

# To study the current trends and patterns of flow of FDI towards Education sector in India

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**Abstract:** Remote direct investment (FDI) is direct investment by an organization situated in another nation either by purchasing an organization in the nation or by extending operations of a current business in the nation. Remote direct investment is finished numerous reasons including to exploit less expensive wages in the nation unique investment benefits, for example, charge exceptions offered by the nation as an impetus to pick up duty free access to the business sectors of the nation or the district. Outside direct investment is an aloof investment in the securities of another nation, for example, stocks and bonds furthermore known as portfolio investment. FDI clarifies about the net inflow of investment to get an administration premium furthermore administration control and benefit sharing as a part of the national records of a nation. It as a rule alludes to a measure of remote responsibility for resources, for example, processing plants, mines and land. Expanding outside direct investment can be utilized as one measure of developing monetary globalization. India is the second most FDI destination according to the overview by UNCTAD after China for transnational companies amid 2010-2012. The outside direct investment includes the exchange of innovation and ability, and interest in the joint endeavor and administration. Outside direct investment gives very beneficial focal points both legislative and privately owned businesses and associations of everywhere throughout the world. Outside direct investment is gainful both to the nation getting investment (remote capital and reserves) and the financial specialists. Instruction is picking up part of significance in India. Instruction Industry is liable to develop by the extent of the state funded training segment is \$40 billion and the private part added up to \$60 billion in 2011-2012. Outside Direct Investment up to 100% is permitted in the greater part of the segments all the more altogether, there is a desire that FDI would achieve US\$ 1000 million this year. The study concentrates on preferences of FDI in Education with reference to India especially, and assesses the points of interest and burdens of going in for FDI.

**Key Words:** Globalization, UNCTAD, FCRA, CII, GDP, IMF, WTO, RBI, EXIM Bank.

## INTRODUCTION:

Remote direct investment (FDI) is direct investment by an organization situated in another nation either by purchasing an organization in the nation or by growing operations of a current business in the nation. Remote direct investment is ruined numerous reasons including to exploit less expensive wages in the nation, unique investment benefits, for example, charge exclusions offered by the nation as a motivating force to pick up levy free access to the business sectors of the nation or the district.

Foreign direct investment is an aloof investment in the securities of another nation, for example, stocks and bonds furthermore known as portfolio investment. FDI clarifies about the net inflows of investment to get an administration premium furthermore administration control and benefit sharing as a part of the national records of a nation. It generally alludes to a measure of remote responsibility for resources, for example, manufacturing plants, mines and land. Expanding remote direct investment can be utilized as one measure of developing financial globalization. India is the second most FDI destination according to the overview by UNCTAD after China for transnational companies amid 2010-2012. As per the information, the second parts which are pulled in

higher inflows were administrations, telecom, Construction, Media and PC Hardware and Software. The remote direct investment includes the exchange of innovation and mastery, and support in the joint endeavor and administration. Remote direct investment gives profoundly beneficial points of interest both administrative and privately owned businesses and associations of everywhere throughout the world. Remote direct investment is beneficial both to the nation getting investment (outside capital and stores) and the financial specialists. India has one of the world's biggest training frameworks, which incorporates 1.3 million schools, 30,000 universities and 542 colleges. In a year ago's financial plan (2011-2012), Finance Minister Pranab Mukherjee designated Rs 52,057 crore for the segment. The measure of the state funded training area is \$40 billion and the private segment added up to \$60 billion in 2011. Current law permits 100 for every penny FDI in instruction. As per the Confederation of Indian Industry (CII), another straightforward and most ideal approach to draw in private investment in advanced education is conceivable through outside direct investment (FDI), and for those specific revisions to be made in the Foreign Currency Regulation Act (FCRA). There is a desire that FDI would achieve US\$ 1000 million this year. Remote investment considered in a few sorts, for example, Portfolio investment, outside credits and outside direct investment are the three imperative orders. Out of these outside direct investments in industry and administrations are the most valuable. As indicated by the International Monetary Fund, "direct investment mirrors the point of acquiring an enduring enthusiasm by an inhabitant substance of one economy (direct financial specialist) in a venture that is occupant in another economy (the direct investment endeavor). The "enduring premium" suggests the presence of a long haul relationship between the direct financial specialist and the direct investment endeavor and a critical level of impact on the administration of the last mentioned".

