

## Capital concentration and financialization in Brazilian private higher education

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### **Abstract**

*The main objective of this paper is to facilitate an understanding of the recent phenomenon of the growth of for-profit higher education institutions in Brazil, whose trajectory has been the adoption of various market strategies aimed at financialization and market concentration.*

*The movement of capital concentration can be observed through the number of mergers and acquisitions in the educational sector.*

*Brazil is now credited with the largest higher education company in the world due to a merger between Kroton and Anhanguera groups. Together they have had more than 1 million students. It holds 16.5% of the market share.*

*The financialization in Brazilian private higher education can be observed in two different movements: the acquisitions carried out by private equity funds and the opening of capital of educational companies (IPOs) on the Brazilian stock exchange, which has been taking place since 2007.*

*The mechanisms of raising funds through the capital market allow the time-intensive capitalization of resources to subsidize the acquisitions and mergers, aiming at large-scale growth.*

*There are more than 2,000 educational institutions, although, the four largest groups account for 34% of enrollments and 25% of net revenue.*

*In conclusion, the process of financialization has fueled the concentration of capital in Brazilian private higher education.*

### **Keywords**

*Private Higher Education; Capital Concentration; Financialization; Brazil.*

### **Résumé**

*L'objectif principal de cet article est de comprendre le phénomène récent de la croissance des établissements d'enseignement supérieur à but lucratif au Brésil, dont la trajectoire a été l'adoption de diverses stratégies de marché en matière de financiarisation et de concentration du marché. Le*

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*mouvement de concentration du capital peut être observé par le nombre de fusions et acquisitions dans le secteur de l'éducation.*

*Le Brésil est désormais crédité de la plus grande société d'enseignement supérieur du monde en raison d'une fusion entre les groupes Kroton et Anhanguera. De nos jours, ensemble, ils ont plus de 1 million d'étudiants. Ils détiennent 16,5% de la part de marché. La financiarisation de l'enseignement supérieur privé brésilien peut être observée dans deux mouvements différents: les acquisitions effectuées par les fonds de capital-investissement et l'ouverture du capital des sociétés d'éducation à la bourse brésilienne depuis 2007. Les mécanismes de collecte de fonds à travers le marché des capitaux permettent une capitalisation de ressources à forte intensité pour subventionner les acquisitions et les fusions, visant une croissance à grande échelle. Il existe plus de 2.000 établissements d'enseignement, mais les quatre plus grands groupes représentent 34% des effectifs et 25% des revenus nets.*

*En conclusion, le processus de financiarisation a alimenté la concentration du capital dans l'enseignement supérieur privé brésilien.*

**Mots-clés**

*Enseignement supérieur privé; Concentration en capital; Financiarisation; Brésil.*

## **Introduction<sup>2</sup>**

The main objective of this paper is to facilitate an understanding of the recent phenomenon of the growth of for-profit higher education institutions in Brazil, whose trajectory has been the adoption of various market strategies favoring financialization and market concentration.

It is important to show a brief overview of the Brazilian higher education system. It is very heterogeneous. There are more than 2,000 institutions, which are classified as public (state) and private universities, university centers and faculties. A University is an institution in which teaching, research and community services are interconnected and one cannot be performed without the others. A University Center is an institution in which teaching is the most important activity and the other activities are not compulsory. This kind of institution is common only in the private sector. Both have the same degree of autonomy. A faculty is an institution without autonomy, and the majority of them are in Brazilian Higher Education.

The public sector is free and comprised of federal, state and municipality institutions. In 2015, only 12% of institutions and 25% of enrollments were public. The private sector (for-profit and non-profit institutions) accounted for 75% of enrolments and 88% of institutions. Furthermore, 72% of private enrolments were for evening courses.

The predominance of private institutions in Brazil began with the 1968 University Reform implemented under the military regime, which encouraged the emergence and maintenance, in principle, of isolated institutions (faculties). Until then, the private sector had consisted of a set of religious and community higher education institutions.

As there was no legal provision for the existence of educational companies (for-profit

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<sup>2</sup> This article has been translated into English, and expanded from a chapter in a book that has not yet been published in Brazil.

institutions), all were referred to as non-profit institutions. Therefore, these institutions have been benefiting from tax immunity on income, property and services, which is based on Constitutional Law, as well as having access to federal resources.

