

Role of FDI in Indian higher education sector.

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Abstract: Foreign direct investment is an investment made by an individual or company of one country in the business interests of other country. The investment made by the foreign enterprise are usually made to acquire business assets or to establish business operations in the other country. In other words, the investment is made to gain ownership or control over the operations of the foreign country or to substantially influence the decision making of a foreign business. Foreign direct investment is the crucial factor for any economy growing towards development. Foreign direct investment enables the economy in balancing the need of finance with the inflow of funds generated through different sources of investment. Major participants of education sector are the top credited universities, which generate huge incomes and credibility to the nation by its high potential working patterns that deliver top quality education. These universities create high rate of competitive environment which indeed becomes a major concern for the candidates appearing for it. This problem of high competency can be over-casted by the foreign universities that deliver high quality education and feasible enrolment process. This paper aims at analyzing the need and effect of FDI in Indian higher education system. The study is based on secondary data. Data is collected through various sources such as referral books, articles, and journals.

Key words: Foreign Direct Investment, Higher education, Indian education system.

I. Introduction

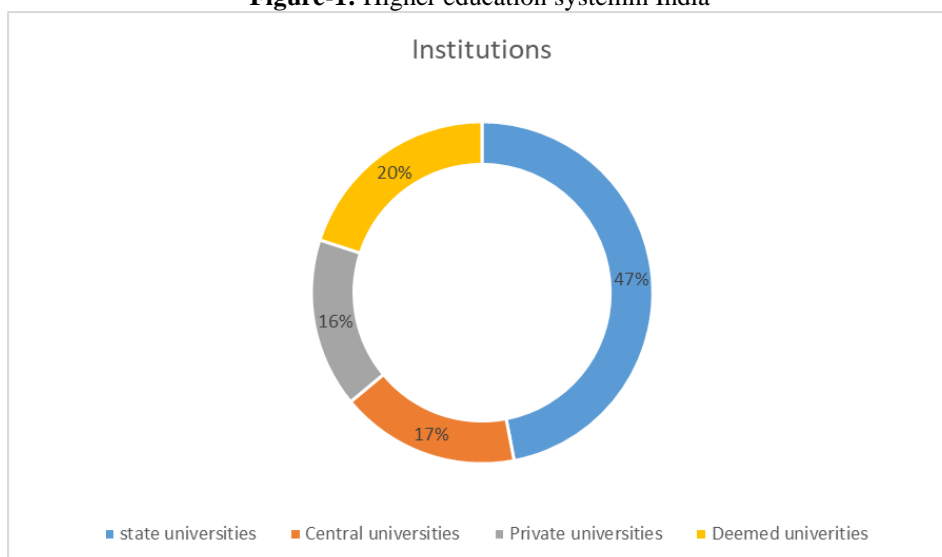
Foreign direct investment is an investment made by an individual or company of one country in the business interests of other country. The investment made by the foreign enterprise are usually made to acquire business assets or to establish business operations in the other country. In other words, the investment is made to gain ownership or control over the operations of the foreign country or to substantially influence the decision making of a foreign business.

In India education is the key to nation building. Education is the major operating sector in the Indian economy as it stands as the major contributor of income to the economy. Contribution made by the education sector has rapidly increased during the past years. The scope of education and its advancement is mainly from the sources of higher education i.e., institutions and universities operating in large scale. Major participants of education sector are the top credited universities, which generate huge incomes and credibility to the nation by its high potential working patterns that deliver top quality education. These universities produce top quality potential youngsters who are the future of the economy. Enrollment into these universities is a matter of concern to the individuals as it involves a screening pattern which admits only top best candidates with high potential intelligence and competency. As understood by the fact enrollment into these universities is not an easy go, only high credentials candidates make up to the top best universities. This becomes the major concern to the students and to overcome these complexities many choose to study abroad. Over the past decade, India's share of students enrolling abroad has increased rapidly. In order to arrest the flow of funds to foreign countries, it is feasible for the government to invite foreign universities for setting up their campuses in India.

II. Education Sector In India:

Education sector in India has undergone a great revolution over the past years. Since its inception to the recent times education has gained lots of importance with the increase of student's enrolment. University grant commission is the main governing body at the tertiary level which helps the government and establishes rules and regulations between the central, state and local universities. India has more than 260 million students enrolled and about 799 universities and 39,071 colleges and 11,923 stand-alone universities. India has one of the largest higher education system in the world.

