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**Growth Prospect and opportunities for foreign investors in Indian Education Sector**

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**Abstract**

Over the last decade, the Education sector in India has grown leaps and bounds. The Indian Education space is by far the largest capitalized space in India with Government spend of USD 30 bn and private spend of USD 50 bn. India has one of the world's largest education systems, which includes 1.3 million schools, 30,000 colleges and 542 universities. Current law allows 100 per cent FDI in education. According to the recent data revealed by the Department *of Industrial Policy and Promotion (DIPP)*, foreign investors have contributed more than US\$200 million in Indian education sector and the number is going to increase steeply in coming years as well.

The rapidly growing education sector of India holds a potential to attract more than US\$ 75 billion in the next couple of years on the virtue of infrastructure development and skilled professionals in India. There is strong opportunity for foreign companies and private players to penetrate into the education space of India. In terms of number of collaborations forged by Foreign Universities with Indian Educational Institutions, in 2011 alone, a total of 161 collaborations were reported. The opportunity is available in all three different segments including vocational training, higher education and schools.

**Key Words:** FDI, Collaboration, GER, Higher Education, Inflow

**Introduction**

Foreign Educational Institutions Regulation of Entry and Operations, (Maintenance of Quality and Prevention of Commercialization) Bill 2010 Central Government has on 15 March 2010 unanimously approved the Foreign Educational Institutions Regulation of Entry and Operations, (Maintenance of Quality and Prevention of Commercialization) Bill 2010 (the "Bill"). The Bill proposes to allow foreign education providers to set up campuses in India and offer degrees and diplomas to students.

The foreign direct investment involves the transfer of technology and expertise, and participation in the joint venture and management. Foreign direct investment provides highly productive advantages both governmental and private companies and organizations of all over the world. Foreign direct investment is profitable both to the country receiving investment (foreign capital and funds) and the investors.

India's education sector is still developing. It requires as much attention and investment from private and foreign players as it does from the Government. Between 2011 and 2012, the number of projects in education and training increased from 17 to 26, while capital investment decreased from US\$246.8m to US\$206.8m (INR13.3b to INR11.1b).<sup>8</sup> The US is the top investor and Bengaluru, Mumbai and Pune are the top destinations for education projects. According to EY's report 40 million by 2020: preparing for a new paradigm in Indian higher education, the higher education sector in India is forecast to grow at 18% per annum until 2020. This is thanks to the service-driven model of the Indian economy and the growing demand for quality education. Furthermore, there are considerable opportunities in new niche sectors, such as vocational training, finishing schools and e-learning.

**Various factors have contributed to the growing interest in the education sector. Some of these are:**

### **I. Expected Growth in the Market Size**

According to a report by rating agency CARE Ltd, the market size of the Indian education industry was pegged around INR 3.83 trillion (USD 62.34 billion) in financial year 2013-14. Education industry is thus attracting sizeable investment, most notably in primary, secondary and higher education. Further, education sector has attracted foreign direct investments (FDI) worth USD 964 million during April 2000 to September 2014, according to the data released by the *Department of Industrial Policy and Promotion (DIPP)*.

### **II. Scalable Investment**

The absence of adequate educational facilities and institutions coupled with an overwhelming demand for quality education presents opportunities for operational scale-growth and top-line growth.