The legal framework hid the growth of large for-profit institutions that were being agglutinated and transformed into non-profit universities or university centers. This situation persisted until the enactment of the National Education Law (*Lei de Diretrizes e Bases da Educação Brasileira - LDB*), in 1996, when the institutional model of lucrative educational institutions came into existence. This law created a new classification in terms of for-profit and non-profit, which is used in three different institutions: communities, religious and philanthropic organizations<sup>3</sup>.

The recognition of for-profit behavior, as well as a desire to tax, led Brazilian authorities to permit the for-profit form, while stipulating requirements to be met in order to be considered non-profit, such as reinvesting profits themselves and publicizing their financial results. And For-profit Institutions must pay taxes. On the one hand, these institutions have increased costs and reductions in profits, on the other hand, they can distribute profits to their owners, access financial markets and they have been subject to less government regulation and control.

The federal legislation made explicit the existence of a process of marketization in Brazilian higher education, already diagnosed by Silva Júnior and Sguissardi (2000). For the authors, marketization manifests itself in Brazilian higher education, whose «...identity reference for private sector institutions is a capitalist company. It seeks to be closer to the productive sector, not only because of budget inflows, but also as a

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<sup>3</sup> Philanthropic organizations have benefited from tax immunity and exemptions from social security contributions.

parameter for what must be 'produced' by HEIs » (Silva Júnior et Sguissardi 2000 :171, my translation)<sup>4</sup>.

According to Sguissardi (2008), the marketization of higher education from the Marxist theoretical perspective which posits transformation into commodity, is inherent to a capitalist society, and for an understanding of the phenomenon that author uses two concepts, or two sides of the same coin: education-commodity - as an object of exploitation of surplus value or of valuation by entrepreneurs of education, and to some extent also for private/commercial interests in the State; and the commodity-education, produced by the rapid expansion of professional graduates (in some specific areas) favoring industrial capital, creating a reserve army that tends to earn lower wages in this professional category.

Altbach (2002) identifies the recent emergence of the transformation of education into a commodity, bought and sold on the market. In economic terms, commodity refers to a tradable good, that is, traded internationally, whose price is defined in the futures exchange in the United States (US).

According to Oliveira (2009), this price is determined by the market with the central aim of obtaining profit for its owners and shareholders, in spite of the limitations defined by the federal government regarding the readjustments of the monthly payments and penalties for defaulting on tuition fees.

As pointed out by Carvalho (2013), although fiscal immunity was no longer possible for for-profit institutions, the reduction of operating costs was guaranteed for those who

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<sup>4</sup> «... referência identitária para as instituições do sector privado é a empresa organizada de forma capitalista. Busca-se aproximação com o sector produtivo, não só por causa dos ingressos orçamentários, mas, também, como parâmetro para o que deve ser 'produzido' pelas IES» (Silva Júnior et Sguissardi 2000: 171).

joined the University for All Program (Programa Universidade para Todos - Prouni) from 2005.

The Prouni is the grants program. It is only for private students in for-profit or non-profit institutions. There are two different types: a full grant and a 50% grant. The full grant is for students whose family income per person is up to 1.5 times the minimum wage and the 50% grant is for students whose family income per person is more than 1.5 times and up to 3 times the minimum wage. The main selection criterion is the result of the High School National Exam (Exame Nacional do Ensino Médio), called ENEM. The program benefits students from low-income families, public (state) school teachers, students who attended free public high schools and minorities such as ethnic minorities and students with special needs.

