/university-level institutions has risen 18 times. There are 42 Central Universities, 243 State Universities, 53 State Private Universities, 130 Deemed Universities, 33

Institutions of National Importance (created by Acts of Parliament), & 5 Institutions of National Importance (established by Acts of Parliament) (established under various State legislations). The number of colleges has also increased dramatically, from 578 in 1950 to more than 30,000 in 2011. Higher education in India, on the other hand, has fallen behind for a variety of reasons. According to 2003-04 only about 7-8% of population is enrolled in country's institutes of higher education. Furthermore, public spending on higher education accounts for just 0.37% of overall GDP. Statistics also reveal that in just 12 years, there has been a 28% decrease in expenditure per student. India, which has the world's third biggest higher education system in terms of enrollments, after China and the United States, need more FDI to accomplish its goal of doubling GER by 2020. All colleges that provide higher education must be linked with a university (in turn under purview of central regulatory body called UGC – University Grants Commission). At the moment, the All India Council for Technical Education Regulations for Entry and Operations of Foreign Universities in India Imparting Technical Education, 2005 govern the entry and operation of foreign universities/institutions imparting technical education in India (Foreign Universities Regulations). These restrictions apply to international universities/institutions that provide technical education in India, and they even make partnerships between Indian and foreign universities/institutions easier. However, a foreign

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university intending to establish an educational institution in India must do so through a registered trust or society, and foreign university franchises are not authorised.

OPPORTUNITIES

According to Grant Thornton's report 'Education in India: Securing the Demographic Dividend,' primary and secondary education, or Kindergarten-12th grade (K12), sector is expected to reach US\$ 50 billion in 2015, up from US\$ 24.5 billion in 2008, growing at a Compound Annual Growth Rate (CAGR) of 14%.

Furthermore, according to Ernst & Young's research '40 million by 2020: Preparing for a New Paradigm in Indian Higher Education,' the higher education industry in India is predicted to increase at an 18.0 percent CAGR through 2020. Currently, the industry sees spending of more than INR 46,200 crore (US\$ 10.4 billion), which is expected to expand at a pace of more than 18.0 percent per year to more than INR 232,500 crore (US\$ 52.5 billion) in 10 years.

According to Grant Thornton's research 'Education in India: Securing the Demographic Dividend,' the vocational category has emerged as a US\$ 2.6 billion industry that is predicted to swiftly rise to US\$ 3.6 billion by 2012, rising at a CAGR of 25%.

According to Mr. KapilSibal, Union Minister for Human Resource and Development, India requires 1.2million more teacher under right to education Campaign. He also stated that with 546

million people under the age of 25, India has enormous educational potential that has to be realised. According to Mr Sibal, India would require 800 additional institutions and 35,000 more colleges by 2020 to boost the ratio of students pursuing higher education in the country from 12.4% to 30%.

GOVERNMENT'S ROLE

The Gujarat government intends to establish a farming educational centre in conjunction with Israel, offering post-graduate and doctoral programmes with practical training and degrees from Israeli universities.

The Indian government also intends to invest Rs 287.50 crore in Ranch I to establish an Indian Institute of Agricultural Biotechnology.

The Ministry of Skill Development and Entrepreneurship, in conjunction with the Tata Indian Institute of Skills, will establish two short-term courses in factory automation in December 2020.

The Department of Higher Education has been given Rs 38,351 crore in the Union Budget 2021-2022.

In a push to educate and train its faculty internationally, the All India Council of Technical Education (AICTE) will launch 46 online AICTE training and learning (ATAL) academy faculty development programmes on'molecular manufacturing' in November 2020.

The Union Minister for Skill Development and Entrepreneurship and the Australian High Commissioner participated in a virtual meeting to

implement VET cooperation to promote occupational standards development in order to strengthen India-Australia cooperation in skill development and vocational education and training (VET).

Despite the COVID-19 epidemic, India saw 13% growth in FDI inflows in 2020, with investments in the digital industry leading the way. China was the only other country judged to have had FDI expansion.

Singhania Education Services, which operates five schools, intends to invest Rs 25 crore in the new company by the end of this year. The portal will provide K12 schooling as well as other skill development and coding courses.

NITI AAYOG has been tasked with developing a strategy to elevate tertiary education in India to a world-class standard in order to attract students from outside.

India, Bangladesh, Brazil, China, Egypt, Indonesia, Mexico, Nigeria, and Pakistan will join the United Nations' E9 programme in April 2021. The E9 initiative is the first of a three-phase process to co-create a digital learning and skills programme for marginalised children and youth, particularly girls. By encouraging quick reform in education systems, the programme hopes to hasten recovery and achieve the Sustainable Development Goal 4 agenda.

The Department of School Education and Literacy has been given Rs. 54,873.66 crore (US\$

7.53 billion), compared to Rs. 59,845 crore (US\$ 8.56 billion) in the Union Budget 2020-21.

In order to construct a digital education system, the government established the National Digital Educational Architecture (NDEAR).

The third phase of the Pradhan Mantri Kaushal Vikas Yojana (PMKVY) was inaugurated in 600 districts on January 15, 2021, with 300+ skill training. The third phase, led by the Ministry of Skill Development and Entrepreneurship, will concentrate on new-age and COVID-related abilities. PMKVY 3.0 seeks to train 80,000 applicants.

