

## **FDI IN INDIAN HIGHER EDUCATION**

**Dr.G. Kamalakar**, Researcher Dept. of Political Science Osmania University Hyderabad India :  
kamalakarou@gmail.com

**Dr. Rupavath Chandru** Associate Professor Dept. of Political Science Osmania University  
Hyderabad

### **Abstract**

The decision of the government of India to allow foreign direct investment in higher education is based on a consultation paper prepared by the commerce ministry, which is marked by arguments, perverse logic and forced conclusions. FDI in any field does not have an attached objective of fulfilling social agenda of the welfare state. It is guided by profit and market. This would result in commoditization of education. As per past most foreign institutes invest in technical courses which market needs rather than in quality education and research which is important for creating and developing human resource. There is a shortage of funds in higher education sector. Here are not many ways in which this investment in this sector can be increased in this sector domestically. Since a large number of students go abroad for their higher education, it is sensible to allow foreign universities to set up their campuses here, in India. This would help in arresting the outflow of monetary and human capital. Further, foreign higher educational institutes would create competition with the local institutes making them internationally competitive this article examines the issues and financial compulsions, presented in the consultation paper.

**Key words:** FDI, higher education, WTO, Financial, Indian.

### **Introduction**

As press reports indicate, that the government of India seems to have made up its mind to allow foreign direct investment (FDI) in higher education. A group of ministers has cleared a proposal on Foreign Service providers and a bill is expected to be prepared shortly. A short while ago, the ministry of commerce had released a consultation paper with the stated purpose of initiating discussions on the issue of allowing FDI. Its tone and tenor clearly indicated the official position which, as democratic conventions demand, should have been arrived at only after a sufficient and comprehensively documented debate. Instead, the government is pushing the bill with extreme and ungracious haste as if it is answerable only to the World Trade Organisation (WTO) and not to its own people. We can, therefore, only hope that the Parliament will discuss the issue threadbare. But that, unfortunately, is not very likely. What is most disturbing is that the decision to allow FDI has been taken on the basis of a consultation paper which is marked by shoddy arguments, perverse logic and forced conclusions. Indeed, a careful reading of it leads to the conclusion that there is no case for allowing FDI. This article raises essentially four issues which need critical attention: the objectives of higher education, its contextual relevance, the prevailing financial situation and the viability of alternatives to FDI.

### **Present Scenario**

Currently, the government of India spends around 3.1% of its GDP on education. Its literacy rate is at 74.3% According to, New Education Policy 2020, India aims at universalization from pre-school to secondary level. These reforms have led to raising standards to a global level in education by revamping of the curriculum, vocational training, examination structure, e-learning etc. One of the key targets is to increase the gross enrolment ratio (GER) to 50% by year 2035. The covid-19 pandemic has restricted the traditional classroom based teaching methods and transformed it to more of digital based education.

### **FDI - Foreign Direct Investment**

This plays a very crucial role in the development of a country. FDI means when a company takes control of ownership in a business in another country. This not only means that they invest their

money but along with them they bring new skills, knowledge and technology which benefits the other nation. This helps the country to expand their businesses and take them to a global level. This fulfills the needs for funding and expansion. India is a part of Ease of Doing Business in the top 100 club.

### **Major Issues**

- The first issue is addressed in the light of four requirements, one of which strangely is improved literacy. A link is suggested between “market-complementary arrangements in education” in the developed countries and the high levels of literacy that obtain there. Improved literacy has all along been tagged with better primary education, yet the consultation paper expects to somehow raise the literacy levels with FDI in higher education.
- The second requirement is to contain the outflow of money to other countries in the shape of fees and related expenditure. The paper does not, however, rely on any database study of the courses and institutions chosen by the Indian students abroad. It does confront the reality that a very large number of students go abroad to work and earn and not to get education at some internationally reputed university. It is also silent on how the fees received by foreign-based universities in India will be utilised.
- The third requirement, based on McKinsey-NASSCOM study, is the need to train a large number of graduates to handle the expected bonanza of offshore business and to work for multinational companies. Most of these “millions” of jobs will be in the information technology (IT) and information Technology enabled services (ITES) sectors and will certainly not require Harvard-standard education. Moreover, let us not expect a few Harvard and Oxford-like satellite campuses in India to turn out graduates in millions over the next five or six years.
- The fourth requirement arises from the dubious ambition to join the league of education-exporting countries like the US, UK and Australia. The idea that we will import education in order to export it derives from a rather simple minded Notion of education as just another commodity. Also, we should not forget that the best universities in the west do not to treat education as a business and may not be interested to come to India “to do business”. In the name of the best, let us not open our gates to unscrupulously mercenary corporate interests. In any case, have we given a chance to our own universities to perform at their best? The Indian Institutes of Technology (IITs) and Indian Institutes of Management (IIMs) did come up without FDI. To say the least, these four requirements only constitute short-term objectives and are formulated in terms of current trends in world business. But higher education also needs long-term objectives and a broad vision in tune with the projected future of the country and the world.