Remote Direct Investment implies outlining and actualizing macroeconomic soundness arrangements. English organizations setup their units in mining segment and in those divisions that suits their own monetary and business interest. Government setup Foreign Investment Board and instituted Foreign Exchange Regulation Act to direct stream of outside capital and FDI stream to India. FDI an essential and basic part of improvement methodology in both created and creating countries and approaches are composed keeping in mind the end goal to fortify internal streams. The instruction division in India is considered as one of the real ranges for investments as the whole training framework is experiencing a procedure of upgrade, according to a report 'Developing Opportunities for Private and Foreign Participants in Higher Education' discharged by PricewaterhouseCoopers (PwC). The nation's quickly developing training division holds a possibility to draw in a US\$ 100 billion investment throughout the following five years. Given this background, the instruction service thought of the proposition of 100% outside direct investment (FDI) in advanced education in the nation, in 2007. This paper highlights the open doors and difficulties of FDI in instruction division. Outside direct investment (FDI) of up to 100 for each penny is permitted under the programmed course in the Education Sector since 2002 vide Press Note 2 (2000 Series). This implies an outside organization can directly put resources into an Indian firm without earlier endorsement from the legislature or the RBI. Be that as it may, inside 30 days of the receipt of the FDI, the Indian organization is required to answer to the RBI's local office. In the previous 11 years, the aggregate FDI in instruction has remained at Rs 2,051 crores, the yearly normal of Rs 186 crores being one-tenth of one for each penny of what the Center and state governments every year spends in this area. The mechanical approach of 1965, permitted MNCs to wander through specialized coordinated effort in India. In any case, the nation confronted two serious emergency as remote trade and money related asset preparation amid the second five year arrangement (1956 - 61). Therefore, the administration received a liberal disposition by permitting more continuous value interest to outside ventures, and to acknowledge value capital in specialized coordinated efforts. A powerful study done by Borensztein et al. (1998) catches the constructive outcome of internal FDI on monetary development. FDI can contribute both directly and additionally indirectly to the development of an economy, by enhancing learning, specialized skill and innovation overflows, by boosting capital stock and by inducing local creation and utilization (Feenstra and Markusen, 1994). India is the third biggest advanced education framework on the planet (after China and the USA) as far as enrolment. As indicated by the Education Division at Technopak Advisors, the span of the government funded training segment is \$40 billion and the private part added up to \$60 billion in 2011. In a year ago's financial plan (2011-2012), Finance Minister Pranab Mukherjee distributed Rs 52,057 crores for the area.

**NEED AND IMPORTANCE OF THE STUDY:**

Remote investment and financial development has solid relationship between them. The stream of FDI in Indian administration segment is boosting the development of Indian economy, this part contributing the huge offer in the developing GDP of India. There is a prerequisite of bigger inflows of outside investments for the nation to accomplish a manageable high direction of financial development. There is a need to contribute around 35 to 40 for each penny of GDP for the economy to develop by 7 to 8 for every penny a year. The hugeness of private FDI is that such investments are without hazard to the nation and carry with it the benefits of cutting edge innovation, administration rehearses and guaranteed markets. At the appointed time there is an innovation exchange as the neighborhood workforce picks up information of the assembling procedures and administration hones. The worth included these commercial enterprises is a commitment to GDP and outside trade profit.

In this manner FDI adds to outside trade profit, livelihood creation and expansions in earnings, particularly of talented and semi-gifted laborers in these commercial ventures. FDI in administration part influences the host nation's intensity by raising the profitability of capital and empowering the host nation to draw in new capital on ideal terms. It can be securely said that the Education has a vital part in forming the Indian economy. The area has an aggregate yield and the extent of the state funded instruction segment is \$40 billion and the private division added up to \$60 billion and assigned Rs 52,057 crore for the part in 2011-2012.