Figure-1: Higher education system in India



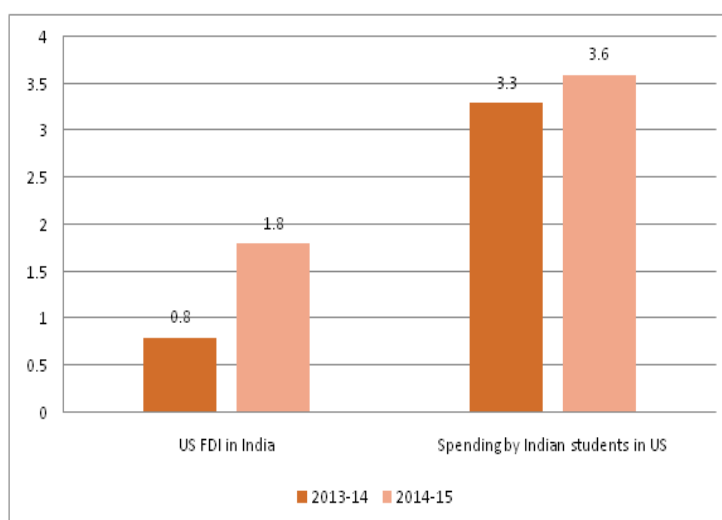
Source: www.ugc.net

The above data is taken from ugc.net where it shows about the overall universities in India.

III. Need For Study

In India education is the key to nation building. Education is the major operating sector in the Indian economy as it stands as the major contributor of income to the economy. Contribution made by the education sector has rapidly increased during the past years. The scope of education and its advancement is mainly from the sources of higher education i.e., institutions and universities operating in large scale. Major participants of education sector are the top credited universities, which generate huge incomes and credibility to the nation by its high potential working patterns that deliver top quality education. These universities produce top quality potential youngsters who are the future of the economy. Enrollment into these universities is a matter of concern to the individuals as it involves a screening pattern which admits only top best candidates with high potential intelligence and competency. As understood by the fact enrollment into these universities is not an easy go, only high credentials candidates make up to the top best universities. For the past decade, India has ranked first in sending students abroad for their higher education due to available sources there and quality education. Since a large number of students go abroad for higher education, it is sensible to allow foreign universities to set up their campuses here, in India and this would as well arrest the outflow of monetary and human capital. Foreign universities would create competition between Indian and foreign education, and generate employment.

Figure-2 Investing in Education



3.1 Sources- India brand equity foundation. (IBEF)

In the above figure (in \$) input data is taken from IBEF. It is clear that Indian students spending in US is comparatively higher than US investing in India.

IV. Review of literature

The importance of FDI and economic growth in FDI in Indian higher education has largely been discussed in many literatures which are given below:

Kalpna Singh, and Dr. AlkaAwasthi, (2016); In this paper the author tries to examine how Foreign Direct investment (FDI) can be leveraged to enhance its impact on Higher Education and attempts to discuss the possibilities of bringing quality, excellence and more opportunities in “Higher education” through the FDI route. Imran Ali, "FDI IN HIGHER EDUCATION IN INDIA" January-march, 2014. In this paper the author has given due emphasis on pros and cons of FDI in higher education in India and has also highlighted the impact of FDI in higher education on quality, research and development, innovation and employability.

Article published by Deloitte talks about the importance of flow of funds into higher education sector through sources of foreign investment and its chances of transforming Indian higher education into the world's top league-Higher education needs more FDI: Deloitte report.

The author highlights the possible opportunities and challenges in Indian higher education.

V. Methodology

The data is empirical and collected through various sources like journals, trusted sources and other studies on the similar grounds. The data is secondary.

