

Opportunities for Foreign Education Providers in India

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Abstract: India's vast population, huge domestic market, growing economy, rapid development and advancement on technology front, liberal government policies on FDI makes it an ideal option for investment in present and future environment. All the major industries of the world are attempting to have a share of Indian market by doing various treaties at government and industries level. However, despite India's higher education system has emerged as one of the largest education system in the world, yet the participation or investment by the foreign investors is not appropriate, which may be due to the apprehension of foreign education institutions about the return on their investment in India. In this research paper, the opportunities available to any foreign education provider in India have been studied and I am sure it will clear their apprehensions about India and make them rethink about their investments in India.

Keywords: Opportunities for Foreign Education Providers, India as an investment option, International Education Hub.

I. INTRODUCTION

India's vast population, huge domestic market, growing economy, rapid development and advancement on technology front, liberal government policies on FDI makes it an ideal option for investment in present and future environment. All the major industries of the world are attempting to have a share of Indian market by doing various treaties at government and industries level. However, despite India's higher education system has emerged as one of the largest[1] education system in the world, yet the participation or investment by the foreign investors is not appropriate. As per a study conducted by the Association of Indian Universities (AIU), in 2010, there were 631 foreign education providers[2] operating in the country. Out of 631 foreign educational institutions (FEI) only five have opened the campus in India and majority of them are operating under some arrangements with local partners or from their home campus and are not willing to open own campuses in India. This may be due to the apprehension of foreign education institutions about the return on their investment in India, based on some global surveys which have certain parameters limited to their area of interest and are not covering in totality or due to negative feedback from certain entities which do not want competitions in the Indian higher education sector.

Despite various challenges posed by Indian socio-politico-economic environment to the foreign investors, India is a big emerging market which cannot be ignored. Due to its strategic location and growing domestic population, it has a potential to become an International Education hub. In this research paper, the opportunities available to any investor in India have been studied. After reading the paper, I am sure all apprehensions about India will be clear and the foreign education institutions and investors will have a very positive attitude towards India as their investment options.

II. REASONS TO CHOOSE INDIA AS AN INVESTMENT OPTION

India is the seventh-largest country in the world having total area of 31,66,414 sq km with length 3,214 km from North to South and width 2,933 km from East to West. It has 15,200 km of land frontier and 7,517 km of coastline. 1.2 billion Population make India as the biggest democracy of the world. A large number of ethnic groups, more than 1650 spoken languages, various dialects, regional variations, many religions and beliefs spread over 29 States, seven Union territories

in a federal structure make it the most resilient, tolerable country of the world. Different weather and terrain conditions make it an excellent option for any country of the world in hospitality and living environment. Apart from this the secular structure, parliamentary form of democracy, stable political environment and responsive administrative set up always remains a preference over the countries having any other form of governance.

India due to its geographic location and the factors as discussed has a potential to be a major International education hub. The advantages of getting education in UK, US or European countries are vanishing slowly due to the visa restriction and hostile treatment of the locals to migrants from Middle East, African and Asian Population especially Muslim community in these countries. The students from these countries are considering new education destinations which can provide them globally recognised quality education, decent and friendly treatment, affordable cost of education and living, placement opportunities after education. India is a suitable country which meets all the parameters and hence can emerge as a favourite destination for education for domestic and International students. Interestingly, Indian state Maharashtra has 42 and Karnataka has 48 universities whereas Australia has a total of 39 universities.

Education hub can be defined as an designated region or area irrespective of state boundaries having potential to attract foreign investors in education sector, attract foreign students for studies and further retain domestic students, by having or building a global reputation by providing access to high-quality education and training for both international and domestic student, including different combinations of domestic/international institutions, branch campuses, and foreign collaboration/partnerships.

India's 2.5 million students going abroad for studies, 21 million enrolled students in domestic institutions, strategic geographic location, varied weather conditions in different parts of country, large geographical area available can make it an International education hub which can provide a great opportunity for the domestic and foreign investors. The Indian government has initiated various steps to lay down proper regulations in the higher education sector to clear the existing smog and create transparency in this sector. The investors who will take risk and establish them in the first stage are likely to benefit in long terms. Let us try to emulate the reasons, which make India as an excellent option for investment in education sector to any foreign or domestic investor.