FDI is an overwhelming and crucial component in affecting the contemporary procedure of worldwide monetary improvement. The study endeavors to investigate the vital measurements of FDI in India.

The study works out the patterns and examples, principle determinants and investment streams to India. The concentrate likewise looks at the part of FDI on financial development in India. FDI is considered as the most appropriate type of outer fund. What's more, it is expansion in rivalry for FDI inflows especially among the creating countries.

**FOUR MORE BILLS TABLED:****Objectives:-**

1. To study the current trends and patterns of flow of FDI towards education sector.
2. To evaluate the impact of establishment of foreign universities in India.
3. To study the status of Indian higher education system and need of FDI in education sector in India.
4. To analyze the importance of regulatory bodies in inviting the foreign universities.
5. To study the implications of bringing in FDI in Indian education.

## **METHODOLOGY OF THE STUDY:**

The study is based on secondary sources of data. The main source of data is various Economic Surveys of India and Ministry of Commerce and Industry data, RBI bulletin, online data base of Indian Economy. Economic and Social Survey of Asia and the Pacific, United Nations, Asian Development Outlook, Country Reports on Economic Policy and Trade Practice- Bureau of Economic and Business Affairs, U.S. Department of State and from websites of World Bank, IMF, WTO, RBI, UNCTAD, EXIM Bank etc

## **LITERATURE REVIEW:**

The Comprehensive writing fixated on economies relating to experimental discoveries and hypothetical reason has a tendency to exhibit that FDI is important for maintained monetary development and advancement of any economy in this time of globalization. FDI is an overwhelming and fundamental variable in impacting the contemporary procedure of worldwide monetary improvement. FDI is considered as the most reasonable type of outer fund. What's more, it is expansion in rivalry for FDI inflows especially among the creating countries. Outside Direct Investment implies outlining and executing macroeconomic strength approaches.

## **FOREIGN DIRECT INVESTMENT IN INDIA:**

Major financial changes were embraced in India in the mid 1990s. This prompted the liberalization and deregulation of the Indian Economy furthermore opened the nation's business sectors to Foreign Direct Investment (FDI). In India remote direct investments are permitted through coordinated efforts that are of money related nature, joint endeavor coordinated efforts, through particular designations furthermore through Euro issues. Administrative changes were attempted in India in the mid 1990s to urge FDI inflows to the nation. FDI is permitted through joint endeavors, particular assignments, capital markets, and budgetary coordinated efforts. The aggregate sum of outside direct investment in India came to around US\$ 4,222 million in 2001-2002 and the following year, this figure remained at US\$ 3,134 million.

## **Different courses of FDI Approval in India:**

The proposition for remote direct investment in India get their endorsement through two courses that are the Reserve Bank of India and the Foreign Investment Promotion Board. Programmed endorsement is given by the Reserve Bank of India to the recommendations for remote direct investment in India. The Reserve Bank of India gives endorsement inside the time of two weeks. FDI Approval in India is likewise done by the Foreign Investment Promotion Board (FIPB), which forms instances of non-programmed endorsement. The time taken by Foreign Investment Promotion Board for affirming the recommendations for remote direct investment in India is between four to six weeks. The methodology of FIPB is liberal as an aftereffect of which it acknowledges a large portion of the recommendations and rejects not very many.

## **FDI Approval in India and Economic Growth:**

FDI endorsements in India have become essentially as of late. Huge FDI endorsements have occurred in telecom, land, saving money and protection segments. A few different parts have additionally profit by FDI endorsements in India. FDI endorsements have assumed a noteworthy part in the financial development of India as of late. Top putting Countries FDI inflows in India has enlisted noteworthy development in the course of the most recent couple of years because of the few motivations that have been given by the Indian government. Mauritius, U.K, U.S.A, Sweden, France, Switzerland, Malaysia, Singapore, Japan, Germany, Netherlands are major FDI partner in India.