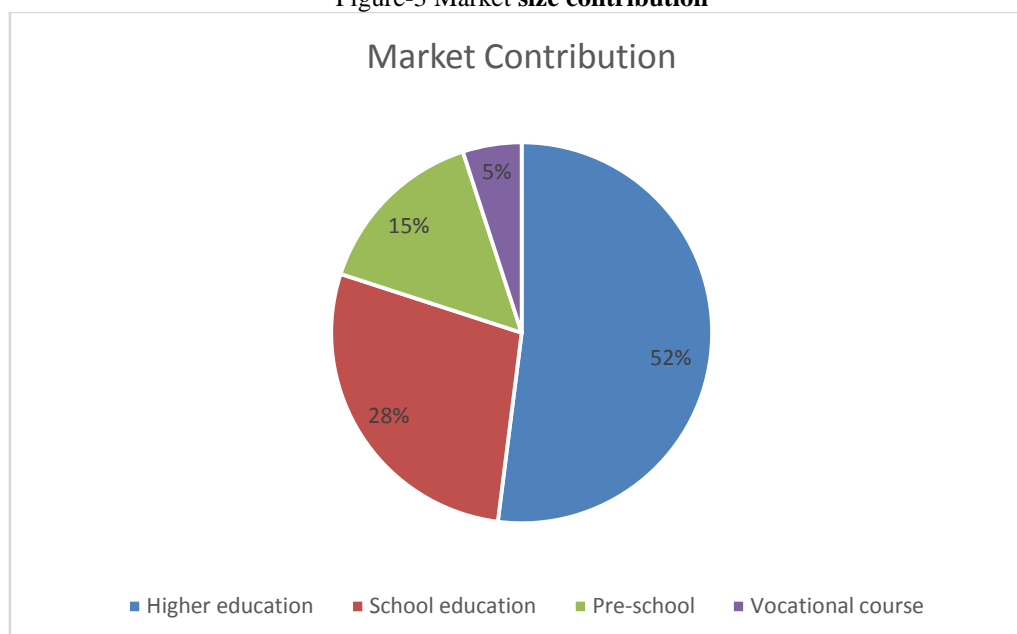
VI. Objectives

1. TO analyze the need of FDI in higher education in India
2. To understand the post effect of FDI in Indian higher education system.

VII. Need Of Fdi In Higher Education In India

India with the perspective of transforming the education system into service aided environment needs a helping hand in developing the education market. The government raises funds to resource education with available finances, these finances help in sustaining the market but rather stand unsuccessful in meeting up the needs of the potential seekers. The literacy rate and the number of education seekers has increased over the past years from 48.2% in 1991 to 72.2% in 2015 growing at an average annual rate of 11.01% and the percentage number of students opting higher education has also increased.

Figure-3 Market size contribution



Source: Technopak, VCCircle analysis.

Therefore, there arises the need to build new institutions and universities to sustain the potential growth of the economy. Higher education in India is booming in the current market with the increase in the gross enrolment ratio. Higher education sector has been the centre of attraction in the recent times due to its increase in contributions to the economy. Top best universities are standing as the prior and important sources which generate huge incomes to the economy. These universities are versatile and provide quality education with almost 100% enrolment ratio. Enrolment into these universities is a matter of concern to the students as they involve huge screening process and only the top best and top potential candidates can make a place into these universities. There arose a problem to the ones who could not meet the high competitiveness to seek education from the mediocre educational institutions. To breathe out of this problem people started to shift their focus on foreign universities who are potential enough in making better career to the youths with high quality education and also with their ease to access education.

People with potential ability to sustain foreign environment and people who aspire to study abroad has increased rapidly over the years. Elite economic groups and economic groups with potential ability started to fly abroad. Flow of funds from the country to the foreign countries took place and is almost standing double the inflows the economy is making from the foreign enterprise.

Apart from the above there are many reasons that inflated the circumstances, they are:

1. Greater value for higher education in foreign countries.
2. Lack of potential work environment.
3. Lack of recognition and advancement in job opportunities.
4. Lack of technology advancement.
5. Low career opportunities.
6. Incompetency of local institutions in meeting the needs of the credential candidates.
7. Social obligations of foreign universities.

Above problems are the root causes and the reasons for people choosing foreign countries over native countries. Of all the circumstances the major concern for the economy is due to the decrease in number of people returning to the native country. Migration of people has become a threat and overcome this problem and to arrest the flow of funds to the foreign countries it is feasible for the government to allow foreign universities to set up their campuses here. With the recent investment plans and strategies, the government aims in increasing the gross enrolment ratio from 15% to nearly double 30% at the end of 2020.