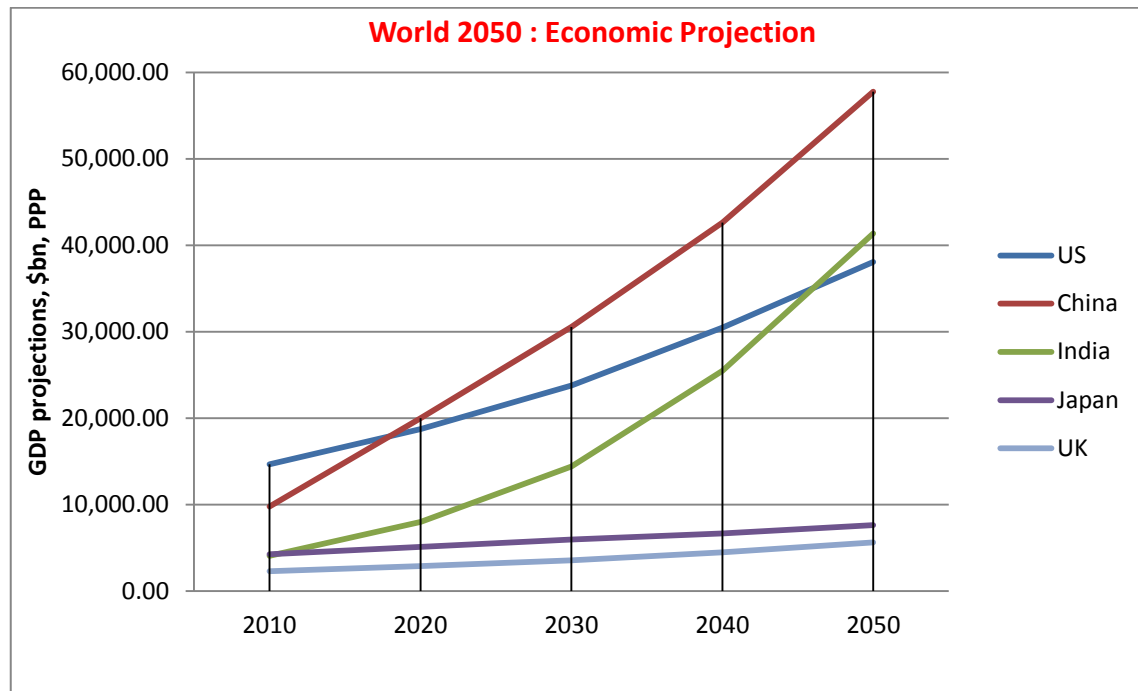
A. India Historical Testimony:

India has an ancient civilization, a unique mix of different cultures, rich history dating back to more than 5000 years and land of religious Gurus as Gautama Buddha, Thirthankara Mahavira, Guru Nanak Dev, Shirdi Sai Baba, Osho Rajneesh, Shri Shri Ravi Shankar and many more. It has attracted always a large number of tourists who visited India not only for sightseeing but to study the history and culture of India. Since centuries, India has been recognised as knowledge provider country having universities like Nalanda and Takshasila, thus attracting scholars from all over the world. Indian education institutions like Nalanda can be dated back [3] from 5th-6th century BC and is associated with Jain Thirthankara Mahavira and Gautama Buddha as knowledge providers.

B. Growing Economic Power:

India is a dynamic country which has progressed is progressing from an economy 'dependent on agriculture and primary commodities in the sixties' to a manufacturing-based, to service based, to knowledge-based, capital-intensive and high technology industries. The structural transformation of India's economy over the last 60 years has been spectacular. India is developing as a knowledge-based economy, driven by human capital, investment intensive, innovation and ideas. India is undergoing a paradigm shift owing to its competitive stand in the world. The Indian economy is achieving a robust growth trajectory and with a stable 8 plus annual growth rate.

As per a report by Price Waterhouse Coopers International Limited (PwCIL), a UK Firm, the world economy [4] will grow at an average rate of just over 3% per annum from 2011 to 2050, double up in size by 2032 and again double up in 2050. China will take over US in 2017 in purchasing power parity (PPP) terms and by 2027 in market exchange rate terms. India will become the third largest economy by 2050, followed by Brazil taking the 4th place ahead of Japan.