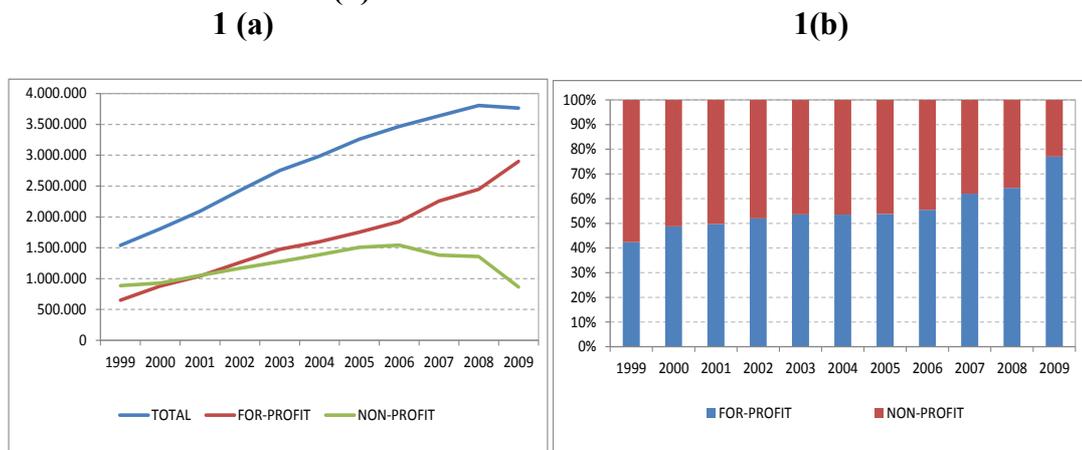
As already analyzed by Carvalho and Lopreato (2005); Carvalho (2006), the formulation of the program met the most urgent demands of the private sector and this was very much welcomed by for-profit institutions. That voluntary commitment made possible their exemption from Corporation Tax (Imposto de Renda Pessoa Jurídica - IRPJ) and three social contributions: Social Contribution on Net Income (Contribuição Social sobre o Lucro Líquido - CSLL), Social Contribution for Social Security Financing (Contribuição Social para o Financiamento da Seguridade Social - Cofins) and Contribution to the Social Integration Program (Contribuição para o Programa de Integração Social - PIS).

The tax relief partial recovery combined with the new legal status, have both stimulated the expansion and transformation of non-profit institutions into educational companies. Since then, these have both contributed to the growth of the for-profit sector, considerably.

According to National Institute for Educational Studies and Research «Anísio Teixeira» (Instituto Nacional de Estudos e Pesquisas Educacionais «Anísio Teixeira») (INEP) data, between 1999 and 2009, the for-profit sector grew at an accelerated rate, as shown in the charts below. In 1999, the for-profit sector had a little more than 40% of enrollments and, in 2009, represented almost 80% of enrollments only in face-to-face students.

It was not possible to verify the trajectory of the two institutional models since 2010, because the INEP began to disclose the data in an aggregated way to the generic classification of private, as it had done before 1999.

**Graphs: 1 (a) Evolution of face- to-face private enrollments and  
1 (b) Distribution of enrollments**



Sources: Higher Education Census (Censos da Educação Superior): 1999 – 2009. INEP/MEC.

Although the preservation of the fiscal waiver is advantageous, its abandonment by the institutions is offset by the possibility of receiving additional capital resources, as well as by not being subject to greater legal rigor to prove their non-profit status.

In the next section, it is important to analyze the various facets of the recent movement of capital concentration in Brazilian higher education. The methodology consists of the

collection of information obtained on the websites of for-profit higher education institutions, as well as the mergers and acquisitions report published by KPMG Corporate Finance and the corporate information and news that has been published by CM Consulting (CM Consultoria).

### **Market concentration movement**

The transformation of the educational sector into an object of great capital interest is one of the consequences of globalization, especially in Asian countries and developed countries of Anglo-Saxon origin, particularly the United States.<sup>5</sup>

There is a lot of research about the American for-profit sector, such as Kinser and Levy (2005); Morey (2001); Kelly (2001) and Ryan (2001). In spite of the divergence in the classification made by these authors on the American institutional models of educational companies, it is possible to identify three types: corporate institutions, distance institutions and for-profit institutions. A brief analysis of the characteristics of these institutions in the US was elaborated by Carvalho (2013). It is important to highlight that the Brazilian case is the trajectory of the for-profit institutions.

Educational companies have begun to adopt new strategies in the face of the fierce competition promoted by the recent expansionary outbreak in the 1990s. In the search for «clients», the diversification of courses has made it possible to offer teaching modalities with less academic prestige, focused on the differentiation in demand or differences in the local context. For a few small higher education institutions, the solution has been to remain specialized in a particular academic niche, directed to the higher income population, such as the Superior School of Advertising and Marketing

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<sup>5</sup> For an analysis of the characteristics of the for-profit sector, see: Kinser and Levy (2005).

(Escola Superior de Propaganda e Marketing - ESPM) and the Getúlio Vargas Foundation (Fundação Getúlio Vargas - FGV) and the Brazilian Institute of Capital Markets (Instituto Brasileiro de Mercado de Capitais - IBMEC).

Other ways to reach new clients have included aggressive marketing strategies aimed at immediate access to the labor market, using the image of artists and/or fashion models as examples of successful people. These institutions have used a lot of sales promotions in the form of monthly payments; It is clearly a fierce competition aimed at reducing prices which will be offset by attracting a greater number of clients, because the consumer is seduced by the price, regardless of the quality (Baldan 2007).

