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Foreign Direct Investment in the Education Sector – Issues and Challenges in India

Riya Tomy^a

^aSymbiosis Law School, Hyderabad, India

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The rapid emergence and growth of the world's population have been attributed to the need for change. Since 1950, the world's population has increased significantly, with most of the growth occurring in developing countries. The increase in income per capita has also been accompanied by rapid increases in the gross domestic product of various countries. An increase in foreign direct investment (FDI) is also expected to be associated with the improving economic growth in the host country. Foreign Direct Investment (FDI) is often channeled into various projects in host countries to boost their development. This can lead to better productivity and increase the efficiency of the local economy. It has also been suggested that the policies of foreign entities should be implemented in a way that improves corporate governance standards. Foreign investment can help India's economy by creating more jobs and improving the quality of its soft skills. It can also help the country's technology sector by allowing it to access more advanced technology.

Keywords: *foreign direct investment, higher education, public sector, private sector.*

INTRODUCTION

As a country, India strives to maintain a balanced economy with the other countries in the world. The country's growing economy has increased the need for foreign currency. Foreign direct investment is also becoming more prevalent in India. One of the country's key industries

is education. The training industry is becoming more relevant in emerging nations such as India, which has a huge potential for growth. There is also a lack of business opportunities in this region. The increasing number of educational institutions has also created a conducive environment for the growth of the industry. One-time investments in a country's manufacturing or business sectors are known as foreign direct investments. A portfolio venture is an investment that involves acquiring a company or an existing one in another country. It can be triggered by various factors such as the establishment of new offices or the acquisition of assets from abroad. Foreign Direct Investment is a type of capital that is given to a business in a country other than the one receiving it. Foreign direct investment is a type of capital that can be utilized for various purposes. It can be categorized into two types: internal and external. The former includes the acquisition of a company or the expansion of an existing one, while the latter is usually focused on the supply of a company's remote venture.

Speculation on the stock market is prohibited under foreign direct investment. This type of capital is an example of global variable patterns. The quality of India's education system has been regarded as one of the best in the world. This has created a huge potential for growth in the country's education industry. Due to its services-based economy, the sector is expected to be a promising business opportunity for individuals who are looking to improve their skills. Due to the country's growing importance in various industries, such as software development and generic drugs, India's education sector is expected to receive increased foreign direct investment. This industry is regarded as one of the country's most important commercial frontiers. India is a great choice for people who are looking to invest in the training industry. Due to its size and popularity, it is also an incredibly profitable place for aspiring students. There is also a huge amount of intellectual property that can be used by educational institutions in the country. There are various types of education in India, such as schools and post-secondary learning. The government has made numerous reforms in the education sector to attract more foreign investors. These reforms are expected to result in increased job creation and financial development.

DEFINITION OF FDI

Foreign direct investment is a type of investment that allows an investor from another country to acquire a company in India. It gives the foreign investor the opportunity to control the company's operations. The OECD defines a foreign direct investment as ownership of 10% or more of a business. This type of investment is carried out through the creation of a new foreign company or through the acquisition of another firm.

FACTORS ATTRACTING FDI IN INDIA

Various factors are contributing to the increasing number of foreign direct investments in India. One of these is the country's growing middle-class population and its low wages. Also, a huge market with high potential has attracted foreign investors. Sectors of the Indian market having potential for foreign direct investment are:

- Services
- Transportation industry
- Telecommunications
- Electrical equipment's
- Drugs and pharmaceuticals
- Cement and gypsum products

The increasing number of educational institutions and the reforms in the infrastructure sector are some of the initiatives that can help boost the foreign investment potential of the Indian market.

FDI - EDUCATION SECTOR

The Union Cabinet on March 15, 2010, gave its approval to the Foreign Education Institutions Bill, 2010. The Bill aims to regulate the entry and operations of foreign educational institutions in India. It also aims to prevent the commercialization of these establishments. The government has allowed foreign direct investment in the education sector. However, it has also allowed 100 percent FDI in the sector. Aside from restricting the entry of foreign

educational institutions, the Bill also aims to prevent the misuse of its provisions. For instance, foreign universities and colleges that wish to operate in India must first get approval from the government. These institutions would then be registered with the various regulatory bodies in the country.