Its contextual relevance in the case of India has to be conceived in terms of our civilisational history and the contribution we wish to make to the future of humanity. Unfortunately, the consultation paper makes no efforts to understand the peculiarities of the Indian situation in the national and global contexts.

Among the slew of pending Bills on higher education is the Foreign Universities Bill or from a branding perspective, the FDI in higher education. At the drop of the word FDI, the immediate reaction is that it’s good for India. This seems to be the general consensus that is built around Indian minds, thanks to the media and other influential forces. India’s economic liberalisation in the early ’90s becomes an immediate parallel for quality, choice and other consumerism jargon. Does Indian higher education need foreign universities to bail it out? Definitely not and the way the Bill is in its present form, it will not.

The twin purpose of higher education is teaching and research. The benefit of research institutions like IITs, IISc, IIMs and others reaches multiple stakeholders. Such institutions form the bedrock for employable graduates, spur innovations by industry, support improvements in public policy and are critical for a country’s economic development. At no cost should they be deprived of funds and put at disadvantage when compared to the best universities worldwide who enjoy financial independence. On the contrary, such institutions are hankering for additional funds. Adding more to the pressure are the pre-natal IITs/IIMs whose naming ceremony is over and they are still unborn.

The standing committee on HRD in its recent report has expressed grave concern on the temporary campuses of new IITs/IIMs and huge faculty crisis which is reaching 60% in some IITs.

Even the established IITs feel that the strain on the system is affecting their quality of work. Can India afford to put the future research productivity of its best institutions at risk? The issue gets more serious at the undergraduate teaching institution level considering the future demands of higher education.

The targeted 35% Gross Enrolment Ratio by 2035 means that about 60 million students will be enrolled into the higher education system by 2035, creating an additional capacity for 35 million students. The demographic dividend for India will get richer with its population between the age group of 18 to 23 expected to increase 13% annually between 2005 and 2022 vs the world average of 4%. Brazil and China are expecting this population to decrease by 4% and 12% respectively. This growing requirement also puts pressure on the financial system requiring an investment of `1 million crore. At the existing 52% of total enrolment in private institutions, private sector investment will be `0.52 million crore.

Since independent India has not given its private institutions academic freedom, there is a strong need to provide a level-playing field in the interest of Indian higher education. The way forward is to juxtapose and allow foreign universities to create pathways for both research and teaching. They should offer only full-time PhD and post-graduate programmes for the first 10 years with their own faculty using various technological and open source educational resources. This shall prevent dilution of academic standards in existing Indian institutions — public and private — which are already reeling under severe faculty crisis. This serves three purposes. First, the spirit of competitive research shall increase research productivity and improve the quality of life, adding to India's economic and intellectual strength.

According to a Kauffman Foundation report, the role played by university research to a nation's economy is much greater than currently understood. Second, such post-graduate education can supplement the huge demand for faculty in existing and future teaching institutions. Third, this pre-condition is a litmus test for the foreign universities' genuine intentions. Question: Are they ready to take the test? Answer: Are we ready to offer the test?

Is the objective of opening our education system to foreign universities clear and well defined?

Is The objective of passing such a Bill as stated by the government is to let reputed foreign universities come to India and set their campuses here so that Indian students do not go abroad in search of quality education, thereby also making students afford the costly foreign education at lesser tuition fees and living expenses. Also it aims to promote Research and Development with the expertise and exposure of foreign institutions by collaboration with good research institutes of our nation like IISc, IITs and IIMs.

The Bill prima facie appears to be complete. But issues like regulation on hiring of faculties from Indian Universities, impartial and merit based admission process have been over looked. Though it has been said that there will not be any 'reservation of seats' constraint but entry to such pompous universities through management quota can't be denied. These universities have been kept under the purview of University Grants Commission (UGC) for their fee regulation and admission process but the Bill itself does not state about any regulation.

### **Arguments for the proposal**

- There is a shortage of funds in higher education sector. and there are not many ways in which this investment in this sector can be increased domestically.
- Since a large number of students go abroad for their higher education, it is sensible to allow foreign universities to set up their campuses here, in India. This would help in arresting the outflow of monetary and human capital.
- Further, foreign higher educational institutes would create competition with the local institutes making them internationally competitive.
- Also FDI in education would create new institutes and infrastructure and generate employment.