## **Components pulling in remote direct investment in India:**

Different components that are pulling in remote direct investment in India incorporate vast and developing white collar class populace in the nation, greater part of the laborers are instructed and can talk great English, and the wages are additionally low. A conceivably tremendous business sector fit for yielding much higher returns than in

different nations has been a noteworthy fascination for outside financial specialists. All these variables have expanded the Potential of the Indian Market for Foreign Investment.

#### **Parts of the Indian business sector having potential for foreign direct investment are:**

- Services
- Telecommunications
- Drugs and pharmaceuticals
- Transportation industry
- Cement and gypsum items
- Electrical types of gear
- Education

#### **Expanding the Potential of the Indian Market for Foreign Investment:**

Activities that can promote expand the capability of the Indian business sector for remote investments are

- Further improvements in base.
- Simplification of FDI procedure.
- Reform measures.

#### **FOREIGN DIRECT INVESTMENT IN EDUCATION SECTOR:**

Outside Educational Institutions Regulation of Entry and Operations, (Maintenance of Quality and Prevention of Commercialization) Bill 2010 Central Government has on 15 March 2010 consistently endorsed the Foreign Educational Institutions Regulation of Entry and Operations, (Maintenance of Quality and Prevention of Commercialization) Bill 2010 (the "Bill"). The Bill proposes to permit outside training suppliers to set up grounds in India and offer degrees and recognitions to understudies. The Union human asset service declared that 100 for every penny outside direct investment would be permitted under the law proposed for advanced education, even as the Group of Ministers on the issue had that FDI of just up to 50 for each penny could be allowed in the division.

The proposed Bill has numerous statements to check its potential abuse. It recommends a period bound configuration to give endorsement to remote instructive foundations to set up grounds in India. They would be enlisted with the University Grants Commission (UGC) or whatever other administrative body (which super cedes UGC), which will investigate proposition of seeking organizations as per India's needs. Remote colleges trying to set up a ground will likewise need to store Rs. 50 crore as corpus store and can't take back the surplus created from training exercises here.

In addition, an outside instruction supplier might, out of the salary got from the corpus reserve, use not more than 75 for each penny of it for the advancement of its establishments in India. The human asset improvement clergyman had made it clear previously that amounts would be actualized if the legislature permits remote colleges into India. In fact applying the new reservation approach in outside instructive organizations when they come to India has been one of numerous issues that Man Mohan Singh had taken up against the proposition to permit FDI in training which was vivaciously pushed by the trade service. As of now various Universities and remote organizations that work in the instruction segment have indicated distinct fascination to enter India. The surge from India on instruction to outside nations is more than Rs 20,000 crore. The trade service has been contending for changing advanced education segment in India for outside investment. The remaining wage will be kept in the corpus store. The Bill expresses that a remote foundation "should not give instruction in India unless it is perceived and advised by the focal government as an outside training supplier under the proposed enactment" and offers instruction in congruity with the principles set around the statutory power, and of practically identical quality.

As indicated by the Confederation of Indian Industry (CII), another straightforward approach to pull in private investment in advanced education, particularly outside direct investment (FDI), would be to make certain changes



in the Foreign Currency Regulation Act (FCRA). Current law permits 100 for each penny FDI in instruction. Revenue driven elements are not permitted to get licenses from the University Grants Commission and the All India Council for Technical Education (AICTE) or capacity as private colleges under Acts of various state governments. Henceforth, the investment vehicle is regularly a Society or a Trust or a Section 25 organization. This is one of the significant segments, which is gigantically profit by outside direct investment. An exceptional inflow of FDI in different mechanical units in India has helped the monetary existence of nation.

Workers of the nation which is interested in FDI get familiarize with all around esteemed aptitudes in this area. FDI has likewise guaranteed various occupation opportunities by supporting the setting up of instructive foundations in different corners of India.

