



## A STUDY OF CHANGING SCENARIO IN EDUCATION SECTOR WITH REFERENCE TO FDI IN INDIA

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### ABSTRACT

*Indian education sector is one of the pillars of Indian Economy and many global players are willing to enter into it. It has been started growing after implementation of 1991 New Economic policy, as the policy focused on development in education sector. In achievement of Human development education plays vital role in this context. Contribution of capital has increased in this regards and opened the sources of capital investment from foreign countries. Education sector is now globalised and FDI has been motivated by the government. According to Deloitte, a global consultancy firm's report, India which ranks third after china and united states in terms of higher education enrollment requires more FDI in this sector in order to meet its target of doubling its gross enrollment ratio by 2020. The government has set an aggressive target of achieving 30 percent in higher education by 2020 from the current level of 15 percent. The role of private sector in higher education has significantly increased in the last decade along with public sector. This paper studies the need and importance of FDI in education sector .It also deals with the impact and prospects of FDI in education sector in Indian economy. This paper has major implications for educationists who intend to reap the benefits of FDI as well as Government who need to frame suitable policies.*

**Key words:** Foreign Direct Investment, Higher Education, Foreign Educational Institutions,

### INTRODUCTION

*“Live as if you were to die tomorrow. Learn as if you were to live forever.”*

**Mahatma Gandhi.**

Education in its general sense is a form of learning in which the knowledge, skill, values, beliefs and habits of a group of people are transferred from one generation to the next through

storytelling, discussion, teaching, training, and or research. Education refers to the systematic process of gaining knowledge and skills through study and instructions. Education has many benefits and has positive impact in our life. An educated person is an asset for any country. In today's world, human capital is considered the best national resource.

India as the developing nation essentially targeting the education sector to mould the shape the society. According to the 2011 census, India has a literacy rate of around 74%.. The central and most state boards uniformly follow the "10+2+3" pattern of education.

In today's global era education sector is facing rapid competition from foreign countries and became important to improve mean of technical knowledge, modern method of teaching and new modern aids in education. This needs assistance of finance, technology and innovative ideas of teaching from other foreign countries.

FDI is the alternative to current situation of education. Foreign direct investment in the field of education improves the state of primary, secondary and higher secondary schools in India. India is a nation that has to meet challenges in key sectors such as manufacturing and services. Investment by the government has to be divided among a huge set of sectors. Foreign direct investment leads to increase in profits within different industries as well as tax cuts and expanded marketability for singularly differing industries.

FDI helps in supplying the material within the country with available resources for the benefits of educationist. It creates the international standards and reduce the number of students migration. Getting education closer to home will be better for the students emotionally as well financially. Number of students take loans to pursue higher education in aboard. Getting the same kind of education in India may show a tremendous increase in performance.

## **OBJECTIVES -**

- To Study the need and importance of FDI in education in India.
- To analyze the flow of FDI in education sector.
- To analyze the current scenario of FDI in Indian higher education system
- To examine the opportunities & challenges of FDI in education sector in India.
- To find out the barriers for FDI in Indian education.
- To suggest the removal of various barriers for FDI in Indian education system.

## **METHODOLOGY OF THE STUDY –**



This study is exploratory for which Information is collected from various secondary sources to explore the inflow of FDI in education sector in India and its impact on Indian Economy. Data collected from different sources such as books ,journal, news papers and web site.

## SCOPE OF STUDY-

The education sector in India is divided into two sub segments; the key segment comprises of schools and higher education, while the other segment comprises of coaching classes, pre-schools and vocational trainings. Educational sector is sustainably improving in recent days led to make the people to face competition. There is enormous need for the up-liftment of education as India is expected to have a surplus of 47 million people in the working age group by 2020. As a result, both the formal education sector (including K-12 and higher education) as well as informal sector (including coaching institutions, pre-schools and vocational institutions) are observing rapid growth.

Today, the Indian education sector is one of the biggest education systems in the world. The education sector in India is evolving and has emerged as a strong potential market for investments in training and education sector, due to its favorable demographics (young population) and being a services driven economy. Further, India's expanding role in sectors such as software development, generic pharmaceuticals and healthcare, would require the country to invest into learning and training segment as well. The education sector in India is also considered as one of the major areas for investments as the entire education system is going through a process of overhaul.

## LITERATURE REVIEW-

R K Sharma in his article "FDI in Higher Education: Official Vision Needs Corrections", raised 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. The conclusion of the article is that higher education needs long – term objectives and a broad vision in tune with the projected future of the country and the world.

Shilpa Kaura in her article "foreign direct investment in higher education "raised the impact of FDI in higher education in India .She concluded that Government must consider seriously corporatization of higher education so as to allow corporate houses to enter higher education and deliver education of global standards.

## FDI IN INDIAN EDUCATION SECTOR-

Foreign Direct Investment has always been a matter of concern for India, when it comes to education sector 100% FDI is allowed by the Government Education Industry is likely to

grow by the size of the public education sector is \$40 billion and the private sector amounted to \$60 billion in 2011-2012.