Both strategies have been used as instruments to attract demand; however, they do not appear to be sufficient to sustain the private higher education institutions weakened by the competition, given the high default and dropout rates. The former has reached 23%; and the latter 25%, and 27% in the for-profit sector (Holland 2007; Silva Filho; Motejunas; Hipólito and Lobo 2007).

Following the international trend, in addition to the tactics adopted by the for-profit higher education institutions to engage clients, transformations were promoted in the scope of business.

As discussed by Carvalho (2013), the management in these institutions has been professionalized. In Brazil, the majority of private institutions had been managed by family members, so it became necessary for them to be replaced by a «professional dean». This person would be a professor from the public sector, with a recognized academic career, attracted by the high salary, who would take on «... mediation between the maintainer and the maintained one, managing it under the strategic policy guidelines

of the maintainer whose main objective will tend to be financial profit and property increase and stability» (Silva Jr et Sguissardi 2000: 165 – my translation)<sup>6</sup>.

It is worth emphasizing the strategy of the transfiguration of universities and university centers into large conglomerates or holding companies. This has occurred through an operational restructuring, on the one hand, by the acquisition of medium-sized or small institutions in financial difficulties, and, on the other hand, by capital mergers, whose cooperation allows gains in scale and a larger market share. Moreover, big business has permitted new geographic market niches and advantages through the growth in the number of students and courses already authorized by the Minister of Education (MEC). The movement of capital concentration can be observed through the number of mergers and acquisitions in the educational sector.<sup>7</sup> KPMG Corporate Finance is a global network of independent companies that provide professional audit, tax and advisory services and is responsible for the quarterly publication on the trajectory of mergers and acquisitions in the Brazilian economy.

The process of mergers and acquisitions in education is shown in the table below. In the second column, it is possible to see the number of mergers and acquisitions for each year and in the next two columns, the distribution according to the origin of the capital transactions.

As can be seen in the table below, in 2007, there were 19 acquisitions/mergers in the educational sector, which led to the split, implemented the following year, of the generic classification of «others» for the education sector.

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<sup>6</sup> «... mediação entre a Mantenedora e a mantida, administrando-a sob as diretrizes da política estratégica da mantenedora cujo objetivo principal tenderá a ser o lucro financeiro e o aumento e estabilidade patrimoniais.» (Silva Jr et Sguissardi 2000: 165).

<sup>7</sup> Although the KPMG report doesn't provide specific information on higher education operations, when numbers are compared with those of CM Consultoria, it is possible to see that most of the negotiations are conducted between higher education companies. See: CM Consultoria (2014).

In 2008, the education sector was in third place for mergers and acquisitions in the Brazilian economic sector. Due to the global economic crisis, one year later, the number of mergers and acquisitions sharply declined.

However, in the last three years, the number of transactions and its position within the economic sector have increased, in spite of the Brazilian economic and political crisis.

**Table 1: Brazilian Education Mergers and Acquisitions (2007 – 2015)**

| Year | Merger and Acquisitions | Domestic Capital | Cross Border | Domestic Capital/Total | Cross Border / total | KPMG Ranking |
|------|-------------------------|------------------|--------------|------------------------|----------------------|--------------|
| 2007 | 19                      | -                | -            | -                      | -                    | others       |
| 2008 | 53                      | -                | -            | -                      | -                    | 3º           |
| 2009 | 12                      | 8                | 4            | 67%                    | 33%                  | 12º          |
| 2010 | 20                      | 15               | 5            | 75%                    | 25%                  | 12º          |
| 2011 | 27                      | 25               | 2            | 93%                    | 7%                   | 11º          |
| 2012 | 19                      | 12               | 7            | 63%                    | 37%                  | 13º          |
| 2013 | 24                      | 15               | 9            | 63%                    | 38%                  | 10º          |
| 2014 | 26                      | 17               | 9            | 65%                    | 35%                  | 9º           |
| 2015 | 27                      | 17               | 10           | 63%                    | 37%                  | 7º           |

Source: KPMG Corporate (2015).

In this period, it is possible to observe the participation of foreign capital in mergers and acquisitions in the Brazilian education sector. Between 2012 and 2015, more than a third of the transactions involved the inflow of resources from abroad, with the participation of large international conglomerates.

The most recent and emblematic operation carried out in the educational market via the stock exchange, was the merger between the Anhanguera and Kroton groups. Both are listed on the Brazilian stock exchange, as will be mentioned in the next section.