#### **Expanded Investment in advanced education will prompt:**

- Increased Institutions
- Enhanced Access to the best colleges of the world.
- Opportunities of International Qualification.
- World class labs and libraries.
- Competition prompting quality changes.
- Curriculum and Technological advancement.
- Research and improvement.

#### **Elements AGAINST PROMOTION OF FDI:**

- Profit and Market Considerations would command High request courses.
- Cosmetic Curriculum Innovation with forceful Marketing will delude understudies.
- Create bogus impression of value by expanding comfort and adaptability for understudies.
- Degrees honored by remote organizations by joining forces with unapproved local establishments won't be perceived in India.
- Many of the projects offered by these foundations won't not be authorize in their own particular nations.

#### **SWOT ANALYSIS IN EDUCATION SECTOR INDUSTRY IN INDIA:**

##### **Strength:**

The education sector industry is a strong and well developed industry which is currently growing at high rate; this aspect gives the industry a lot of strength. With the increase in the level of education sector has a well educated and skilled workforce with innovative ideas and technology which is an added positive aspect of the industry. The competitiveness of the education industry has enabled the industry to grow technically both vertically and horizontally, which is another positive aspect in the industry. India also offers strategic location and market in terms of its high population which is a boost to the industry.

##### **Weakness:**

Among the weakness in the industry, a current weakness may be inability to adhere to ethical standards in the industry which has lead to lawsuits filed against some media industries. The industry also has been slow in its growth only picking up in the recent past, thus its innovation and marketing strategies may be not competitive on the global arena. In some cases education sector is commercialized.

##### **Opportunities:**

According to the industry experts the industry still has room to expand within India as this sector is wide and has good opportunity in future. Educational services are being provided with many organizations and thus this offers the industry to increase its market share. The high technological innovation such as innovative techniques in teaching are used includes projectors, LCD's, online training and so on. Which is happening everyday also presents a good opportunity for the education industry to utilize the latest technology in expanding its product mix or improving existing ones hence reaching or increasing its market? There is exists new business in the globally for this industry.

**Threats:**

Though India can be said to be stable political, the country is known for frequent changes in government administration and instability in some regions or states, this issue negatively affects the education and it is a threat to the education sector. Also government legislations in India are known to some extent as hindering the growth of industry especially for Universities. Some of the threats are commercialization of this sector.

**OPPORTUNITIES FOR INVESTMENT IN EDUCATION SECTOR:**

1. The Market Size is huge hence, we have high demand
2. Our Mindset of quality means foreign degree without much distinction
3. Our Vast Reservoir of Intellectual Resource
4. Our Regulatory Mechanism is deterrent for high quality, promoting for inferior quality
5. India has a potential of about 50,000 foreign students in next couple of years, whereas presently only 10,000 are studying in India

**CHALLENGES FACED BY THE EDUCATION SECTOR IN INDIA:**

1. **Accessibility.**
2. **Drop-out rate:** nearly 40 per cent drop out at the primary stage.
3. **Social Barriers.**
4. **Relevance:** more skill-oriented – both in terms of life-skills as well as livelihood skills.
5. **Management:** needs to build in greater decentralization, accountability, and professionalism.
6. **Pre-condition:** “Not-for-profit” basis
7. **Regulation.**
8. **Alliances.**
9. **Approval procedures** cumbersome and tedious.
10. **Quality and relevance of education:** Infrastructure, curriculum, industry involvement and Employability of graduates due to lack of effective training.
11. **Financing** higher education institutions:
12. **Technology:** Low technology penetration.

**Advantages:**

1. We can influence the management of the company being a part of its shareholder.
2. Helps in spurring the development of a nation as we can gain a greater foothold in the world economy by getting access to a wider global market
3. It can introduce world-level technology and technical know-how and processes
4. As FDI brings in advances in technology and processes, it increases the competition in the domestic economy of the developing country, which has attracted the FDI.
5. Other companies will also have to improve their processes and products in order to stay competitive in the market. Hence it will improve quality of a products and processes in a particular sector.
6. The training and skills up gradation can enhance the value of the human resources.
7. Access to a larger market in the host country.
8. Ability to tap the potential of a cheap and skilled labour, making use of resources in the host country.
9. Pursuing growth goals by diversification and optimizing costs.

