



Policy Framework: Setting up Foreign Higher Education Institutes (FHEIs) in the State of Maharashtra per National Education Policy (NEP) 2020

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Drafted Policy on Foreign Universities Setting Up Campuses in India at *Maharashtra Institute of Transformation (MITRA)*

Education is an invaluable tool in facilitating personal and national growth. Every additional year of schooling raises national GDP growth rate by 0.37%, and those with higher levels of education are known to report a stronger sense of control and greater satisfaction with their life. Around 700,000+ students study abroad annually, which causes India to lose \$60 billion in Foreign Exchange outflows. The National Education Policy (NEP) 2020 released by the Ministry of Education of the Government of India aims to promote the entrance and operation of campuses of top Foreign Higher Educational Institutions (FHEIs) to lower brain drain by offering quality higher education at an overall lower cost to Indian students.

Maharashtra, accounting for 12.92% of India's GDP with a population of 12.57 Crore, has positioned itself to be the Education Hub of India, seen with the recent launching of EduCity, a 250-acre region in Suburban Mumbai by State Chief Minister Devendra Fadnavis.

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Countries such as the US, Australia and Canada have recently introduced stricter regulations on international student visas, reducing the number of Indian students who can attain a degree from these prestigious universities. Budget cuts in universities, primarily due to reduced government funding has also led to some universities downsizing and thus de-prioritizing foreign applicants. Thus, with largest youth population in the world (40 million Indian students are currently in higher education) the government aims to make high academic qualifications accessible at home.

There currently exist certain key problems to resolve for the setting up for foreign universities in Maharashtra, India to be successful. Notably: **high land costs, arbitrarily high taxation, inequitable fees structure, fragmented government regulation, and degree equivalence for all professions.**

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Policy Requirements: The Cost of Land

Land is currently unsustainably expensive in Indian industrial and urban hubs, such as Suburban Mumbai, where it costs around \$149 million to purchase the land required for a 25 Acre University. In contrast, the cost of land to set up a university in the United States would only be around \$11-17 million due to government-subsidized land costs (as seen with Cornell Tech), and merely \$44,000 in Dubai's Education Hub. In Indonesia, FHEIs have been subsidised to set up for \$1 million cost of land. The State of Maharashtra must offer land at a subsidized rate to stay competitive, matching the cost to set up in the United States and the cost to set up FHEI campuses in other countries, **specifically: below ₹1,000 (\$11.7) per sq. ft.** This can be achieved by donating land, reducing rent, subsidizing rates, providing grants to decrease cost of land, etc. The IFSC special education zone within GIFT City in India is a notable example of success with this land model, where institutions such as Deakin University and University of Wollongong already have begun setting up.

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Policy Requirements: Taxation

FHEIs operate as for-profit institutions, and thus do not currently qualify for traditional tax exemptions enjoyed by Indian education services who operate on a not-for-profit model. In the United States, these elite universities are exempt from federal income tax and receive property waivers through 501(c)(3), a notable difference in setup costs. However, in India they would be subject to irregularly high tax contribution: including a burdensome 40% corporate income tax, 2% Equalisation Levy on hybrid models for FHEIs that offer online classes, 18% Goods and Services Tax on total revenue, and 6% stamp duty tax on land transactions, a strong deterrent to set up branch campuses. Further, under the Foreign Exchange Management Act (FEMA), there are restrictions on the revenue and profit repatriation from branch campuses to the host university. Per this system, FHEI's revenue repatriation for curriculum licensing, brand name usage, access to technology systems and training and other facilities would be considered under Fees for Technical Services (FTS), inducing a further 10-15% tax.

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Policy Requirements: Taxation

The State of Maharashtra should firstly provide exemption to FHEIs from GST, and income tax as currently applicable to not-for-profit educational institutions, and offer a lower tax rate for the initial period. Additionally, tax holidays of 10 years, **as applied to Gujarat's GIFT City**, should be offered. The Maharashtra Government must create a caveat for academic institutions to prevent 40% corporate income tax (as opposed to 1.4% in the US paid by universities). Lastly, the Central Board of Direct Taxes must facilitate Double Taxation Avoidance Agreements to avoid double taxation on income earned and profit repatriated. Further, to prevent unfavourable taxation models, the Maharashtra government should permit non-taxed repatriation of revenue and profits for registered FHEIs, *backed by the Reserve Bank of India's stance that educational surplus repatriation does not violate the FEMA*. There should be an overall ceiling of **5-8% on total tax on revenue** for FHEIs within Maharashtra.

