

Cristina Carvalho¹

¹Institute of Education/University College London, UK,

²Universidade de Brasilia, Brazil

The higher education has become an object of interest to global capital, most noticeably in the USA, in some Latin America countries and Asia. Brazil is a critical case of the growth of the for-profit sector.

The main objective of my paper is to analyse the key strategies of the educational companies towards: the concentration of capital; the formation of oligopolies and the financialisation of Brazilian for profit higher education.

The research consists of documentary analysis and descriptive statistics. This investigation is based on Berkovitch; Narayanan (1993); Carvalho (2013); Eaton (2016); Fielden (2010). Goedegebuure; Meek (1994), Vale; Carvalho; Chaves (2014).

The data were obtained from the BM&F BOVESPA site, the Mergers Acquisitions Reports (KPMG Corporate Finance) and the Census of Higher Education (INEP/MEC).

Brazil is a federation and a republic. It is the largest country in South America and Latin America. It is the world's 5th largest country by both area and population.

Brazil's economy is the world's 7th largest with more than 3 trillion dollars and unfortunately, the country occupies the 77th position in income per capita with more than \$ 15,000 a year. Brazil is considered an upper middle income country. The huge difference between both indicators is due to Brazil's income inequality, which is associated with regressive public transfers, less equitable distribution of education, and higher wage differentials.

The higher education system is so heterogeneous. It is formed by public and private universities, university centres and faculties. The public sector is compounded by federal, state and municipality institutions. Private institutions can be nonprofit (community, religious and philanthropic organisations) or for profit. The private sector is made up of more than 70% of enrolments and 90% of institutions.

Within this sector, there is great potential for future growth, due to encouraging statistics from 2014; only 18% of young people aged 18 to 24 were enrolled in higher education, and 13% of people aged above 25 graduated from higher education institutions. According to the OCDE annual report, if it compares with some Latin American countries, the Brazilian statistics are worse.

This now brings me to a specific part of the paper: the private sector in Brazilian higher education. What have the new strategies been in the last ten years?

They have been carried out in different ways:

For-profit institutions have been sold for foreign capital and also for Private Equity Funds.

In addition, cutting administrative costs with staff, wages and the number of qualified lecturers. As a result of this, labour relations have become precarious. (Vale; Carvalho; Chaves, 2014).

Finally, learning in a classroom environment has replaced by distance learning. Students are discouraged from using textbooks and instead use standardised materials which are made by institutions. (Carvalho, 2013).

Since 2007, five groups of educational companies have been listed on the Brazilian stock exchange (BM&FBOVESPA). Five years later, two of them became part of the Ibovespa index and Kroton has traded American Depositary Receipts (ADRs) on the New York stock market. This has facilitated the access to foreign investors. (Carvalho, 2013).

Brazil is now credited with the largest higher education company in the world, due to a merger between Kroton and Anhanguera. Nowadays, together they have had more than 1 million students.

The process of mergers and acquisitions in education is now in process. In 2008, the education occupied the third position of mergers and acquisitions in the Brazilian economy. Due to the global crisis, one year later, the number of merger and acquisitions sharply declined. In 2015, out of forty economic sectors, education occupied the seventh position. Since 2007, the transactions have involved more than 2 billion pounds.

The current trend of market concentration towards the formation of oligopolies could be observed in two different periods: the first wave has resulted in acquisitions of small companies in the education sector; and the second wave continues today with segmented consolidation with large mergers. The consequences is a downward trend in the number of transactions, but with an increased value of transactions.

Kroton/Anhanguera group has 16.5% of the market share. Nowadays, in more than 2,000 institutions, seven groups have had about 30% of the Brazilian private education market share.

In conclusion, it is important to emphasise the key implications and challenges for Brazilian Higher Education. First of all, raising funds through capital markets has permitted the capitalisation concentrated in time, because the number of mergers and acquisitions has stimulated the large scale growth. The educational traded company has prioritised shareholder's interests and has increased the share value. There is no control over the source of capital funds. The ownership is spread further and permits corporate concentration of speculators and foreign companies.

This concentration has been favoured by Government funding. The FIES is a student loans Federal Program in which 'for profit' companies receive public bonds, with compensation for tuitions and fees. The Prouni is a program which benefits students from low income families, students who attended public free schools, and minorities such as ethnic minorities and students with special needs. In this case, 'for profit' companies are exempt from federal income tax and some contributions to social security.

In addition, traded companies place emphasis on distance learning courses. In fact, Kroton/Anhanguera holds 45% of all for distance learning enrolments. This trend has permitted the expansion in enrolments with low cost and less quality.

The financial logic of the market and other organisational strategies seem to have negative implications on the educational process and teaching conditions as well. Due to

the fact that the Ministry of Education doesn't regulate the capital concentration in education, this responsibility was passed on to CADE; is an agency responsible for regulating the economic oligopolies formation in Brazil.

Despite the economic and political crisis in Brazil nowadays, there is space for private interests due to a small number of young people were enrolled in higher education. The depreciation of the Brazilian currency has brought about great business opportunities in higher education without control. Implications are drawn out for other countries that may be following in Brazil's wake.

References

Berkovitch, E.; Narayanan, M. P. (1993). Motives for Takeovers: An Empirical Investigation. Journal of Financial and Quantitative Analysis, vol. 28(3), pp.347-362.

BM&F BOVESPA. http://www.bmfbovespa.com.br/pt_br/

Carvalho, C.H.A. de (2013). A Mercantilização da Educação Superior Brasileira e as Estratégias de Mercado das Instituições Lucrativas. Revista Brasileira de Educação, v. 18, p. 761-776.

Eaton, C et all. (2016). The Financialization of US higher education. Socio-Economic Review February 8.

Fielden, J. (2010). The growth of private and for-profit higher education providers in the UK. London: Research report (Universities UK).

Goedegebuure; L. C. J. Meek, Lynn. A Resource Dependence Perspective on Mergers. (1994). In: Goedegebuure; L. C. J. Vught, Frans A. V. (eds). Comparative policy studies in higher education. Series: Management and policy in higher education. enter for Higher Education Policy Studies, University of Twente.

INEP/MEC. Census of Higher Education. <http://portal.inep.gov.br/superior-censosuperior-sinopse>

KPMG Corporate Finance. Mergers Acquisitions Reports. https://www.kpmg.com/BR/PT/Estudos_Analises/artigosepublicacoes/Documents/2016/02/fusoes-aquisicoes-2o-sem-2015.pdf

Vale, A. A.; Carvalho, C. H.A. de; Chaves, V. L. J. (2014). Expansão Privado-Mercantil e a Financeirização da Educação Superior Brasileira. In: Chaves, V. J et al. (org.). Os desafios da expansão da educação em países de língua portuguesa: financiamento e internacionalização. 1ed. Lisboa: EDUCA, v. 1, p. 199-220.

