Mainstream, Vol XLV No 25

FDI in Higher Education : Aspirations and Reality

samedi 9 juin 2007, par Konark Sharma

Introduction

EDUCATION is becoming vital in the new world of information. Knowledge is rapidly accredited replacing raw materials and labour as the most critical input for survival and success. Higher education enhances a country's capacity for participation in an increasingly knowledge-based world economy and has the potential to enhance economic growth and reduce poverty. Thus higher education has assumed even greater significance for developing countries, especially for those like India experiencing services-led growth. In this context, the foremost question that arises is : can the Indian higher education system sustain its competitiveness in the world economy and cater to the growing demand for higher education ? Already doubts have emerged on the existing systems potential to generate required number of high-quality professionals. Lack of resources is not the only issue staring in the face of the government. Existing institutes of higher learning like the Indian Institutes of Technology (IITs) have become complacent. Significantly, no Indian university made it to a recent survey of the 100 greatest universities of the world, while even some Japanese and South Korean universities found mention on the list. According to McKinsey (2005), only 25 per cent of engineers, 15 per cent of finance and accounting professionals and 10 per cent of professionals with degrees, in India, are suitable for work in multinational companies. This high-lights the differential quality standards existing across institutions in the country. Differential quality standards in higher education are closely linked to the prevailing excess demand for higher education in India and lack of competition among the providers. The excess demand is apparent from the rising number of students going abroad and spending almost $ 4 billion annually for higher education. The US, the UK, Australia and New Zealand are the main beneficiaries, being large exporters of higher education. On the other hand given the resource constraints of the public sector and prevailing excess demand, the private sector's contribution has been increasing over the years. Given these shortfalls in India's higher education, could liberalisation be the solution ? Could opening up the higher education to foreign investors akin to retail, telecom etc. be the panacea we are looking for ? One of the major concerns regarding liberali-sing higher education in India is the possibility of 'commodification/commercialisa-tion' of higher education. This may result in high fees adversely affecting a large section of the society. Besides there has been large scale skepticism concerning the foreign investor commitment to the larger social goals and quality of their packages.

The Indian Scenario

INDIA is the third largest higher education system in the world (after China and the USA) in terms of enrolment which in 2005-06 was over one crore five lakhs. In terms of the number of institutions, India is the largest higher education system in the world with 17,973 institutions (348 universities and 17,625 colleges), Of these, there are 63 unaided deemed universities with enrolment of 60,000 students, and 7650 unaided private colleges with enrolment of 31, 50,000 students. Even with such a huge system in place, higher education in India is in a miserable condition. This poses a severe constraint on the supply of qualified manpower. Though student enrolment grew at an estimated rate of seven per cent between 1987 and 1993, it has now declined to the 5.5 per cent compound rate of growth. Even then, after nearly six decades of independence, higher education is not accessible to the poorest groups of the population. Hardly seven or eight per cent of the population in the age group of 17-23 years is enrolled in the institutions of higher education. In view of this shortage of public spending, parents and students are increasingly looking to private education for a solution. Enrolment in India has been below the average for the Asian countries. Of the latter, the South-East Asian countries show much higher enrolment : Philippines (31 per cent), Thailand (19 per cent), Malaysia (27 per cent) and China (13 per cent) as compared to seven to eight per cent (11 per cent according to the consultation paper) in India. The enrolment figure for the USA is 81 per cent, in the UK 54 per cent and in Japan 49 per cent. India also has one of the lowest public expenditure on higher education per student at US 406 dollars, which compares unfavourably with Malaysia (US 11,790 dollars), China (2728 dollars), Brazil (3986 dollars), Indonesia (666 dollars) and the Philippines (625 dollars). This expenditure in the USA is 9629 dollars, in the UK 8502 dollars and in Japan 4830 dollars. Thus India's public spending on higher education and gross enrolment ratio levels are quite low, even when compared with several other developing countries. Raising the seats by about 50 per cent would require about Rs 20,000-25,000 crores. Since this huge amount cannot be provided by the public exchequer at one go, thus under pressure from economic interests the Ministry of Commerce is arguing that higher education sector in India should be 'freed' and the country should open the doors to foreign investment.

Some of its key arguments were :

• India spends just $ 406 (about Rs 18,600) per student on higher education. That is just a fraction of what countries like China ($ 2728 or Rs 125,000), Brazil ($ 3986 or Rs 182,000) and Malaysia ($ 11,790 or Rs 540,000) spend.

• Public expenditure on education is only about three per cent of the Gross National Product and only 0.37 per cent of Gross Domestic product is spent on higher education in the country.

• There are only 10.5 million students enrolled in all higher education institutions in India — that is just 11 per cent of the relevant age group (17 to 23) population. Even South-East Asian countries show much higher enrollment : the Philippines (31 per cent), Thailand (19 per cent), Malaysia (27 per cent) and China (13 per cent).