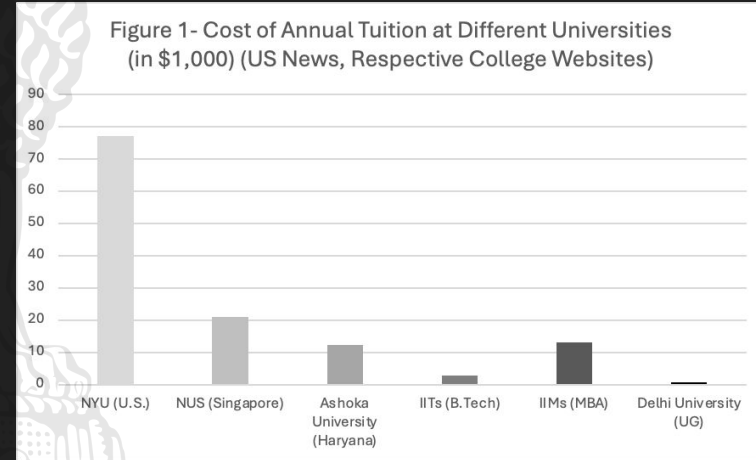
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There is currently a lack of inter-ministerial coordination for the required approvals for an FHEI: while the University Grants Commission (UGC) is supposed to act as a single platform for all FHEI related approvals, asynchronized timelines among multiple government agencies and independent approval processes result in operational inefficiency. A focused Maharashtra FHEI Facilitation Authority must be set up, including a **complete** Single-Window Digital Platform to streamline land approvals, visa guidelines, onboarding assistance, and academic accreditation requirements from interested FHEIs for Maharashtra. The Government of Maharashtra should also issue a model legal framework for all FHEIs to be considered either as Indian (for-profit) subsidiaries with special repatriation permissions, or Section 8 non-profits, and mandatory reinvestment thresholds for local communities benefits (in the form of hiring, scholarships, grants, research etc.). Indian regulators (AIU, UGC) must neither interfere with the medium of instruction and grading policies nor attempt to localize of curriculum to provide full pedagogical freedom available to FHEIs as is available in their country.

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Policy Requirements: Fees Structure and Degree Equivalence

Due to Indian regulations mandating degree equivalence between host and branch campuses, foreign universities are like to charge equivalent fees. However, since US Universities charge as high as \$60,00, (~3600% of the \$2300 - \$5800 fees charged by the prestigious IITs and IIMs: Fig. 1), most Indian students will not pay such high fees for domestic education. This would directly undercut the inclusivity to quality higher education which this policy aims to build. Further, the UGC Guidelines of 2023 still require professional degrees from FHEIs Medicine, Law, Architecture, Pharmacy and Nursing (around 20% of those who currently study abroad aim to specialize in these professions), to be further verified by Indian licensure and certification to practice.



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Policy Requirements: Fees Structure and Degree Equivalence

Foreign universities offer differentiated tuition rates for domestic vs. international students (offering lower tuition for US citizens, and most state universities offering substantially lower rates for in-state residents). This should be replicated within Maharashtra, to provide cheaper, higher quality education for residents of Maharashtra and India. Additionally, the State should work in conjunction with the FHEIs to develop need and merit-based scholarships. Further pre-existing government scholarships and other need-based assistance should be expanded to these FHEIs as well. The government could subsidize fees structures, to offer tiered pricing based on income, reserving 15-25% for lower- and middle-income students (below \$9,400 yearly income). Since the Government of Maharashtra cannot regulate degree equivalence, the State should seek to work with licensing bodies (the Bar, NMC, UPSC etc.) to create programs in partnership with Indian Universities to enable professionals who graduate from FHEIs to be awarded an Indian license.

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Impact-Based Evaluative Framework

The significant contributions required from the Government of Maharashtra mandates an impact-assessment, to ensure that FHEIs are positively impactful to the State, as per work by Prof. Kelly Hallberg of the University of Chicago's Education Labs. The State must mandate that all FHEIs participate in this impact-assessment framework, conducted not by the government but an independent body, assessing the metrics of **Inclusivity, Academic Quality, Pedagogical Innovation, Faculty and Research Engagement, Post-Graduation Outcomes, and Community Benefit.**

Post-Graduation Outcomes

- % of graduates employed within 6 months
 - Average salary at graduation
- % of graduates pursuing higher studies (domestic and abroad)
- % of alumni retained in India post-graduation

Pedagogical Innovation

- Number of interdisciplinary courses offered
- Number of experiential or project-based courses
- Student feedback ratings on teaching quality
- Number of faculty granted full academic autonomy

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Metrics for Impact-Based Evaluative Framework

Backgrounds Information on Inclusivity

- % of students from low-income families (<₹8L annual income)
 - % of first-generation college students
 - % of students from rural or Tier II/III cities
- % of students from reserved categories (SC/ST/OBC/EWS)
 - % of students on full/partial scholarships
 - % of female students
 - % of students with disabilities

Academic Quality

- Average CGPA trends
- Student-faculty ratio
- % of faculty with PhDs or equivalent
- Course completion and on-time graduation rates

Public Engagement & Community Benefit

- Number of local community programs and outreach efforts
 - Number of local vendors or MSMEs contracted
 - Number of public seminars and academic workshops conducted
- Number of internships or apprenticeships offered to Indian students
- % of institutional surplus reinvested in Maharashtra

Faculty & Research Engagement

- % of visiting faculty from home university
- Number of peer-reviewed publications annually
- Number of joint publications with Indian universities
- Research grant funding secured (domestic and international)
 - Participation in Indian academic conferences