Source: World Bank for 2009, PwC main scenario model projections for 2010-50

As per data released[5] by International Monetary Fund (IMF) in 2012, India has already overtaken Japan in terms of purchasing power parity (PPP) and become the third-biggest economy after US and China. India's gross domestic product (GDP) in purchasing power parity (PPP) terms is recorded at \$4.46 trillion in 2011 which is higher than \$4.44 trillion GDP of Japan.

UNDP Report "Human Development Report[6] 2013 : The Rise of the South", brought out that the combined GDP of world leading economies that is Brazil, China and India is approximately equal to that of the long standing industrial powers of the US, Canada, UK, Germany, France and Italy thus rebalancing of the global economic powers. In 1950, Brazil, China and India all together represented only 10% of the world economy, whereas the six traditional economic leaders of the North accounted for more than the half. As per the Report by year 2050, 40% of global output will be from combined Brazil, China and India even surpassing the projected combined production of today's Group of Seven bloc. The projected shifts are likely to influence global politics, business environments and the investment options and India by virtue of its democratic setup will remain the better option for any foreign investor.

C. Huge Population and Potential Consumer Market:

Based on long-term growth trends, various studies have projected that China, India and Brazil will become biggest consumer markets along with low cost production locations. French Institute of Demographic Studies (Ined) has published a report[7] which bring out that by the end of the 21st century, the world population will grow from its present level of 7.1 billion to 10 -11 billion people. By 2050, the world's population will rise to 9.7 billion and India will become most populous country by overtaking China as India's current level 1.2 billion population will rise to 1.6 billion, while the Chinese population will remain unchanged at its current level of 1.3 billion owing to the Chinese Government policies on population control. It can be well imagined by a simple promo from the Delhi Metro Railways (DMTC) that on 11th February 2013, approx. 23 lakh people travelled on the Metro throughout the day surpassing the entire population of few countries of the world. This huge population make India as an attractive investment option for any foreign long term investor.

In the consumer segment, during the period 2006 to 2011, consumer spending in India[8] grew from US\$ 549 billion to US\$ 1.06 trillion. Over the next 20 years, India's consumption is projected to rise 7.3 per cent annually and by 2025, India can be one of the world's largest consumer markets. It is also expected that by 2040, nine out of every ten Indians will join 'the global middle class group'. The emerging new middle class group in India necessitate changes in policies and fundamentals by triggering waves in all spectrums of economics of goods and services from innovation, production, distribution and delivery.

D. Technological Advancement:

India is recognized over the world due to its achievements in the field of space technology, production and launch of indigenous satellites. With launch of Mission Mars “Mangalyaan”, India has become the fourth country[9]after the Soviet Union, United States and Europe to have achieved this milestone. Despite the world sanctions in providing advanced technology to India, India is able to achieve the required nuclear capability apart from its development for peaceful energy requirements. Indian electronics hardware and software Industry are well recognised in the world due to its advancement. Recently Indian electronics hardware industry has started a new era with launch of world cheapest tablet PC “Aakash”. Apart from this, the advancement in the field of missile technology, genetic biotechnology, medicines etc has drawn the attention of the entire world to India and has brought the country to the forefront as a technologically advanced nation. A large number of developing countries today look towards India for training and guidance to further increase their development initiatives. Accordingly India is providing them all the requisite assistance to achieve the sustenance. India’s recent plan to provide medicines at affordable rates to HIV affected person under developed countries has been seen as a major challenge by the global pharmacy industries. This was possible since India could produce it at the fraction of the cost to others. TATA, Reliance, Jindal, Infosys, Mahindra Tech are the firms which are conveying a positive image of the country abroad and making India as an attractive option for the foreign investors.

E. Emerge as Global Hub for Manufacturing and Services:

The Global OEM are exploring the world market to invest and set up manufacturing plants as the American and European markets have reached to almost saturation level. Though India is presently lagging far behind the China, Japan and Taiwan, however India is always given a higher priority due to its large domestic market and democratic setup. Apart from this, India has known to have capability in providing cutting edge technology at prices globally competitive due to talent driven innovation, cheap labour, available and cheap raw material, lower energy costs. India is being viewed as a favourite destination to design, develop and manufacture products for local as well as global markets. India is also ranked at a decent position on IP protection and copyright environment as compared to China.