The foreign universities that wish to establish a campus in India must deposit a cash reserve of about Rs.50 million. They will also be unable to take back the surplus that they have accumulated due to their activities in the country. They will also have to use a certain portion of the fund for the construction of their facilities. Manmohan Singh, the Human Resource Development Minister, had indicated that quotas would be placed on foreign universities operating in India if the government allowed them to operate. He also opposed the proposal to allow foreign investment in the education sector. Several foreign universities have already expressed their interest in establishing operations in India. The government, on the other hand, is advocating for the liberalization of the education sector in the country.

The Bill states that foreign universities and educational institutions that want to operate in India must be registered as foreign educational providers. They will also have to comply with the standards set by the authorities. Although the government has allowed foreign investors to participate in the education sector, it has also restricted the operations of for-profit educational institutions. These establishments will not be allowed to operate as private schools or as government-run universities. Instead, they will be required to establish an investment vehicle known as a Section 25 company or a trust. One of the major advantages of foreign direct investment in the education sector is that it allows companies in this industry to expand their operations and provide their employees with the necessary skills. Through foreign direct investment in the education industry, the country has been able to create numerous employment opportunities for its citizens.

TYPES OF FDI

Horizontal FDI: There is a type of investment is horizontal FDI, which occurs when a company duplicates its operations in a country through FDI.

Platform FDI: A platform foreign direct investment is a type of investment that allows investors from another country to send their money to a third country.

Vertical FDI: Through foreign direct investment, a company can also expand its operations into a different country. This type of investment can also decrease the company's international trade. Some of the other advantages of foreign direct investment are that it can help the country's development.

FDI METHODS

Through foreign direct investment, a company can also increase its voting power by acquiring shares or establishing a subsidiary. It can also participate in a joint venture or an equity partnership. Today, there is a huge amount of foreign direct investment (FDI) in both creating and developing nations. It is becoming more common for developing nations to receive foreign funds as it provides them with a secure and resilient source of external credit. Also, it allows them to accelerate their development through the overflow of innovation, creativity, and local rivalry. Today, foreign direct investment has turned into an integral part of financial reconciliation. It enables the exchange of aptitude, innovation, and support among the various entities involved in the venture. Outside of direct speculation, it is also beneficial for the nation to get venture and financial specialists. According to the International Monetary Fund, remote direct speculation is a type of investment that occurs when a foreign investor enters a venture that is in another country. It can be considered as an extension of an existing relationship between the investor and the venture's occupants. The "enduring premium" of remote direct speculation is also related to the level of impact that the investor has on the operations of the venture. The primary reason why developing nations seek foreign direct investment is due to the lack of domestic capital. Foreign capital is generally considered a vital component of any country's financial development, as it can provide a boost to the country's capital business sector. It can also help boost the country's entrepreneurial spirit and provide a variety of skills and learning.

Foreign direct investment has been regarded as a significant contributor to the monetary development of host economies. It can be said that it adds to the country's capital, business, and innovation. India is one of the most populated countries in the world and is the seventh biggest economy in the world. According to a review conducted by UNCTAD, India is one of the most significant foreign direct investment destinations. It received foreign funds during the period 2010 to 2012. The various sectors that attracted the most foreign direct investment were media, construction, software, and telecommunications. With the continuous flow of funds into the Indian administration division, the monetary development of the country can be attributed to this segment. The need for more foreign capital to boost the country's financial development is also a major factor that has driven the urge for foreign direct investment.

SWOT ANALYSIS - INDIA

Strength - The growth of the education sector has been attributed to the increasing number of skilled and well-educated students. This has created a conducive environment for the growth of the industry. Another advantage of the education sector is its ability to provide innovative technology and new ideas. The increasing number of foreign investors has also helped the education sector to grow. It has also been able to create various technological and managerial opportunities. Another advantage of investing in the education sector is that it has a strong market and strategic location. **Weakness** - The lack of ethical standards in the education industry can also affect the growth of the sector. This issue has led to numerous lawsuits against media companies. **Opportunities** - Despite the various obstacles that prevent the growth of the education industry in India, experts believe that the country still has room to grow. Due to the increasing number of organizations that provide educational services, the market for education has been able to expand. This has led to the emergence of various technological innovations such as projectors and LCDs. The continuous emergence and evolution of new technology can also provide the education industry with an opportunity to expand its product mix and improve its market share. There are also many companies operating in this sector globally. **Threats** - Despite being stable politically, India's instability and frequent changes in government can negatively affect the education industry. This issue

can also prevent the country from developing effective marketing and innovation strategies. Another issue that can affect the education industry is the implementation of government regulations.

