

# Policy | Will Budget recommendations improve quality of education?

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One of the big-ticket measures in Budget 2020 is the introduction of certain key reforms to the education sector, which could serve as a potential opportunity for foreign players.

For a while now the government has been keen to attract more foreign investment in the education sector. However, due to a multitude of regulators and complexity of the existing systems, including the not-for-profit requirement, the education sector has barely seen any foreign investment. According to India Brand Equity Foundation, it was expected to reach \$ 101.1 billion in the financial year of 2019. This despite 100 percent foreign direct investment (FDI) permitted under the automatic route in the sector. It is hoped that the emphasis of Budget 2020 on the education sector will provide some incentive to the foreign players to invest in this sector.

## Allocation of Budget

One of the core themes of Budget 2020, 'Aspirational India', highlighted the concerns of the education sector. With an allocation of ~Rs 100,000 crore to the education sector, a spike of ~5 percent from the previous budget, the government continues to indicate that it has the sector in

mind. Further, a separate amount of ~Rs 3,000 crore has been allocated in the budget towards skill and development. This should, along with other suggested reforms, encourage signs of investment activity.

## **Quality education to both job and life skills**

Driven by the fact that India is set to have the largest working-age population, the government intends to deliver higher quality education, accompanied with job and life skills. Set out below are certain key reforms to look forward to:

**New Education Policy:** The much-awaited New Education Policy is expected to be announced soon. In its current draft, it focusses on systematic development of the outreach and branding of the Indian education sector at the global level. Other initiatives include the 'Study in India' programme, research collaborations and partnerships between universities in India and abroad, setting up of offshore campuses, student exchange and faculty mobility. As such, it is anticipated that the policy will encourage the role of domestic as well as foreign players in the sector.

**Private participation in the medical sector:** In the biggest boost for medical education and to bridge the need for qualified medical professionals, the government is seeking to set up medical colleges for each district hospital through a public-private partnership (PPP) model. This could be a good avenue for investment.

**Education tourism:** One of the key initiatives proposed to enhance education tourism is the introduction of IndSAT entrance examination under the 'Study in India' programme, to screen aspiring Asian and African students.

**Online platforms:** The government also intends to encourage online platforms to establish degree-level, fully-fledged online education programmes to easily reach out to and attract a much larger student base.

## **A new hope?**

Currently, primary to higher educational institutions can be set-up as trusts, societies or not-for-profit companies, and, therefore, are eligible to receive foreign funds in form of grants, or contributions under the Foreign Contribution Regulation Act 2010. While companies are also permitted to receive FDI, the not-for-profit requirement along with cumbersome compliances have traditionally disincentivised financial sponsors from investing directly — one of the reasons for the emergence of the education services company model.

The budget promises to take steps to enable sourcing of external commercial borrowings and FDI for the sector so as to be able to deliver higher quality education. Whether this can be taken as an indication of certain relaxations in terms of use for other legal entities to set up educational institutions and ease of repatriation of funds remains to be seen.

While relaxations of such nature could propel this sector to be one with a lot more international participation, an overnight change in the not-for-profit requirement seems unlikely.

Then there are the arguments against commercialisation of education — that it will lead to education becoming less affordable for the residents, and degradation of the quality of education. One would think that with adequate regulations these concerns can be well addressed. In any case, much of this may be chalked up to conjecture and, to a certain extent, optimism – it remains to be seen what the government has in store for us.

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