India is emerging as a premier global manufacturing hub with the foray of a majority of global players in manufacturing are setting up bases in India and also have their expansion plans. Depending upon the political stability, the companies plan to expand their operations in India by product diversification and setting up a manufacturing base in India which not only cater the local market but also the global requirements. It finally leads to increase in production capacity and then establishing research and design centres in India. With escalating market demand and increasing purchase power in entire spectrum of industries, India has emerged as a viable business and investment attraction. India remains competitive because of the sheer scale of business opportunity it possesses and now it is moving further ahead and efforts are there to make it an attractive destination by boosting the appeal to investors.

Since 1990, the Government policies have been focussed to liberalisation, globalisation and privatisation and are in process of supporting a business environment with opportunities for growth and profit to promote private investment in all the important sectors. It has converted India as an attractive manufacturing and export base in the region. There is almost no MNC which does not have a base or collaboration in India. After the new Government has taken over, Prime Minister Narendra Modi has made serious efforts to foster and improve relations with other countries in world. Attendance of Mr Barak Obama, President of USA in India’s Republic Day Parade is indicator of changing attitude of world’s superpowers toward India. India is emerging as a Nation having strong technical background, skilled and young population, one of the largest consumer markets with a democratic political setup.

Problems in the business environment, such as unfriendly legislation, excessive red tape, inadequate intellectual property protection and taxes uncertainties are the obstacles for India achieving its full FDI potential, yet the Government policies are getting clearer with time. Modi government has shown its intent to reduce the formalities in doing business by simplifying procedures, cutting down licensing formalities and making a step towards single window clearance for opening a business. Modi government initiatives such as “Make in India” and “Ease of Doing Business” provide ample opportunities to the long term investor in India.

F. Size of Higher Education Market:

India’s over 50 % population is below 25 years of age and about 150 million people are in the age group of 18-23 years for which the education sector is witnessing an exponential growth to cater their requirement. In 1951, there were 30

universities and 700 colleges which today have grown to over 600 universities and 33,000 colleges. With enrolments over 21.4 million[10] students in 2012, India achieve a position as third largest education system in the world.

The importance of higher education in the growth and progress of a nation cannot be ignored and was well analysed by the Indian Government. Various steps have been taken to increase the enrolment in higher education after the recommendations of various committees including Knowledge Commission (KNC). As per the India's Planning Commission, Gross Enrolment Ratio (GER) in higher education is at 18 per cent against the global average of 26 percent. The Indian Government has set the target of 30 percent to be achieved by 2030. To make it viable, an additional investment of \$190 billion to cater capital and operating costs have been planned. NKC has already projected the requirement of 1500 universities against the present 513 universities. Year 2010 onwards, the market size of the higher education sector in India is expected to record a compounded annual growth of 25% and thus making it worth \$57 billion by 2015. It is also important to mention that Indian students have a record of spending over \$14 billion in the year 2010 to pursue higher education overseas.

G. Increasing Private Participation:

Since independence, the education sector in India was dominated by the government institutions. However due to government's limited resources, huge social liabilities and commitments, despite having high priority in the higher education sector, the government of India is able to allocate only approximately 24 percent share of \$ 82 billion, budget allocated for education sector in the 12th Five Year Plan (2012-17). Due to enormous demand and limited supply, requirement of high quality infrastructure to meet the international standards and rising income of middle class population, private sector has witnessed an exponential growth by achieving a share of 59 percent of student enrolment in 2012 from 33 percent in 2001. The government is clear that it cannot provide funds to achieve the targets as set up for expansion of higher education and hence it is promoting and encouraging the private participation in this sector by laying down clear policies for private and foreign investors. The private and foreign investors have got various options in this sector as under:-

- Setup educational institutes independently or in collaboration / partnership with the Indian educational institute.
- Twinning arrangements.
- Providing infrastructure development and construction services.
- Provide consultancy or to set an Indian subsidiary for development of course content and training.