### **Arguments against the proposal**

- FDI in any field does not have an attached objective of fulfilling social agenda of the welfare state. It is guided by profit and market. This would result in commoditization of education.
- As per past observations, most foreign institutes invest in technical courses which market needs rather than in quality education and research which is important for creating and developing human resource.
- It has also been observed that only 2nd and 3rd tier universities are interested in setting up their campuses in the country.

### **Financial Compulsions**

The principal argument of the paper is to build around compulsions of the prevailing financial situation. According to it, higher education will require Rs 20,000 to Rs 25,000 crore over the next five or more years to expand capacity and improve access. For such a huge amount, the paper argues, we can only look to FDI. But is this really such a huge amount for a country that commits three to four times that amount every year to defence? The budgetary Estimate for 2004-05 alone stands at Rs 77,000 crore. It is not that defence should not be funded as per requirements. The point is the priority we need to assign to higher education and the question of enhancing access and ensuring equity. The FDI in itself cannot guarantee better equity and access as the paper unreasonably presumes. In fact, the amount required to upgrade and expand higher education turns out to be a pittance if we remember that it has to be shared between the central and state governments over a number of years. If non-profit organisations and well-intentioned corporate houses and individuals chip in, the edifice of higher education can really rise to touch the sky.

### **Conclusion**

There is thus an urgent need to address the deficiencies facing our higher education sector. However, one sided response to it won't solve the problem. The best option is the middle path. Government should allow foreign universities to invest in education sector but under strict regulation. It should shortlist the preferred universities for investment and then invites them to set up campus in India. Low grade universities should not be allowed entry in the country. Moreover government should provide incentives to foreign universities to setup institutes in areas of research and academics, which is much needed in the country. Thus government needs to act with strictness and discretion in development of higher education.

In terms of growth, there is huge gap between the demand of foreign direct investment and the supply of it. As, India has a very wide scope of development in this sector in terms of its ever growing numbers of enrollments of students, schools and colleges. In order to attract the FDI the government has to relax its policies and procedures so that investors find it attractive and easier to monetize their capital.

This is very important for the growth and expansion of the sector not only locally but globally. Government of India has taken a lot of steps from providing grants to scholars to opening up of IITs and IIMs in more locations. With the right resources and opportunities, the country can outstand anything if it receives the right knowledge and skills.

### **Reference**

1. Albrecht Douglas and Adrian Ziderman, (2005). "Financing Universities In Developing Countries", The World Bank Report,
2. Arun Nigvekar (2001). "Gats And Higher Education", University Grants Commission, (Mimeo).
3. Azad J.L.. (1971). Report of The Study Of The Patterns, Procedures And Policies Of Financing Of Higher Education In India, Planning Commission. (Mimeo).
4. Chinnammai, S.,(2005). "Effects of Globalisation on Education And Culture", ICDE International Conference,
5. George Type, (2006). "Be Cautious With FDI in Education: Arjun Singh", Rediffnews, September 21,

6. George Type, (2006). “Foreign Universities in India? No, Say Arjun Singh, Left Parties”, Rediffnews, September 14,
7. “Government Okays FDI In Higher Education”, Business Standard: November 29, 2006.
8. Pawan Agarwal, (2006). “Higher Education Policy: Many Contradictions”, Economic and Political Weekly, 2006, November 11,
9. “Policy-Lessons in FDI(2006).”, Business Standard, New Delhi, September 13,
10. Raju, K.D., “Barriers to Trade in Education Services Under The Gats: An Indian Experience”, Amity Law Review, Vol. 5, Part 1, January 2004-June 2004.
11. Rupa Chanda, (2004). “Concerns Of Opening Up Higher Education”, The Financial Express, December 14,
12. Savithri S.,and Murugan,K., (2005). “Global Trade in Educational Services: Implication OnOpen And Distance Learning (ODL)”, ICDE International Conference,
13. Sharma, G.D., “Internationalisation of Higher Education: Status And Policy Suggestions”, NIEPA (Mimeo).
14. Sharma, G.D., “Trade in Education Service: An Indian Response”, NIEPA, New Delhi, (Mimeo).
15. Vijender Sharma, (2006). Consultation Paper on Trade in Education Services, “Higher Education in India and Gats: A Disastrous Proposal”, Ganashakti News- magazine, November
16. Vishwanathan,S., (2006). “FDI and False Hopes”, Frontline, December 1,.