CHALLENGES IN THE EDUCATION SECTOR

High- dropout rates: The high dropout rate in government and public schools is also one of the biggest challenges that the education system faces. It is attributed to various factors such as poverty, lack of facilities, and child marriages. Poor governance and lack of responsibility: Another issue that can affect the education system is the lack of teachers in government schools. Also, the management of these schools is not up to standard. This issue can also lead to the parents not being informed about their rights.¹ Lack of infrastructure: Public schools are also known to face various issues such as poor sanitation and electricity. These issues can affect the quality of education for the students. Quality of teachers: Another issue that can affect the education system is the lack of skilled and trained teachers. According to a study conducted by an educational planning agency, the teachers spend about 19 percent of their time teaching. They also have to work on other non-academic tasks which often take up their time. Closure of Schools: Due to the low number of students and the lack of teachers, many government schools are temporarily closed. This issue is also caused by the increasing number of private schools. Corruption and leakages of funds: The central government's grants for the advancement of schools are also frequently diverted to other projects through corrupt mediators. This means that the right beneficiary of the funds gets only a portion of the total.

ADVANTAGES OF FDI

Despite the various advantages of foreign direct investment, it does not provide the same level of protection to the foreign investor as it does to the local market. This is why it is important to consider the deal's success before making a final decision. There are numerous advantages to be had by both the foreign investor and the multinational enterprises (MNE) when it comes to doing business in a developing country. In this article, we'll talk about the advantages and

¹ Pawan Agarwal, 'Higher Education Policy Many Contradictions' (2006) 41 (45) Economic And Political Weekly,

disadvantages of doing business in a developing nation. Access to markets: Getting into a foreign market can be very beneficial for a company. In some countries, foreign companies may not be able to fully access their domestic markets. This is why starting a business or acquiring a company in a foreign market can be very beneficial for a company. Access to resources: One of the most important advantages of foreign direct investment is its ability to access various natural resources, such as natural resources. For instance, oil companies can often make huge investments in developing oil fields. Reduces cost of production: One of the most important advantages of foreign direct investment is its ability to reduce a company's cost of production. This is because foreign companies can benefit from the lower labour costs and the lack of regulations in a developing nation. Aside from being beneficial to a country, foreign direct investment can also provide a huge boost to a developing nation's economy.² One of the most important factors that a company should consider when it decides to establish a plant or operation in a developing country is the availability of local labour and equipment. Foreign direct investment can also stimulate the country's economy by creating thousands of jobs and bringing foreign capital into the country. Once the plant or operation is established, the company will most likely hire local workers, which will allow the local population to increase their spending power. Aside from helping create jobs, foreign direct investment also can help a developing country's economy by increasing the country's tax revenue. This type of investment can be done by collecting taxes on the company's income and purchases made by its workers. One of the most important benefits of foreign direct investment is that it can help develop new industries in developing countries. For instance, a company can partner with a local firm to create a new business venture. This type of investment allows the local company to gain access to a new and growing market. Aside from helping create jobs, foreign direct investment also can help a developing country's economy by increasing the country's tax revenue. This type of investment can also help local governments and businesses improve their skills and knowledge.