DRAWBACKS

- Different government factions prescribe different things. Whereas the DIPP allows 100 percent FDI in the education sector, the AICTE (All India Council of Technical Education) Act specifies that no foreign investment, direct or indirect, is permitted in the establishment of a technical institute in the nation. A third factor is that the University Grants Commission (UGC) does not recognise international universities.
- Education is seen as a service rather than a business in India. As a result, the "NON-PROFIT" structure of the same demoralises investors because they are unable to liquidate their cash.
- Prior permissions for numbers and the increase in school regulatory fees have

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caused several conflicts, reducing investment.

- This is the most significant barrier to attracting investments. Professionalism and decentralisation are desperately needed.
- There is relatively little technological adaptation from foreign nations; • Distinct governments have different rules and frameworks; and so internal bureaucracy does not allow for progress.
- Education should account for 6% of GDP, yet it is still falling short.

DISCUSSION

Due to poor investment, India's education industry is finding it increasingly difficult to meet expanding market needs and competition from foreign educational institutions. Increased private investment in infrastructure improvement has become critical. The industry provides potential to expand capital since education in the nation still needs high-quality infrastructure, and investors have the possibility to construct it. As a result, private firms might benefit greatly from investing in the Indian education system.

According to data given by the Department for Promotion of Industry & Internal Trade, total amount of Foreign Direct Investment (FDI) inflow into India's education industry amounted at US\$ 2.47 billion from April 2000 to March 2019. (DPIIT).

In recent years, India's education and training industry has seen significant investments and advances. Among them are: In 2017, the Indian

education industry saw 18 merger and acquisition agreements for US\$ 49 million. There are 3,500 companies in India that cater to the education sector. In 2018, these businesses got about \$700 million in investment. The Government of India's Ministry of Human Resource Development also intends to raise around Rs 1 lakh crore (US\$ 15.52 billion) from private corporations and high net worth people to fund the expansion of education facilities in the country.

To improve institutional mechanisms for skill development, India has inked a financing arrangement with the World Bank under the 'Skills Acquisition & Knowledge Awareness for Livelihood Promotion' (SANKALP) Project. Singapore will establish its first skill development centre in Assam, providing vocational training to adolescents in the region.

Aside from concentrating on innovative education methodologies such as E-learning and M-learning, several government programmes are being implemented to encourage the expansion of the remote education business. In recent years, the education system has experienced a slew of changes and increased financial investments that have the potential to convert the country into a knowledge haven. With human resources becoming increasingly important in the overall growth of the country, education infrastructure development is projected to remain a top priority in the coming decade. In this scenario, infrastructure investment in the education sector is expected to skyrocket over the next decade. Furthermore, the availability of English-speaking

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tech-educated personnel, democratic administration, and a robust legal and intellectual property protection environment facilitate world-class product creation.

The Government of India has taken many actions, including the establishment of new IITs and IIMs, as well as the allocation of educational funding for research researchers in most government institutions. Furthermore, with various educational organisations utilising online means of instruction, higher education industry in India are poised for significant changes and improvements in the coming years.

More money is being set aside for schooling as the average Indian household income rises. Furthermore, as a result of government incentives, more students are enrolling in higher education. This implies that more colleges are required to serve these pupils. Furthermore, the need for education is rigid; that is, education industry will not collapse no matter what.

Primary schooling is growing in popularity. Many international schools have established themselves in India. Parents are enrolling their children in international schools for a better education beginning in primary school.

Because of the increasing need in these businesses, technology-oriented courses are becoming more popular. The medical business is likewise undergoing a transformation. More physicians and experienced experts are needed in this field. As a result, engineering and medical schools will be in high demand. Management

education is likewise in high demand. Many foreign management universities are establishing relationships with Indian colleges or establishing their own centres in India. Aeronautics and biotechnology are two common specialisations. In India, universities with specialised courses and research capabilities have enormous potential. To meet its design and demands, the R&D sector need additional experience and quality employees.

Currently, many international colleges function using the twinning model. This simply implies that the participating school can provide the other university's programme in its first half. As a result, these students get credits that may be transferred to a foreign university. This allows students to select from a variety of disciplines while also completing a year in India. As a result, these initiatives are effective and offer an excellent investment opportunity.

E-learning and distance learning programmes are also becoming increasingly popular. Many students & working professionals take these courses to further their education. The world-class curriculum, comfort, and reasonable fees are all attractive features of these programmes.

Because many Indians seek great education abroad, there is a strong market for international institutions in India. The government is also promoting FDI in this area in order to boost country's educational quality. As long as laws and regulations are followed, 100% FDI is permitted in this area. As a result, this industry provides several

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benefits and is becoming a popular investment location.

CONCLUSION

In terms of growth, there is a big difference between the need for and supply of foreign direct investment. As a result of its ever-increasing enrollments in students, schools, and colleges, India has a very broad potential of development in this sector. To encourage FDI, the government must loosen rules and processes so that investors find it more appealing and simpler to monetize their money.

This is critical for the sector's growth and expansion not just locally, but also worldwide. The government of India has taken several actions, ranging from granting grants to scholars to expanding the number of IITs and IIMs. If given the correct resources and chances, the country can outperform anyone if given the right knowledge and skills. We aim to make sure that learners, employers, colleges, institutions, & training organisations may successfully collaborate within a learning market. At centre of this market should be high-quality, unbiased information about available training options & universities & training organisations that can best match the unique skills needs of each individual and company.

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