### **III. Migration to Quality**

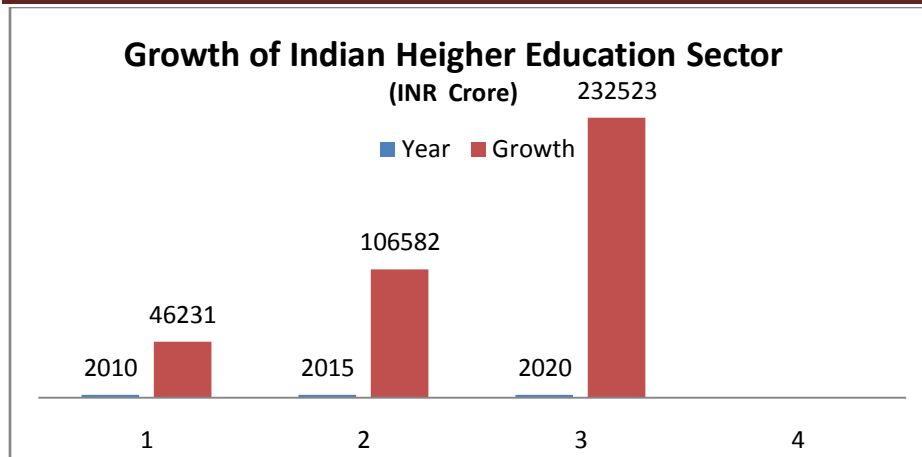
It has been observed that students in private institutes mostly perform better than students in the Government-run institutes. Parents have come to recognize the difference in quality. This has resulted in the growth of international schools providing higher quality education.

The education sector in India is making rapid strides towards providing quality education. Ten Indian institutes have made it to the top 100 in the Asia University Rankings 2014 published by Times Higher Education as compared to three in 2013.

### **Growth prospects in education**

India has around 14.6 m students enrolled in higher education, making it the country with the third highest number of students behind USA and China. India has approximately 550 Universities and around 31,000 colleges. Although annual enrolments in higher education have grown steadily over the last decade but the GER (Gross Enrollment Ratio) of 15 percent is way below the global average of 26%. The Indian government has set a target of achieving a Gross Enrollment Ratio of 30% by 2020 which will give tremendous boost to higher education in all sectors from Engineering to Management including research.

India will require 1,000 more universities and 50,000 more colleges to be built in the next decade to accommodate 50 million college-age students in next few years. Government may not prefer to fund such a huge investment and call upon the private sectors and encourage FDI to upgrade and create infrastructure of world class standard for higher education.



**Sources:** *Indian Higher Education Sector Vital Statistics Biotechnology Industry in India Gujarat in talks with Israel to set up agricultural educational institute*

### Investment Opportunities in Education Sector of India

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, a global consultancy firm has said in its report.

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 (FDI), and for those certain amendments to be made in the Foreign Currency Regulation Act (FCRA).

Indian education sector is considered one of the prime areas of investments as the education system of India has been going through a strong phase of revolution. The entry of foreign universities will not only boost the competition but will also create an international platform for Indian students to achieve world class education. Considering this fact, the Indian government has allowed 100 percent Foreign Direct Investment (FDI) in the education sector through automatic route. With a 10-15% of growth rate projected over the coming years, education sector in India has demonstrated lots of development in the last few years to witness substantial increase in investment opportunities and strong market size. Vocational education has been also attracting enormous investment from Private Equity firms and foreign companies as the technology and methodology related to this sector has shown substantial improvement.

### Strong potential in Education Sector of India

According to the Union Minister for Human Resource and Development, India will need more than 1.2 million teachers under the program called Right to Education Campaign. With more than 500 million people under 24 years of age, there is strong potential in education sector of India which needs to be tapped.

According to the recent data revealed by the **Department of Industrial Policy and Promotion (DIPP)**, foreign investors have contributed more than US\$200 million in Indian education sector and the number is going to increase steeply in coming years as well. The rapidly growing education sector of India holds a potential to attract more than US\$ 75 billion in the next couple of years on the virtue of infrastructure development and skilled professionals in India. There is strong opportunity for foreign companies and

private players to penetrate into the education space of India. The opportunity is available in all three different segments including vocational training, higher education and schools.