² Gurkirpal Singh Sidhu & Rakesh Jindal, 'GATS and Higher Education: India Moving Towards Global Market' (2002) 67 (2) The Indian Journal of Political Science, 381-396

DISADVANTAGES TO MEN'S

Aside from helping create jobs, foreign direct investment also can help a developing country's economy by increasing the country's tax revenue. It can also help local governments and businesses improve their skills and knowledge. For instance, a company can partner with a local firm to create a new higher education program. This type of investment allows the local company to gain access to a new and growing market. After university, higher education is usually the main type of education. After graduating from university, many people can take up various types of qualifications after they have completed their studies. These include the Foundation Diploma, the Higher National Diploma, and the Masters and doctorates. These are all recognized all around the world as being related to a particular field. In India, it is also possible to obtain a master's or doctorate degree in higher education. There are over 400 universities in the country that are run by the government. However, 44 other universities are also managed by the Union Government. India's Central universities are also known as educational institutions that are able to attract international students. Due to the increasing number of educational institutions in developing countries, the demand for higher education is expected to grow significantly. However, it's still important to note that providing quality education is still a daunting task. The paper aims to study the various effects of foreign direct investment (FDI) in the education sector. It aims to provide a comprehensive analysis of the various factors that affect the country's economy and society. It has important implications for policymakers and educationists who are planning on implementing policies related to FDI. In India, the education sector is divided into two categories: the primary one is higher education, while the other one is for preschools, vocational training, and coaching classes. The government's recent reforms have opened up various sectors of the economy to foreign investment. This will allow the private sector to expand and create more jobs. The country's education sector has been experiencing rapid expansion since the government allowed foreign investment in the sector in April 2000. Despite this, the total FDI in the education industry has remained flat over the past 11 years. In the past, the average annual spend on education was around Rs 186 crore, which is equivalent to about 0.1 percent of the total budget of the central and state governments. In response to the increasing number of foreign universities entering

the country, the government has proposed to allow 100 percent FDI in the education sector. This will allow foreign universities to operate in the country. The proposed legislation will also allow foreign education providers to get recognized as universities. According to Human Resource Development Minister Arjun Singh, there are no ideological issues regarding the FDI in the education sector. However, before the government can implement a policy on the issue, it has to first complete a comprehensive analysis of the various issues related to the sector. Currently, there is no law in the country that allows foreign universities and education providers to operate in the country. This has prevented the inflow of foreign capital into the sector. Despite this, the proposed legislation will allow the government to regulate the operations of these entities. According to a report in a newspaper, foreign universities would be required to deposit around Rs 25 to Rs 100 crore as security before they can operate in the country. They would also be required to establish campuses in backward regions. Through an automatic route, the government allows foreign companies to invest in the education sector in India. However, before they can make an investment, they must first submit their capital requirements to the Reserve Bank of India.

CONCLUSION

One of the main factors that have helped India's economic development is foreign direct investment. This type of capital has been instrumental in the country's financial viability. It has allowed the government to implement various economic reforms and improve the country's overall growth. India is also expected to benefit from a speculator-friendly environment in order to attract more foreign financial professionals. In the next couple of years, the country is expected to receive a huge amount of foreign direct investment. Aside from education, the country is also expected to benefit from the increasing number of human capital development projects. Despite the positive effects of foreign direct investment, overflows are still considered an unwanted result of foreign direct investment. It is important for domestic companies to continuously improve their skills and attract more foreign investors. Despite the positive effects of foreign direct investment, our knowledge of the various effects of this type of investment is still limited. This research is required to provide a detailed and accurate analysis

of the country's monetary and training development. This could be used by the government and the private sector to make informed decisions regarding the country's economic development. The study conducted on the Indian education industry revealed that it is an incredibly profitable place to invest. It also provides investors with excellent chances of appreciation. One of the most important factors that investors should consider when investing in India is the establishment of a well-established and well-structured education institution. This will allow them to easily access the necessary skills and knowledge to operate efficiently in the country. To ensure that its educational system remains competitive, India needs the world's best institutions to establish offices in the country. This will allow the country to act in its own best interests. Advanced education in India is on the verge of a fundamental change, which occurred during the 1990s when the government liberalized the economy. Despite the positive effects of foreign direct investment, education reforms should be carried out with caution. Doing so will allow the government to ensure that the quality of education is maintained. A well-designed administrative structure is also needed to ensure that the institutions are operating efficiently. One of the most important factors that the government should consider when it comes to the establishment of educational institutions in India is the establishment of a strong certification and enlistment framework. This will allow foreign organizations and local training centres to compete in a changing environment.