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## Impact of FDI in Indian higher education system

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### Abstract

Foreign Direct Investment is an investment made by a company or any individual of one country in the business interest of other country. This is usually done to acquire business assets or to establish business operations in the other country. In other words, the investment is made to gain control over the operations of the foreign country or to influence the decision making power of a foreign business. FDI is the crucial factor for any economy growing towards development. In India, education is the key to nation building. Education is the major operating sector in the Indian economy as it is the major contributor of income to the economy. The contribution made by the education sector has rapidly increased during the past years. The major participants of the education system are the top universities, which generate huge incomes and credibility to the nation by its high potential working patterns that deliver top quality education. The high competitive environment provided by these universities 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. FDI has always been a matter of great concern for India, when it comes to education sector. At present 100% FDI is allowed by the Government but, besides its advantages, it has some limitations also. The aim of this paper is to analyze the impact of FDI in Indian higher education system.

**Keywords:** FDI, higher education, economy, government

### Introduction

The meaning of Higher education is different in different areas. In India, the qualification of higher education takes a minimum of three years (more typically four) to complete. It will be at a level which would qualify someone to work in a professional field and it will usually be taught in an environment which also includes advanced research. It includes a number of qualifications ranging from Higher National Diplomas and Foundation Degrees to Honors Degrees etc. These are recognized throughout the world as representing specialist expertise supported by a wide range of skills that employers find very useful. Higher education in India has lagged behind due to various reasons. According to information, in 2003 – 04, hardly 7 – 8% of the population is enrolled in higher education institutions of India. Only 0.37% of total GDP is expended on higher education. Higher education has suffered from both quantitative & qualitative constraints. Due to this, a number of Indian students look for abroad for their higher education. As per consolidated, FDI Policy, 2017, the Government has allowed FDI up to 100% in the educational

institutions. The University Grants Commission (UGC) and All India Council for Technical Education (AICTE) have issued guidelines on collaboration between Indian and Foreign Universities with a view to increase synergy between Indian and foreign academic institutions, to offer additional choices, to improve curriculum etc. The UGC on 11th July, 2016 has notified the UGC Regulations, 2016 regarding collaboration between Indian Higher Educational Institutions and Foreign Higher Educational Institutions. According to these regulations, Indian Universities and Colleges having the highest grade of accreditation and conforming to other eligibility conditions as laid down in the regulations, can apply online to the UGC for starting twinning arrangement with Foreign Educational Institutions (FEI) having the prescribed quality.

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**Total 1:** of Universities in the Country as on 17.05.2021

Universities	Total no.
State Universities	426
Deemed to be Universities	125
Central Universities	54
Private Universities	376
Total	981

**Objectives of the study**

1. To study the impact of FDI in Higher Education.
2. To study the need of FDI in education system.
3. To find out the post effect of FDI.
4. To know the benefits of increased investment in India.
5. To study the arguments in favour and against of FDI.