**Source: Department of Industrial Policy and Promotion (DIPP),**

### **Benefits of Promotion of FDI in Education**

With inflow of Foreign Direct Investment in higher education there will be

1. Increase in number of universities & Institutions, thus sizeable opportunities to the students shall be available.
2. Students will be able to access best universities of the world. International exposure of higher education in India will help in curtailing the immigration of students. It will enable Indian students to access superior quality higher education in the country itself at relatively lower cost, and thus not permit the outflow of our foreign exchange reserves.
3. Opportunities of International Qualification & degree
4. Creation of new colleges and Institutes, building of infrastructure shall generate more employment.
5. There will be utilization of improved infrastructure, World class technologies, labs and libraries.
6. It will create Competition within the Institutions leading to quality improvements.
7. Curriculum and Technological innovation.
8. Better technology and infrastructure will help further in research and development area.

### **Rules Governing Foreign Direct Investment in Higher Education Institutions (HEI)**

All India Council for Technical Education (AICTE) lets foreign education providers to establish their business with Indian institutes or on their own subject to following conditions –

- Foreign institution which wants to set up a business in India must be accredited in its home country.
- The structure of degree or courses offered in India must be similar to what exist in home country.
- The intake of students and fees charged are entirely prescribed AICTE.

#### **Infrastructure and Service Provider Route for FDI in Higher Educational Institutions (HEI)**

- Foreign education providers are allowed to establish company in India under Companies Act 1956. However, the company must be established with the intention of offering infrastructure and other services in education sector.
- Foreign education provider can tie-up with society, trust or any other domestic company under Companies Act Section 25 to invest in education sector of India.

#### **Government Initiatives to Encourage Education Sector in India –**

Some important initiatives taken by the Government of India for betterment of the education sector are as follow –

- The Government of India has decided to establish an Indian Institute of Agricultural Biotechnology with investment of about Rs 300 crores. Foreign investors are also encouraged to invest in these kinds of projects which have strong growth prospect in coming years.
- The Government of Gujarat has announced establishment of a Farming Educational Institute in association with Israel. The institute is going to provide PH.D programs and post graduation courses with practical training from Israeli universities to Indian students.
- The Ministry of Human Resource Development of India has planned to set up more than 10 community colleges in association with the Government of Canada in coming time. Indian government has also decided to establish more than 100 community colleges in coming years.
- Public Private Partnerships (PPP) and Tax concessions available in education sector have been encouraging many reputed foreign players to create their presence in India.

- On account of expansion plan of private players and government spending, Indian education sector is expected to attract enormous investment from Private Equity firms in the next 5 years.
- Indian government has opened several doors for reputed foreign universities by introducing the Foreign Educational Institution (Regulation of Entry and Operation) Bill which has brought foreign investment in India and transformed the overall structure of education industry in India.

#### **CUMULATIVE INFLOW OF FDI IN EDUCATION SECTOR IN INDIA FROM JAN 2010 TO SEP. 2014**

MONTH/Year	AMOUNT OF FDI INFLOWS IN ₹ in crores	AMOUNT OF FDI INFLOWS (IN US \$) in millions	%TO TOTAL FDI Inflows
January 2010	1720.88	368.91	0.36
July 2010	1,743.12	373.69	0.32
January 2011	1,853.44	397.09	0.31
July 2011	1,990.86	427.85	0.30
January 2012	2,306.13	491.99	0.31
July 2012	3,136.69	648.49	0.37
January 2013	3,312.69	680.62	0.36
October 2013	4,597.39	901.46	0.45
September 2014		964.00	NA

*Source: International Journal OF innovative Research & development*

#### **Current Status of FDI Inflow in Education Sector in India**

FDI in education sector stood at Rs 1720.22 Crore (US\$ 368.91 million) in the month of January 2010 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).

#### **Conclusion**

In the last few years, the education sector of India has witnessed a number of dramatic changes which resulted in substantial increase in the market share of the education industry. With availability of enhanced technology, it was extremely essential to expand the Indian education sector in order to maintain stable economic growth in the country. However, funds were one of the important aspects to achieve growth in education sector of India. Considering this, the Government of India has taken several

initiatives in order to attract investment from foreign investors (including NRIs and PIOs) for the expansion of education sector.

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