H. Government Initiatives in Education Sector and Supportive Government Policies:

The current regulatory systems create a degree of ambiguity that is responsible to keep many international investors from pursuing opportunities within India. Higher education[11] in India is going through a transitory phase with rapid changes. There is a vast requirement of investment in this sector but the resources available with the government are limited due to various other socio-political factors. The public sector participation in the education sector is declining and the private sector participation is expanding rapidly. The present regulatory system, which is basically University Grants Commission (UGC), professional councils, a few research councils and state governments, has failed to hold new private institutions to standards while erecting formidable barriers to competition and quality.

National Knowledge Commission (NKC) has recommended establishing a single and Independent Regulatory Authority for Higher Education (IRAHE) that would be an umbrella organisation founded under a separate statutory act. The IRAHE would provide single window clearance and replace multiple existing regulatory agencies. It will be the only agency to accord degree granting power to higher educational institutions and monitor standards, settle the disputes and license accreditation agencies.

The proposed Foreign Educational Institutions (Regulation of Entry and Operation) Bill 2010 to regulate the entry and operation of foreign educational institutions seeking to impart higher education is one of the important government initiatives to promote quality higher education in India. This bill lays clear guidelines for any foreign education institutions to operate in India.

I. India a Favorite Choice for International Students:

India due to its better quality of life, cheap cost of education and living, having a rich cultural background, easy immigration procedures unlike UK, US or Australia, good climate etc make it an attractive option for the students from

Africa, Middle East and Asian Countries. If the quality of education and brand name of global reputed institutions is made available in India, India can act as a favourite destination for students amongst the world. The provision of quality education by the reputed foreign universities and good quality Indian domestic institutions in India will attract more number of the students from foreign countries to India thus adding a clientele for the Institutions. India can be an attractive option to foreign students for studies due to following reasons.

1) Quality of Life:

India is among the most friendly and hospitable places with a diversity in culture and climate to suit the entire global population. As per the Quality of Life Index, India score [12] 73.7 which is quite decent index as compared to the majority of the countries of the world except Europe, US, Australia and Japan.

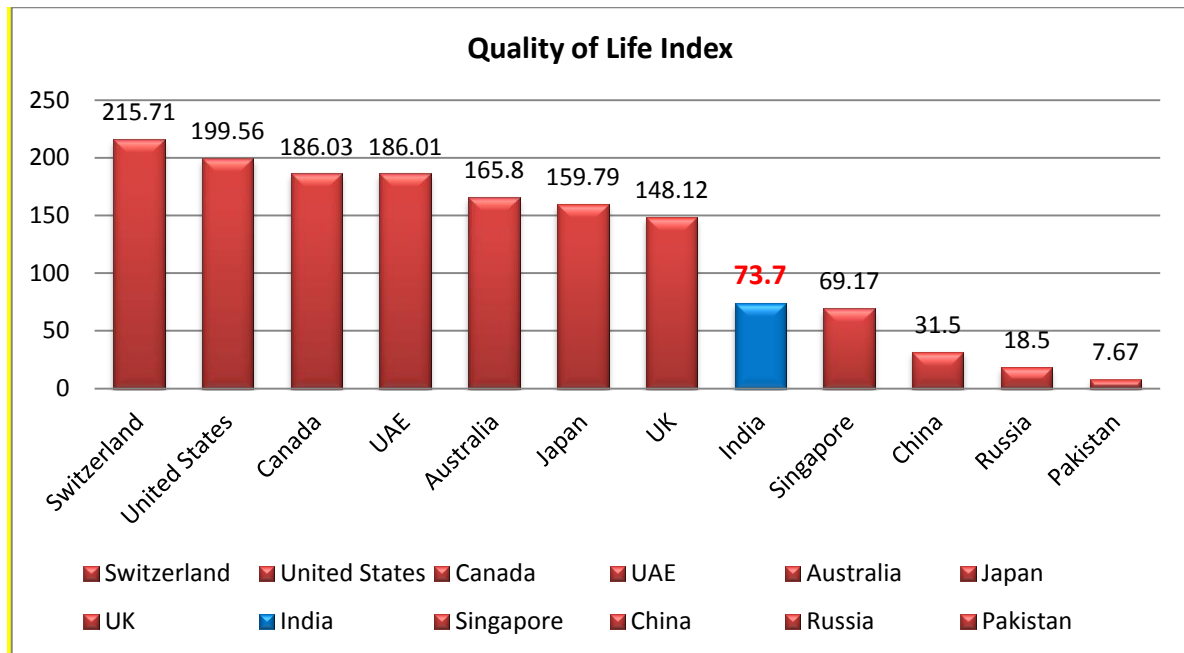


Figure 1: Quality of Life Index

2) Low Cost of Education and Living:

The cost of education in India is quite low as compared to many other countries of the world. The cost of living in India is very less compared to any Western countries. Low cost of construction, availability of faculty and staff at lower prices make it competitive in cutting prices for any investor and for the students who cannot afford higher cost of education and living.

3) English as Medium of Instruction:

India has 150 million people for whom English is their main language so India is indeed becoming a knowledge centre. It has an advantage over the countries like China, German, UAE and Russia where language can be a barrier in communication during school of instructions or even during stay in the country. In some of these countries, students have to learn the local language as part of their studies as mandatory requirement or for their convenience of stay in that country.

4) Quality of Education:

Indian educational institutions such as the IITs, IISc, IIMs, NITs, AIIMS, ISI, BITS and ISB are well known worldwide to provide quality education. The Indian Institutes of Technology (IIT) were placed 50th in the world and 2nd in the field of Engineering (next only to MIT) by Times Higher World University Rankings. Though the ranking as done by various International agencies do not place India at respectable ranks but the reasons for the same are different due to parameters being adopted by them are not being followed by Indian Universities. India's Ministry of HRD & Planning Commission has stressed all the universities to consider the established global performance indicators rather than getting defensive to get higher ranking in the world. It will help to embrace the internationalisation of higher education.

5) *Recognised Courses and Global Recognition:*

Indian institutions are well appreciated globally due to their significant contribution[13] in research and development in the various fields. The courses conducted in Indian Institutions as well as professionals trained have been recognised in the world. A large number of the world fortune 500 companies' visit the Indian Institutions campuses for seeking the qualified and aspiring candidates for placement every year. Apart from this, the institutions in India offer various unique courses that have been discovered and developed by the traditional knowledge system of India. Ayurveda, Homeopathy, Yoga, Palmistry, Astrology, Meditation, Sankrit, Hindi etc are some such subjects which enthuse many not only due to its commercial value after undergoing the course but also as a learning for personal development.

6) *Admission Facilitating:*

To facilitate the admission of International students, various steps have been taken by the institutes and government. Most of the reputed Indian institutes of higher education have established international student offices to provide assistance to international students in getting their admission and move to India. Apart from this, the Indian government has set up the Education Consultants of India in various countries to cater the needs of the International Students. All over the country, Institutes are offering various courses for international students ranging from medical, engineering and applied arts courses. Even various government institutes have reserved some seats for International students. Migration procedures have been simplified for International students. For entry to India, they are required to carry the necessary documents such as admission letter and passport. They are given residential permit, after they register themselves at the Foreigner's Registration Office within a period of seven days from their arrival.

7) *Financial Assistance:*

To promote the students with meritorious background, to encourage the students to pursue research and also to promote cultural interaction amongst students from various countries, the government of India provide financial assistance[14] in terms of scholarship every year for international students studying in India. Some of the schemes are General Cultural Scholarship Scheme, Cultural Exchange Programme, Commonwealth Fellowship Plan, Reciprocal Scholarships Scheme, Technical Cooperation Scheme of the Colombo Plan, SAARC Fellowship Scheme, Apa Saheb Pant Scholarship Scheme, ICCR Scholarship Scheme, Craft Instructors Scheme and Scholarship Scheme for Sri Lanka and Mauritius.

III. CONCLUSIONS

India's vast population, huge domestic market, growing economy and supportive government policies makes it an ideal option for investment in present and future environment. India's higher education system is emerging as one of the largest education system in the world. The government plan to establish 1500 universities from existing about 600 universities provides excellent opportunities to the domestic as well foreign education institutions. Due to future unparalleled opportunity for growth in the education sector, the Indian or foreigner investors should exploit the opportunity and enter the market with a well thought-out strategy and a long-term perspective.

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