

# Globalization Impact on Management Education in India

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**Abstract** - The growth of management institutions in India in last 15 years has been rapid. Data on number of business schools established in India from 1995 suggest a ‘mushrooming’ growth in terms of numbers and often at the cost of quality. India has 2000 B-Schools, awarding MBA degrees, or an equivalent and often, more valuable post-graduate diplomas (like those given by IIMs). It is heartening to find two management institutes from India, the Indian Institute of Management, Ahmedabad (IIMA) and the Indian School of Business, Hyderabad, are placed 11th and 13th in the global ranking.

Knowledge is the driving force in the rapidly changing globalized economy and society. Quantity and quality of specialized human resources determine their competence in the global market. Emergence of knowledge as driving factors results in both challenges and opportunities. It is well known that the growth of the global economy has increased opportunities for those countries with good levels of education.

Globalization has a multi-dimensional impact on the system of education. It promotes new tools and techniques in this area like e-learning, flexible learning, distance education programs, and overseas training. Globalization will mean many different things for education. In the near future, 'it will mean more competitive and deregulated educational system modeled after free market but with more pressure on it to assure that the next generation of workers are prepared for some amorphous 'job market of 21st century.

Management education in India is at crabby path today. After the deregulation of the education sector in 1991, there has been an extraordinary growth in the establishment of management educational institutions in India. Though, there is a large number of management institutions in the country, a few have been accredited with the international accredited bodies and maintain international standards. This paper is an attempt to provide conceptual framework presents the impact of globalization on accreditation and business school standards along with stakeholders.

**Keywords** - Management Education, Management Institutions, Business Schools in India, Globalization, Management Education, Accreditation, Quality. Framework.

## I. INTRODUCTION

The first full-time MBA programme in India started way back in 1957. The two IIMs in Calcutta and Ahmedabad commenced in 1961 and 1962, respectively. However, phenomenal growth was from 1991, the year of economic liberalization in India. Although accurate figures are not available from the regulatory body – the All India Council for Technical Education (AICTE)-, based on the literature review,

approximate numbers of business schools in different years as well as average annual additions of business schools for different periods is shown in Table-1.

Table 1: Growth of Business Schools in India Year	Number of Business Schools	Period	Average Annual Addition of B-Schools
1988	100	1957-1988	03
1993	200	1988-1993	20
1998	400	1993-1998	40
2003	800	1998-2003	80
2008	1700	2003-2008	180
2011	2000	2008-2011	100

## MAJOR ISSUES

Some of the major or key issues that will be discussed and analyzed with respect to the various categories of business schools are:

Quality of faculties, students and facilities Accreditation, rankings, and pedagogy Research outputs Placements and brand equity

These key issues need to be discussed for better understanding in terms of how these are measured with respect to the various categories of management institutes.

## II. MANAGEMENT EDUCATION IN INDIA

Education is an essential component for social and economic development of the nation. India is one of the largest education sectors in the world. The history of management education in India dates back to the 1950's when the Department of Commerce of the Andhra University Started the first M.B.A. programmes in India. IIM Calcutta and IIM Ahmedabad were both established in 1961 and 1962 respectively. IIMC tied up with the Alfred P Sloan School of Management (MIT), the government of West Bengal and the Ford Foundation. IIMA, in its initial years, tied up with the Harvard Business School. Many other management institutions came out in the 1960's and 70's. The third IIM in Bangalore was established in the year 1973 and the fourth IIM in Lucknow was established in 1984. But the real growth was in 1990's when the change due to globalization occurred. Many private bodies opened numerous management institutions across the country. Thereafter there was an immense rush in the number of B-Schools in the country. Government recognized

organizations also established to control and maintain the standards in sector.