Foreign direct investment is a passive investment in the securities of another country such as stocks and bonds and also known as portfolio investment. India has one of the world's largest education systems, which includes 1.3 million schools, 30,000 colleges and 542 universities. In last year's budget (2011-2012), Finance Minister Pranab Mukherjee allocated Rs 52,057 crore for the sector. The size of the public education sector is \$40 billion and the private sector amounted to \$60 billion in 2011. Current law allows 100 per cent FDI in education. According to the Confederation of Indian Industry (CII), another simple and best way to attract private investment in higher education is possible through foreign direct investment

Foreign investment considered in several types such as Portfolio investment, foreign loans and foreign direct investment are the three important classifications. Out of these foreign direct investments in industry and services are the most useful.

India's education sector has witnessed significant expansion since the government approved FDI in April 2000, thus providing a huge opportunity for investment. Yet FDI remained zero in the first three years, increased till 2008-09 and then kept falling again. In the past 11 years, the total FDI in education has stood at Rs 2,051 crore, the yearly average of Rs 186 crore being one-tenth of one per cent of what the Centre and state governments annually spends in this sector. Currently, the Government spends around 3.8% of its GDP on education

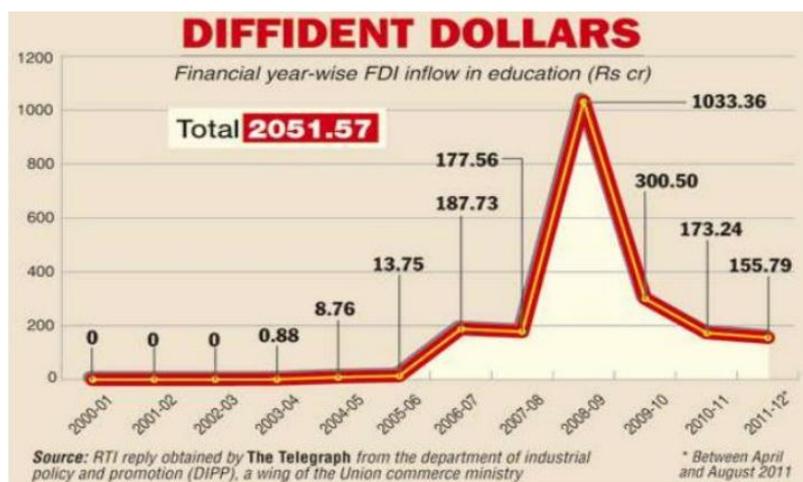
Factors favoring promotion of FDI-

- Increased Investment in higher education will lead to: Increased Institutions
- Enhanced Access to the best universities of the world.
- Opportunities of International Qualification.
- World class labs and libraries.
- Competition leading to quality improvements.
- Curriculum and Technological innovation.
- Research & development.

## CURRENT STATUS OF FDI INFLOW IN EDUCATION SECTOR IN INDIA –

FDI in education sector stood at Rs 1170.09 Crore (US\$ 221.71 million) in the month of May 2012 and Rs. 4,597.39 Crore (US\$ 901.46 million) in October 2013. The country's fast-growing education sector holds a potential to attract a US\$ 100 billion investment over the next five years, driven by demand for skilled professionals and need for infrastructure development.

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. Under the Foreign Direct Investments (FDI) Scheme, investments can be made in shares, mandatorily and fully convertible debentures and mandatorily and fully convertible preference shares<sup>1</sup> of an Indian company by non-residents through two routes:



## SOME OF THE MAJOR INITIATIVES IN EDUCATION IN INDIA -

The UK-based University of Northampton has tied up with Madras University to offer a Master's degree in International Environment Management. The course will allow students access to online courseware put up by the University of Northampton

- Ecole Hoteliere de Lausanne has opened a 67,000 square feet campus in India to tap into the growing demand for skilled hospitality professionals in the country. Located in the newly developed Lavasa township near Pune, Ecole Hoteliere Lavasa will offer a four-year programme
- Narsee Monjee Institute of Management Studies (NMIMS) has set up a centre for manufacturing excellence in collaboration with UK's Warwick University. The centre will offer specially designed Master's and Doctoral programmes .
- CFA Institute, the global association of investment professionals, plans to set up office in India for its CFA and Claritas programmes .
- Tech Mahindra has established an engineering college in association with the French university,
- Ecole Centrale and Jawaharlal Nehru Technological University (JNTU) EuroKids, education service provider in the pre-school segment, launched 'EuroVarsity', a virtual university aimed at providing programs to develop teaching skill sets. The first

course to be offered is a certified teacher training course, 'diploma in early childhood care and education'.

- India and Republic of Korea have signed a memorandum of understanding (MoU) for cooperation in the field of education.
- Manipal University signed a memorandum of understanding (MoU) with Beijing Institute of Technology.
- The Ministry of Human Resource Development plans to set up ten community colleges in collaboration with the Government of Canada in 2012. The Government of Gujarat plans to set up a farming educational institute in collaboration with Israel, offering post graduation and Ph.D programme with practical training and degree from Israeli universities.

## CONCLUSION-

Corporate need well trained professional to take on global challenges and capture overseas markets. It is understandable to keep primary and secondary school education as charity or social objectives to enhance literacy rate to 100 % level but higher education has to be freed from this tag. Government must consider seriously corporatization of higher education so as to allow corporate houses to enter higher education and deliver education of global standards. This will also facilitate several private universities, research houses, large corporate to consider foreign direct investment in India's higher education.

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