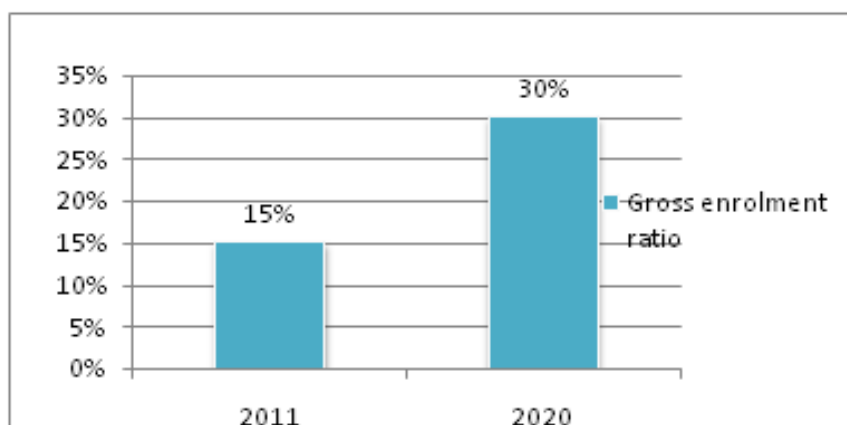


Figure-4 Gross enrolment ratio in India

Source: www.mhrd.gov.in

From the above figure, government has set a target to be achieved by Indian education system which was 15% in 2011 and has to grow up to 30% in 2020.

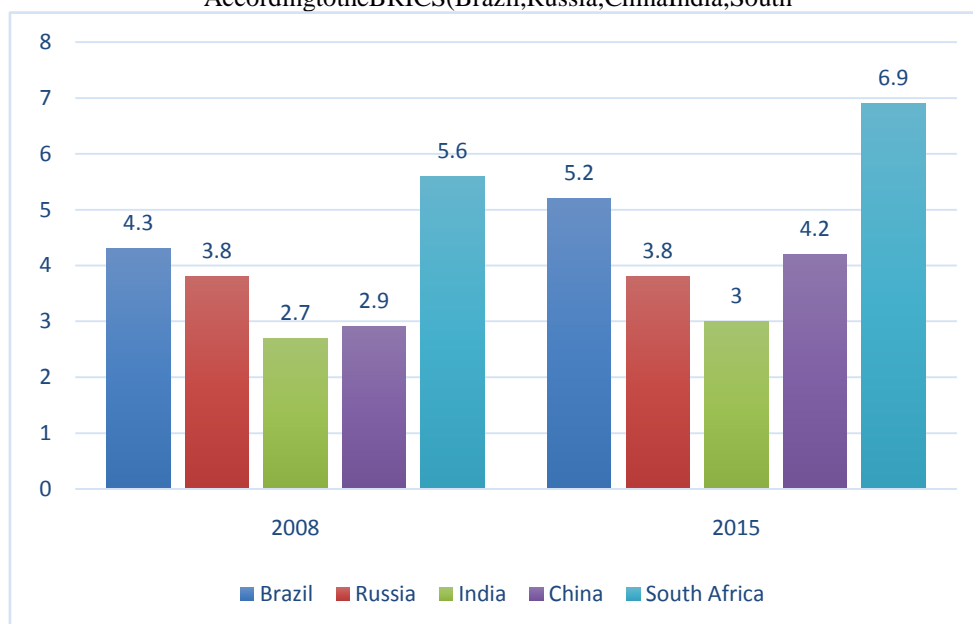
In order to accomplish the targets and to meet the potentials demand government needs huge investment into this sector. Education sector needs investment from foreign countries apart from their own country's investment. Despite the size of flair market, Currently India is unable to meet the demand for education. Funds raised by the government stands 37% in primary, secondary and higher education, to overcome this, the gap between the demand and supply should be bridged by inviting the foreign investments in the market. This enables the economy maintaining a sustainable growth in education sector and also may lead to profitable investments made by the foreign countries in the form of private equity and investor's strategy.

2. To understand the effect of post effect of FDI:

In this paragraph let us understand the post effect of FDI in higher education i.e., after math circumstances and scenario in Indian economy. Implementation and acceptance of foreign investment in higher education stands beneficial to the whole economy in many ways. Implication of foreign investment in the economy by allowing them to invest in the education sector results in growth of the economy by restraining the flow of funds. The first and foremost benefit of inviting foreign investment is the effect of retaining the flow of funds to the foreign countries, the host country or the origin country from where, most of the people are migrating will reduce gradually and this results in arresting the flow of funds to the foreign countries. By this, the flow of funds can be retained at least to some extent and the effect of FDI can be clearly understood with the below factors:

1. Migration of potential youth can be reduced.
2. Retaining the flow of funds to foreign countries.
3. State of quality education at foreign universities can be experienced at their own place.
4. High chances of enrolment.
5. Development of greater work forces in the country.
6. Foreign universities enable's the country in creating new start-ups and also brings in huge foreign investment.
7. Foreign universities help in the growth of the economy as it attracts foreign companies to set up their branches in the country.
8. Value for education in the India will increase with the inflow of foreign universities.
9. Job opportunities may gradually increase.
10. Creates employment as it resources various foreign company.
11. Development of potential youth with good technical skills.
12. Overall economy development.