The All India Council for Technical Education (AICTE) was established in November, 1945 under department of higher education, Ministry of Human Resource Development. AICTE is responsible for proper planning and co-ordinate development of the technical education and management education system in India. It is a national level government body that gives approval and certification to MBA Institutes in India after surveying their standards and quality of education. At present 7,361 technical educational institutions are offering courses to nearly eight lakh students every year. The AICTE had given approval to 1,131 institutes last year and 545 new technical educational institutions to offer professional courses including engineering, management and Master in Computer Application (MCA), from 2010-11 academic session onwards. The National Board of Accreditation (NBA) was set up by AICTE in September 1994 in order to assess the qualitative competence of educational institutions from the Diploma level to the Post-graduate level in Engineering and Technology, Architecture, Pharmacy, Town Planning and Management. The National Assessment and Accreditation Council (NAAC) was established in 1994 with its headquarters at Bangalore. The NAAC is an autonomous body established by the University Grants Commission (UGC) of India to assess and accredit institutions of higher education in the country. The Association of Indian Management Schools (AIMS) was founded in 1988, a non-profit professional organization, has grown into a powerful network with over 400 management schools in India and is the second largest network of management schools in the world. It is officially represented in different bodies of Government of India connected with management education.

Structure Of management education in India is divided into major divisions as outlined hereunder:

- Institutions of national importance and university departments;
- Colleges affiliated to the universities;
- Non-university autonomous institutions;
- Distance/correspondence based institutions; and
- Un-affiliated institutions.

At the top are the reputed institutes of national importance like IIMs and some university departments such as Faculty of Management Studies (FMS of Delhi University) which have maintained the high quality in their teaching and research of management education. The second rung institutes are those started by industrial houses, private institutes and state level educational institutes like MICA, Symbiosis and so on, offering quality management education at par with these reputed institutes. These come under the category of —non university autonomous institutions. The third level management institutes in India are the university departments and other open universities which are providing management education through correspondence, distance and part-time mode.

#### **Globalization - Education and HR development**

Globalization has been a historical process. During the Pre-World War I period of 1870 to 1914, there was rapid integration of the economies in terms of trade flows, movement of capital and migration of people. The growth of globalization was mainly led by the technological forces in the fields of transport and communication. Indeed there were no passports and visa requirements and very few non-tariff barriers and restrictions on fund flows. Globalization, process was slow between the First and the Second World War. After World War II, all the leading countries resolved not to repeat the mistakes they had committed previously by opting for isolation. Although after 1945, there was a drive to increased integration, it took a long time to reach the Pre-World War I level.

In terms of percentage of exports and imports to total output, the US could reach the pre-World War level of 11 percent only around 1970. Most of the developing countries like India, Pakistan, Bangladesh, Srilanka which gained Independence from the colonial rule in the immediate Post-World War II period followed an import substitution industrialization regime. The Soviet bloc countries were also shielded from the process of global economic integration. However, times have changed. In the last two decades, the process of globalization has proceeded with greater vigour.

The former Soviet bloc countries are getting integrated with the global economy. More and more developing countries are turning towards outward oriented policy of growth. Yet, studies point out that trade and capital markets are no more globalized today than they were at the end of the 19th century. Nevertheless, there are more concerns about globalization now than before because of the nature and speed of transformation.

Knowledge is the driving force in the rapidly changing globalised economy and society. Quantity and quality of specialized human resources determine their competence in the global market. Emergence of knowledge as driving factor results in both challenges and opportunities. It is well known that the growth of the global economy has increased opportunities for those countries with good levels of education. Globalization has a multi-dimensional impact on the system of education. It promotes new tools & techniques in this area like E-learning, Flexible learning, Distance Education Programs and Overseas training. Globalization will mean many different things for education. In the near future, "it will mean a more competitive and deregulated educational system modeled after free market but with more pressure on it to assure that the next generation of workers are prepared for some amorphous 'job market of 21st century'.

Since "Life long jobs have been converted in to yearly contracts there is still possibility of even short duration jobs. Our education system should deliver such education and training so that professionals can adjust themselves as per market expectations. It has underlined the need for reforms in the educational system with particular reference to the wider utilization of information technology, giving productivity dimension to education and emphasis on its research and development activities.

The benefits of globalization accrue to the countries with highly skilled human capital and it is a curse for the countries without such specialised human capital. Developing and transition countries are further challenged in a highly competitive world economy because their higher education systems are not adequately developed for the creation and use of knowledge. Converting the challenges into opportunities depend on the rapidity at which they adapt to the changing environment.