10. Economic growth - This is one of the major sectors, which is enormously benefited from foreign direct investment.
11. Foreign Direct Investments have opened a wide spectrum of opportunities in this sector.
12. FDI can introduce world-class technology and technical expertise in this sector.
13. FDI apparently helps in the outsourcing of knowledge from India especially in the educational and Information Technology sector.
14. Employees of the country which is open to FDI get acquainted with globally valued skills.
15. FDI has also ensured a number of employment opportunities by aiding the setting up of educational institutions in various corners of India.

### **Disadvantages:**

1. The economically backward section of the host country is always inconvenienced when the stream of foreign direct investment is negatively affected.
2. The host country has to limit the extent of impact that may be made by the foreign direct investment. They have to make sure that the entities that are making the foreign direct investment in their country adhere to the environmental, governance and social regulations that have been laid down in their country lest they may be affected causing the deterioration of their working system.
3. The national secret of the host country gets affected as there may be lot of things which are not meant to be disclosed to the rest of the world. This may result to be a serious security hazard to the defence of the host country.
4. The foreign policies involved in the FDI may not be liked by the workers of host country.
5. It results into loss to the countries who want to invest on their own as they are deprived of that opportunity due to competition.
6. High travel and communications expenses occur.
7. The language and cultural barrier may pose problems between the investor and the host country.
8. It may be possible that a company may lose out on its ownership to an investor company.
9. It lacks a uniform education policy for foreign investment.
10. The higher education is commercialized which is affecting the education sector.

### **Conclusions:**

As far as improvement, there is a general understanding of the potential advantages of Foreign Direct Investment. The relationship between GDP Growth and the expansion of the relationship between FDI and GDP can be plainly settled. Remote Direct Investment, accordingly, turns into an essential budgetary hotspot for capital activities, crucial for Emerging Country's improvement. The stream of monetary capital in the economies of the nations has gotten to be essential, forming in events the approaches and political choices of governments to pull in Foreign Direct Investment (FDI).

Concentrates on part of FDI in instruction division demonstrates that general institutional structure, viability of open segment organization and the accessibility of infrastructural offices improve FDI inflows to these countries. Training industry in India stays among the quickest developing commercial ventures of the present Indian economy, industry has profited a considerable measure from the Indian fast financial development coupled by the rising income levels in India. FDI is a dominating and imperative element in affecting the contemporary procedure of worldwide monetary improvement. The study endeavors to break down the vital measurements of FDI in India. The study works out the patterns and examples, fundamental determinants and investment streams to India. The concentrate likewise inspects the part of FDI on financial development in India. FDI is considered as the most reasonable type of outer money.

What's more, it is expansion in rivalry for FDI inflows especially among the creating countries. The supposition that FDI was the main source for advancement of Indian economy in the post changed period is begging to be



proven wrong. No appropriate strategies were accessible to isolate the impact of FDI to bolster the legitimacy of this supposition. To the extent giving quality training is concerned, the remote colleges may accomplish this set target for Indian understudies, yet there are parcel of worries regarding whether Indian strata would have the capacity to bear the cost of this instruction office. A large number of the youthful personalities are impacted and guided by their yearning to invest energy in the western nations and experience the progressions of these created nations. The India training space could be one of the biggest markets in Asia with a populace of more than 1.13 bn. There are numerous organizations who are going into this non-public school business. It is found that FDI as a key part of investment is required by India for its supported financial development and advancement. In a matter of seconds there is constrained rivalry in the training market prompting high costs (and financial rents, part of which must be paid to the administrators of the state control apparatus to pick up their support). In any case, with the administration supporting 100% FDI in this part, increasingly remote investments will stream in, with outside players foraying into this division. This will acquire more rivalry in the business sector, with costs reflecting genuine expenses and quality moving forward.

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