**Research methodology**

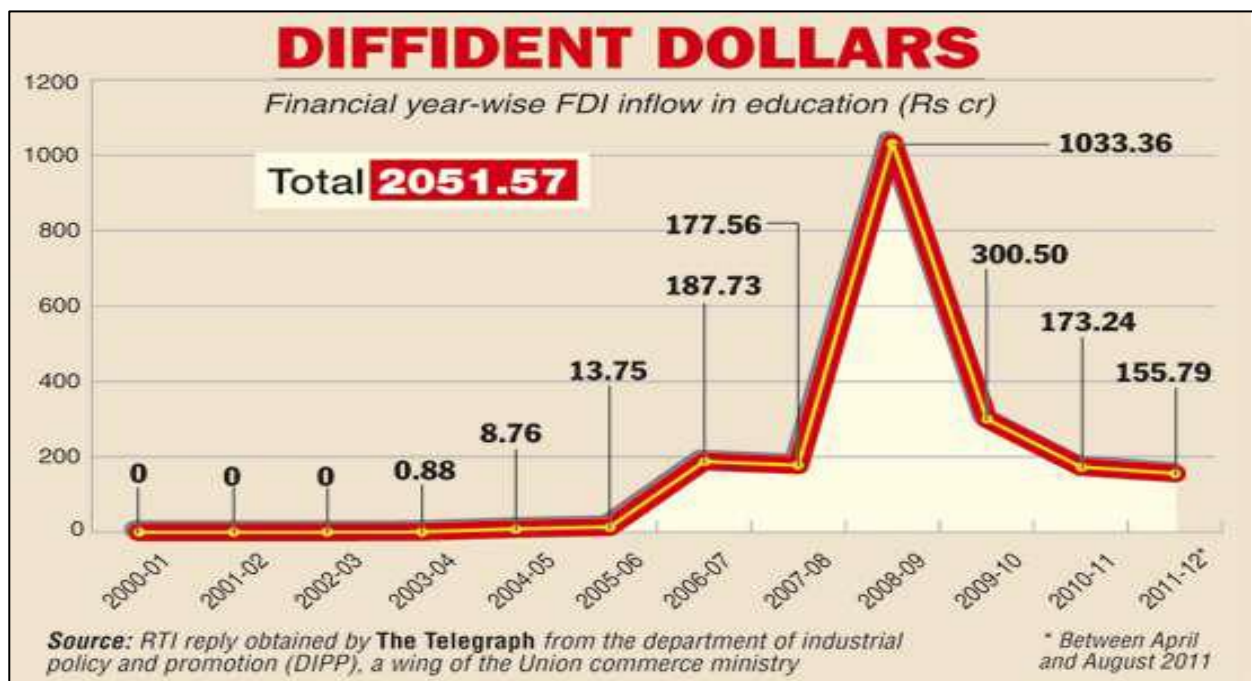
The research paper is an attempt of exploratory research based on the secondary data sourced from published journals, magazines & articles. Keeping in view the set objectives, this research design adopted to have greater

accuracy and in depth analysis of the research study. Available secondary data was extensively used for the study & many websites were also used & recorded for the study.

**Foreign Direct Investment in Higher Education Sector**

From the beginning of education, it is considered to be non-tradable; the govt. has used to fund education through domestic sources. The period of 1990 to 2000 in the history of higher education, is the decade of deficiency of funds on secondary, higher and technical institutions.

This resource crunch adversely affected both, public and private sector in all levels of education. To raise the fund in this sector, it may be argued that FDI may be used as a source of investment at least in some selected areas. But some person argued that foreign investment in education sector might lead to cultural imperialism. Therefore education should be national agenda purely funded through domestic sources. The following table shows the FDI in India during last 12 years:



Diffident Dollars

On 15<sup>th</sup> March 2010, Central Government has approved the Foreign Educational Institutions Regulation of Entry and Operations, (Maintenance of Quality and Prevention of Commercialization) Bill 2010. The Bill allows the foreign education providers to set up campuses in India and offer degrees and diplomas to students. After this, the Union human resource ministry allowed 100% FDI under the law proposed for higher education, even as the Group of Ministers on the issue had that FDI of only up to 50 per cent could be permitted in the sector.

**Need of FDI in Indian Higher Education System**

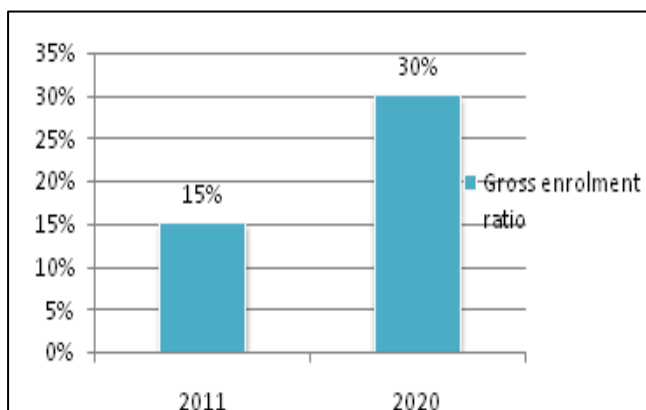
India is a developing country and to transform the education system into service aided environment it needs a helping hand in the education market. The literacy rate as well as the number of education seekers has increased over the past years from 48.2% in 1991 to 72.2% in 2015 growing at an average annual rate of 11.01%. The number of students opting higher education has also increased. Therefore, to