India is also following the global phenomenon. As part of globalisation, the economic reform packages were introduced in India in the beginning of 1991. These reform packages imposed a heavy compression on the public budgets on education sector, more specifically so on higher education. This has trickled down to public expenditure on education in general, and higher education in particular.

Indian government and Indian corporate sector has recognized the importance of management education in the changing global scenario. Today under the reforming economic conditions, integration of the Indian economy with world economy presupposes efficiency and competitiveness in the domestic front as well as in the international arena. As the process of globalization is technology-driven, and knowledge-driven, the very success of economic reform policies critically depends upon the competence of human capital.

But, what is observed is the reverse. Even within the education sector, relative priority assigned to higher education has been on the decline. It is to be realized that higher education institutions play an important role in setting the academic standard for primary and secondary education. They are also responsible for not only providing the specialized human capital in order to corner the gains from globalisation, but also for training inside the country, provide policy advice, etc.

Globalization is expected to have a positive influence on the volume, quality and spread of knowledge through increased interaction among the various states.

Today our educational system is strong enough but Central and state governments should change their roles within the education system, reinventing themselves as facilitating and supervisory organizations. Teacher training, infrastructure and syllabuses need to be urgently upgraded. Industry should come forward to share experience with students and to offer more opportunities for live Projects.

The free market philosophy has already entered the educational world in a big way. Commercialization of education is the order of the day. Commercial institutions offering specialized education have come up everywhere. In view of globalization, many corporate universities, both foreign and Indian, are encroaching upon our government institutions.

Our Institutes like IIM'S and IIT'S have produced world class professionals. These institutes imparts quality education as per industry expectations and give due importance to Institute Industry Interface. Under the new scenario, Government - Private partnership is becoming important in

Management Education. Now India is a transforming country. We are near to achieve status of developed nation.

The demand for higher education has been growing rapidly with comparatively faster growth in enrolment in higher educational institutions than the growth in number of higher educational institutions (see Table 1). The growth rates are doubled among the students enrolled in post-graduate and research, while the number of institutions for post-graduate and research studies has grown at a slower rate in 1990s than in 1980s.

### **III. GLOBALIZATION AND ITS IMPACT ON IMPORTANCE OF ACCREDITATION**

Accreditation is being used as a major tool for ensuring quality of management education (Bowonder and Rao, 2004). Authors and organizations have defined the accreditation in different ways but the basic core meaning of accreditation is — the establishment of the status, legitimacy or appropriateness of an institution, programme (i.e. composite of modules) or module of study.

According to one of the regional accrediting bodies, Middle States Commission on Higher Education (2003), Accreditation is a means of self-regulation and peer review adopted by the educational community. The accrediting process is intended to strengthen and sustain the quality and integrity of higher education, making it worthy of public confidence. The extent to which each educational institution accepts and fulfills the responsibilities inherent in this process is a measure of its concern for freedom and quality in higher education and of its commitment to strive for and achieve excellence in its endeavors (MSCHE, 2003).

Fraser (1994) pointed out that, —in some countries, accreditation would imply that at least a threshold standard was intended and being achieved. For example, in the United Kingdom professional bodies accredit courses of study (programmes) meaning that graduates will be granted professional recognition.

The European University Association [formally CRE] defines accreditation as, —Accreditation is a formal published statement regarding the quality of an institution or programme following a cycle of evaluation based on agreed standards (CRE, now EUA, 2001).

According to the European Training Foundation (1998), —Accreditation is the award of a status. Accreditation as a process is generally based on the application of predefined standards. It is primarily an outcome of evaluation.

Importance of accreditation of B-schools and other management institutions is growing internationally. Accreditation of business schools has been used extensively in Europe and USA to ensure that they fulfill the purpose for which they have been set-up. Accreditation has improved management education and there have been considerable improvements (Bowonder and Rao, 2004).