Figure-5 Percentae share of public expenditure on education to GDP
AccordingtotheBRICS(Brazil,Russia,ChinaIndia,South



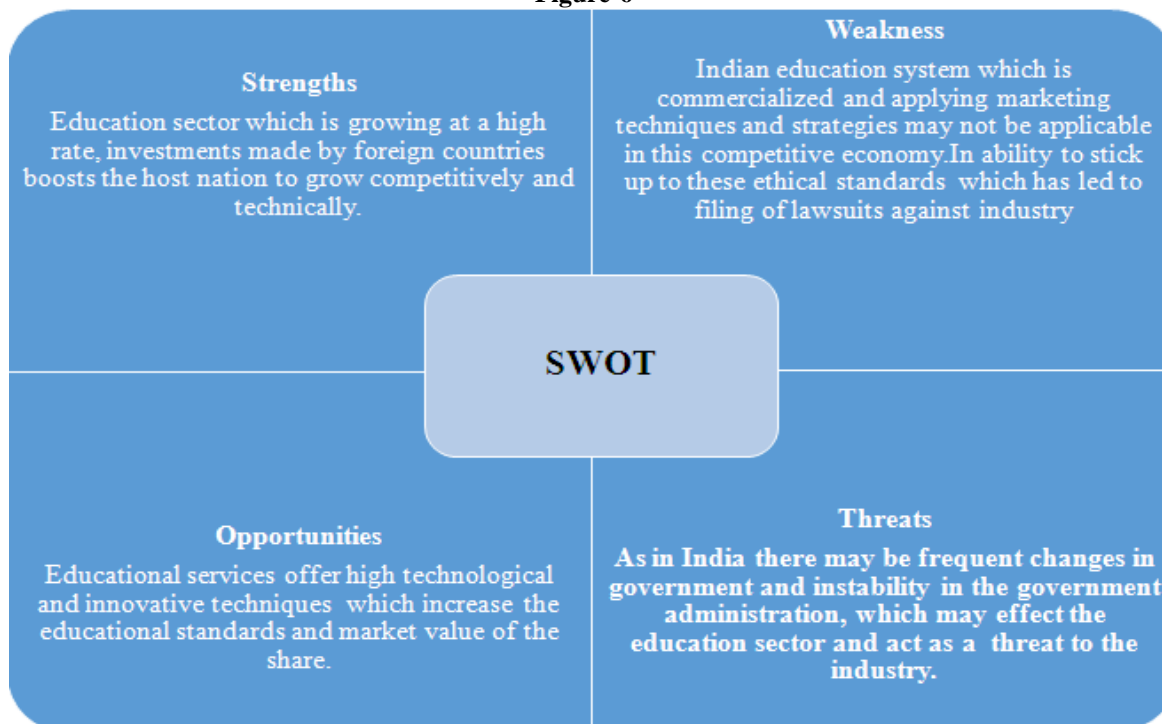
Source: brics annual report.

From the above diagram, according to the data given by brics.(Brazil, Russia, India, China, South Africa) the percentage share of public expenditure on education to GDP, where the amount spent by the government is taken into consideration.

During the rapid industrial period China and India have faced similar situations and challenges. These two started building their own education systems. However, Chinas different strategies and policies for developing the education system has led china to stand in the first place when compared to India. Developing and transition countries are further challenged in a highly competitive economy. If we look at the problem India

is facing in expansion of higher education, this will resolve the problem of enrolment rate as we are in situation of less supply high demand.

Figure-6



Source: Impact of FDI on higher education. International journal of research- Granthaalaya.

VIII. Conclusion

Finally it is important to state that India needs foreign direct investment to improve their higher education, through technical innovations and to stand first in gross enrolment ratio as well as 100% literacy rate should be enhanced. Regulatory bodies need to be framed by the Indian government to allow 100% FDI and government should try to over-come the disadvantages.

Regulating the entry and operations of foreign providers thus helping the Indian education to grow where professionals are appointed and improving the infrastructure.

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