fulfill the need of these students, it is the duty of govt. to build new institutions and universities and it is also necessary to sustain the potential growth of the economy. Higher education sector has been the center of attraction in the recent times due to its increase in contributions to the economy. Top universities are important source which generate huge incomes to the economy. These universities provide quality education with almost 100% enrolment ratio. Enrolment into these universities is a matter of concern for the students it involves huge screening process, only the top potential candidates can make a place into these universities. So, there is a problem for those students who could not meet the high competitiveness to seek education from the mediocre educational institutions. To solve 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. People with potential ability to sustain foreign environment and people who aspire to study abroad have increased rapidly over the

years. Following are the some 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 advancement in job opportunities.
4. Lack of latest technology.
5. Low career opportunities.
6. Incompetency of local institutions in meeting the needs of the credential candidates.

Above problems are the main reasons for people choosing foreign countries over native countries. Migration of people has become a big threat and to overcome this problem and to reduce the flow of funds to the foreign countries it is necessary 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.



**Fig 1:** Gross enrolment ratio in India

In order to achieve 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.

#### Post effect of FDI

Acceptance and implementation of foreign investment in higher education is very important and beneficial for the whole economy in many ways. This will result in growth of the economy by restraining the flow of funds as well as migration of youth. The effect of FDI can be clearly understood with the following factors:

1. Migration of potential youth can be reduced.
2. Retaining the flow of funds to foreign countries.
3. Quality education of foreign universities can be experienced at Indian institutions.
4. High chances of enrolment.
5. Development of greater work forces in the country.
6. Foreign investment helps in the growth of the economy as it attracts foreign companies to set up their institutions in the country.
7. Job opportunities will be increase.
8. Unemployment will be reduced at least some extent.
9. Development of potential youth with good technical skills.
10. Overall economy development.

#### 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.

#### Arguments in favour of FDI

- In India, there is a shortage of fund in higher education sector and there are not any ways through which we can increase this fund. This fund can be raise through FDI.
- A large no. of students go abroad for their higher education. It is sensible to allow foreign universities to set up their institutions in India. This will reduce the outflow of money and human resources.
- FDI in higher education would generate employment and create new institutes and infrastructures.
- Foreign higher educational institutes would create competition among Indian institutes. This will result in better performance of local institutes.
- FDI is an effective way for you to acquire important natural resources, such as precious metals, fossil fuels, Oil companies etc.

#### Arguments against of FDI

- It has been observed that only 2<sup>nd</sup> and 3<sup>rd</sup> tier universities are interested in setting up their institutes in India.
- FDI in any field does not have any objective of fulfilling social agenda of welfare state. It is guided by market and profit. This will result in commoditization of education.
- There are a lot of disadvantages to Indian multinational companies due to FDI.

#### Conclusion

After studying the advantages and post effect of FDI, it is true that India needs fund from foreign countries to improve their higher education system through technical innovations and to stand first in gross enrolment ratio. Regulatory bodies need to be framed by the Indian government to allow 100% FDI and government should try to over-come the disadvantages. There is nothing wrong to state that India badly need funds for the development of education sector as it is beyond the capability of country to cater the need of finance. To overcome this situation, 100% FDI has been allowed by the Indian govt. But besides its advantages, there are several disadvantages. A regulatory body should be framed to avoid the bad consequences of the FDI in the context of culture and autonomy of foreign education providers.

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