The factors behind this growing substance in accreditation are varied: competition in worldwide, the trend toward privatization in many countries, recognition and brand image,

increased importance of quality in education and identifying the quality education is an important factor to develop nation's economy. Business schools or MBA programs may be accredited by external bodies which provide students and employers with an independent view of their quality, and indicate that the school's educational curriculum meets specific quality standards'

Accreditation is increasingly becoming the most dominant form of quality assurance of management education in the world. Many private higher education accreditation agencies are increasingly visible in the global market. Some of the major accreditation bodies in the United States are Association to Advance Collegiate Schools of Business (AACSB), Association of Collegiate Business Schools and Programs (ACBSP), and International Assembly for Collegiate Business Education (IACBE), the European Quality Improvement System (EQUIS) and Foundation for International Business Administration Accreditation (FIBAA) in Europe. Government accreditation bodies such as the All India Council for Technical Education (AICTE) and National Board of Accreditation (NBA) are accredits across the India only. But in India there is no separate accreditation body for management education.

AICTE and NBA are the formal government bodies that give approval and accreditation to all technical and management institutions and individual programmes except that under universities. The —NAAC of UGC is another formal body which gives accreditation to institutions including universities. These bodies follow the same criterion for management institution and programmes which is used to recognize the technical education programme and institutions. The recognition in India is based on facilities, faculty and infrastructure.

#### **Benefits of Globalization**

Every event, activity and decision has its advantages as well as disadvantages. The benefits from globalization can be analyzed in the context of the three types of channels of economic globalization identified earlier.

#### **Trade in Goods and Services**

We know that international trade leads to allocation of resources that is consistent with comparative advantage. This results in specialization which enhances productivity. It is accepted that international trade, in general, is beneficial and that restrictive trade practices impede growth. That's why many of the emerging economies, which originally depended on a growth model of import substitution, have moved over to a policy of outward orientation.

Trade in goods and services is important for every type of economy whether developed or developing. Emerging economies will get the benefits of international trade only if So international trade agreements make exceptions by allowing longer time to developing economies in terms of reduction in tariff and non-tariff barriers. "Special and differentiated treatment", as it is very often called has become an accepted principle.

#### **Movement of Capital**

Capital is key factor of production. Capital flows across countries have played an important role in enhancing the production base. Without capital any type of economic activity is not possible. India had fund crisis several times. Capital mobility enables the total savings of the world to be distributed among countries which have the highest investment potential. Under these circumstances, one country's growth is not constrained by its own domestic savings.

The current account deficit of some of these countries had exceeded 5 per cent of the GDP in most of the period when growth was rapid. Capital flows can take either the form of foreign direct investment or portfolio investment. The inflow of foreign capital has played a significant role in the development in the recent period of the East Asian countries. For developing countries the preferred alternative is foreign direct investment. Portfolio investment does not directly lead to expansion of productive capacity. It may do so, however, at one step removed. Portfolio investment can be volatile particularly in times of loss of confidence. That is why countries want to put restrictions on portfolio investment. However, in an open system such restrictions cannot work easily.

#### **Financial Flows**

Emergence of strong capital market has been one of the important features of the current process of globalization. While the growth in capital and foreign exchange markets have facilitated the transfer of resources across borders, the gross turnover in foreign exchange markets has been extremely large. It is estimated that the gross turnover is around \$ 1.5 trillion per day worldwide (Frankel, 2000). This is of the order of hundred times greater than the volume of trade in goods and services. Currency trade has become an end in itself. However, the volatility in the foreign exchange market and the ease with which funds can be withdrawn from countries have created often times panic situations. The most recent example of this was the East Asian crisis. Contagion of financial crises is a worrying phenomenon. When one country faces a crisis, it affects others. It is not as if financial crises are solely caused by foreign exchange traders.

Herd instinct is not uncommon in financial markets. When an economy becomes more open to capital and financial flows, there is even greater compulsion to ensure that factors relating to macro-economic stability are not ignored.

#### **IV. CONCLUSION**

The quality of management education in India must be viewed as a considered issue for social and international development and economic growth. The objective of this paper is to provide a small contribution towards identifying the impact of globalization on management education through a conceptual framework. This paper give emphasis to that the theoretical and conceptual reference which played an important role to understand the various blockades to provide quality management education in India. The study shows that the impact of globalization on management education in India. The present global organizations have been giving pressures to

institutions to provide global standard professional education. It becomes critical for successful survival in creating skilled people to face the challenges of the global environment. Finally it highlights the important points to understand the significance of internationalization of management education in a country like India.

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