Earlier this year, the Commerce Ministry had come out with a 24-page document—Higher Education in India and GATS—supporting FDI in the sector. Commerce Secretary G K Pillai hinted that the idea was to evolve a consensus on opening up higher education to foreign investment, even 100 per cent FDI. Making a strong case for foreign participation in higher education in India, the consultative paper drafted by the Commerce Ministry says : "GATS (General Agreement on Trade and Services) could provide an opportunity to put together a mechanism whereby private and foreign investment in higher education can be encouraged subject to high quality standards and efficient regulation." According to the consultation paper, the Asian countries had 3,25,000 students in US colleges and universities in 2004-05, including 80,466 from India, 63,000 from China, 53,000 from South Korea and 42,000 from Japan. Further, 15,000 Indian students were enrolled in the UK, 22,279 in Australia and 2567 in New Zealand. The USA is the largest exporter of education services in the world. The other large exporters are the UK, Australia and New Zealand. Developing countries such as India and China are the largest importers of education in the world. In 2004, nearly 14 per cent of all international students in the US were from India. In order to strengthen the case for trade in education services, the consultation paper quotes a recent McKinsey-NASSCOM study that "the total addressable global offshoring market is approximately US 300 billion dollars, of which US 110 billion dollars will be offshored by 2010". Education itself generated as much as 13.4 billion dollars in export revenues for the US in 2003. The US has therefore benefited enormously as a result of these revenues, which have come in through this Mode. The consultation paper therefore asserts that "there is a huge excess demand in India for quality higher education", which is being met by "foreign campuses". The Commerce Ministry recommends : "Services negotiations (in WTO) could be used as an opportunity to invite foreign universities to set up campuses in India, thereby saving billions of dollars for the students travelling abroad." Therefore, the consultation paper advocated for "a balance" between "domestic regulation and providing adequate flexibility to such Universities in setting syllabus, hiring teachers, screening students and setting fee levels".

The Mirage of FDI

FOR India to make the most of its demographic dividend, it is imperative high-quality higher education is imparted to its teeming youngsters. But the future scenario in the education sector, after the General Agreement on Trade in Services (GATS) becomes operational, is highly uncertain. Chalking out 'The Roadmap for the Future in Higher Education' in a FICCI background paper, Prof Sudhanshu Bhushan, Senior Fellow, National Institute for Educational Planning and Administration [NIEPA], points out : "The most important challenge is not just to guarantee the expansion of education, but also to improve its quality and link education to society's needs and development goals." There are instances of foreign institutions partnering with unapproved domestic institutions. Degrees awarded under such programmes are not recognised in India. Although the Association of Indian Universities has laid down guidelines for twinning arrangement to ensure genuine partnerships and protect consumers, these guidelines are often violated. There are also instances of false marketing of foreign programmes, wherein institutions claim to have resources that they don't really possess or give employment guarantees when there's no international equivalence of degrees. At times, students in twinning programmes have not been able to obtain visas to study abroad at the foreign partner's campus. It's also interesting to note that there has been little or no foreign participation in India's higher education sector through franchises and subsidiaries, that is, forms of participation, which is likely to yield greater benefit to the country's educational infrastructure. It is only due to the craze for foreign degrees, many Indian students also get taken for a ride by B and C grade foreign universities. A few years back a United States based private commercial institution came to offer higher education programmes in Hyderabad. The institute had an office in Malaysia, and it offered its programme from there .it soon folded up leaving faculty and students in a lurch. In some exceptional cases where top tier institutions show interest they come with commercial strings attached. In one such case Carnegie Mellon University Pittsburgh and Illinois Institute of Technology offered postgraduate engineering degrees but they eventually folded up because the fees were too high for an average student to afford.

A superficial analysis of the profile of the foreign institutions present in India lends a clearer picture. In the last 10 years though 150 odd programmes are being offered but none of them invested money in India. Most of them came through the "automatic route" under the rules framed by foreign investment promotion board [FIPB] and offered what are known as "twining programmes", studying partly in India and partly abroad or franchising their degree programmes for hefty fees without any proper supervision and quality control. Another unfortunate aspect of the functioning is that many of the programmes offered by these institutions are not accredited in their own countries. A survey found that 44 out of these 150 odd programmed are unaccredited and unrecognised in their own countries. These are thriving on the gullibility of Indian students. it is wishful thinking that liberalisation and inclusion of education under GATS would bring foreign investment and bridge the gap between demand and supply but given the facts there are remote chances where foreign investor coming in any real sense. Top-tier institutions like Harvard University, Yale, Princeton and MIT [Massachu-setts Institute of Technology] will only be interested in collaborating with India's outstanding institutions of research and that to public sector institutions. There is little possibility that they will offer their degree programmes in India. Thus it is highly misleading to think that such institutions will cater to the needs of the poor and disadvantaged section. It is interesting to note that the consultation paper points out that since higher education has low price elasticity, "cost recovery through higher fees will not reduce enrolments. Hence, private funding of higher education is not only more efficient, but also more equitable". It not difficult to imagine that if with the existing fee structure, only about seven to eight percent of the population in the age group of 17-23 years is enrolled in the institutions of higher education, raising the fees will certainly lead to inequity ; rather it will decrease the enrolment. However, it appears that the Commerce Ministry is induced by examples of other countries allowing FDI in higher education. But the study by the Ministry suffers from many lacunae. It is noteworthy that many countries, which allow foreign educational institutions, vigorously protect their national interests and priorities set by their public policies. Case studies of all such countries cannot be provided here, but a few examples can indeed be given. In China, the entry of foreign institutions is by invitation only and the conditions under which the foreign educational provider can come to China include :

1) Foreign institutions must partner with Chinese institutions.

2) Partnerships must not seek profit as their objective.

3) No less than half the members of the governing body of the institution must be Chinese citizens.

4) The post of president or the equivalent must be held by a Chinese citizen residing in China.

5) The basic language of instruction should be Chinese

6) Tuition fees may not be raised without approval.

There is no provision for online and distance learning. In Malaysia also, foreign institutions can enter only by invitation from the Ministry of Education. Such an institution has to establish a Malaysian company with majority Malaysian ownership and has to be registered with the government. Permission for each course is required. Courses should be accredited and approved in the home country and recognised by an appropriate professional association in Malaysia. In Singapore also, foreign institutions can enter by invitation and only elite universities are invited. Their collaboration with local partner is permitted, but they cannot use terms like university, college and academy. Applications for setting up higher education institutions are considered on a case-to-case basis. All countries of the world impose at least some restrictions in relation foreign educational providers. Barriers are most extensive for commercial presence in educational services. Authorities must study the system of regulation and accreditation of Educational institutions in foreign countries. Our own accreditation system and laws for foreign institutions must be developed taking into account the treatment given to them in their respective countries.

Conclusion

IN the light of the above discussion, India must act in its self-interest. She must manage to send a proposal and commit to areas where there are strategic opportunities to be exploited through trade. The World Bank-WTO-GATS dictated policy on higher education, prescribed in the consultation paper, must be reversed. The C.N.R. Rao Committee had cautioned against a hasty approach on the issue. As citizens of India, we have to ensure that the government takes care of public interests and act to protect public services like education from the predatory elements that preach the ideology of the marketplace as the solution to every issue. In May 2006, a report submitted by the National Institute of Educational Planning and Administra-tion warned against a “commodification” that could lead to “lopsided development of higher education”. The approach of the government is focusing on short-term market concerns. The immediate need is to plug the gap between opportunities in industry and the availability of matching skills. The future of higher education services will also be shaped by domestic factors, including the domestic regulatory framework and the state of the domestic education system in terms of quantity, quality, costs, infrastructure and finances. What's required is adequate infrastructure and more effective registration and certification systems, which prevent unapproved institutions from partnering, which protect and inform consumers, enable good quality foreign institutions to enter the Indian market, and which create a level playing field between domestic and foreign institutions so that the former can compete effectively in a liberalised environment. Once such a regulatory framework is in place, India needn't fear scheduling education services under GATS.

REFERENCE

1. George Iype, "Foreign Universities In India ? No, Say Arjun Singh, Left Parties", Rediffnews, September 14, 2006.

2. S Vishwanathan, "FDI And False Hopes", Frontline, December 1, 2006.

3. S. Savithri And K. Murugan, "Global Trade In Educational Services : Implication On Open And Distance Learning (ODL)", ICDE International Conference, 2005.

4. S. Chinnammai, "Effects Of Globalisation On Eduation And Culture", ICDE International Conference, 2005.

5. K.D. Raju, "Barriers To Trade In Education Services Under The Gats : An Indian Experience", Amity Law Review, Vol. 5, Part 1, January 2004-June 2004.

6. George Iype, "Be Cautious With FDI In Education : Arjun Singh", Rediffnews, September 21, 2006.

7. Rupa Chanda, "Concerns Of Opening Up Higher Education", The Financial Express, December 14, 2004.

8. Albrechat Douglas And Adrian Ziderman, "Financing Universities In Developing Countries", The World Bank Report, 2005.

9. Arun Nigvekar (2001), "Gats And Higher Education", University Grants Commission, (Mimeo).

10. J.L. Azad (1971), Report of The Study Of The Patterns, Procedures And Policies Of Financing Of Higher Education In India, Planning Commission. (Mimeo).

11. G.D. Sharma, "Internationalisation Of Higher Education : Status And Policy Suggestions", NIEPA (Mimeo).

12. G.D. Sharma, “Trade in Education Service : An Indian Response”, NIEPA, New Delhi, (Mimeo).

13. “Government Okays FDI In Higher Education”, Business Standard : November 29, 2006. 14. “Policy-Lessons In FDI”, Business Standard, New Delhi, September 13, 2006.

15. Vijender Sharma, Consultation Paper On Trade In Education Services, “Higher Education In India And Gats : A Disastrous Proposal”, Ganashakti News-magazine, November 2006.

16. Pawan Agarwal, “Higher Education Policy : Many Contradictions”, Economic And Political Weekly, 2006, November 11, 2006.

17. Satish Y. Deodhar, “Managing Trade In Educational Services : Issues For India’s Response In WTO Negotiations,” Iima Working Paper No. 2001-10-03. The paper was presented at the national seminar on WTO and allied issues, Indian Institute of Foreign Trade, New Delhi, February 2002.

18. “State vs Foreign”, Economic And Political Weekly, November 4, 2006.

The author is from the National Law Institute University, Bhopal.