According to a statement from these educational groups, the market value of both was around US\$ 7 billion. Their gross revenue in 2012 was US\$ 1.3 billion.

These groups consist of more than 800 teaching facilities or units or colleges and 810 associated schools across the country, serving approximately one million students. The merger of these companies occurred through the incorporation of shares from Anhanguera by Kroton. The operation was approved by the Administrative Council for Economic Defense (Conselho Administrativo de Defesa Econômica) – CADE<sup>8</sup> with some requirements. The most important condition was the sale of Uniasselvi institution's distance education operations, which were purchased by Kroton in 2012.

Another strategy is the partial sale of the national to foreign capital. In the Higher Education reform project, a limit was set of 30% of the total and voting capital for foreign capital, and prohibition of franchise in the educational sector. However, this Law Project has been in the National Congress since 2006 without approval. Therefore, nowadays there are no legal restrictions on purchasing Brazilian private higher education institutions by foreign capital. For example, Laureate Education<sup>9</sup> acquired 51% of the capital of Anhembi Morumbi University, in 2005, and acquired another 41% in 2013, and 90% of Hermínio da Fonseca University Center in 2010. The Whitney International University System acquired 60% of the capital of Faculdades Jorge Amado in 2006, which were transformed into the University Center Jorge Amado (Unijorge). The DeVry University Network acquired 69% of Faculdade Nordeste. The three US

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<sup>8</sup> The CADE is a federal agency, which is responsible for regulating the formation of economic oligopolies in Brazil.

<sup>9</sup> According to its website, Laureate's network of nearly 70 campus-based and online universities in 25 countries offers undergraduate and graduate degree programs to over one million students worldwide. See: <http://www.laureate.net/AboutLaureate>

groups represent large American conglomerates with broad diversity in the business world.

In the next section, the objective is to analyze aspects of the recent movement in financialization in Brazilian higher education. The methodology involves analysis of information obtained from Associação Brasileira de Private Equity e Venture Capital ABVCAP (Brazilian Association of Equity and Venture Capital) and the Bolsa de Valores de São Paulo (São Paulo Stock Exchange - BM & F Bovespa).

### **Financialization movement**

In turn, financialization, at its most basic level, relates to the increasing use of financial transactions to allocate capital. Financialization in Brazilian private higher education can be observed in two different movements: the acquisitions carried out by private equity funds and the opening of the capital of educational companies (IPOs) on the Brazilian stock exchange since 2007.

The Private Equity Funds are investment funds that acquire holdings of publicly held or closed-end companies, with subsequent involvement in the management of these companies. Between 2006 and the first quarter of 2010, five major operations were carried out. The Patria bank made the acquisition through an investment fund of 68% of Anhanguera Educacional; GP Investimentos acquired 20% of Estácio Participações (2008); Cartesian Capital Group bought the Maurício de Nassau Faculty (2008); Advent acquired 50% of Kroton Educacional (2009); Capital Intl made the purchase, at the beginning of 2010, of IBMEC Educacional.

The Private Equity Funds are able to inject large sums of resources into educational business through closed groups of large (national and international) speculators, through

the requirement of restructuring based on cost reduction, administrative rationalization, and professionalization of management (Oliveira 2009), and mainly on the adoption of the principles of corporate governance. This concept emerged in the United States in the 1990s with a group of shareholders intent on creating new rules to protect against executive staff abuse and the apathy of corporate boards.

In Brazil, the first code on this subject appeared in 1999, prepared by the Brazilian Institute of Corporate Governance (IBGC). This consisted of four fundamental principles that should be observed by companies: transparency, equity, accountability and responsibility. As for 'business' in higher education, the principles involve: perpetuating the business; improving institutional image; ensuring performance above the market average; facilitating the entry of investments; reducing conflicts of interest and family conflicts; and ensuring greater security as to the rights of owners. This latter aspect becomes central, in so far as the market considers that the institution is practising corporate governance, presenting a lower risk to the investor.

According to Bonventti (2008), the three tools that ensure good quality management and governance are: permanent and challenging strategic planning, through which the institution mobilizes to build its future based on the clear intention of the shareholders; risk management capable of identifying the vulnerabilities, probabilities of risks and opportunities existing in the market, and the development of the people, aligning them with the business strategy of the institution.

The most significant movement in the Brazilian educational market involves the IPOs of educational companies on the Brazilian stock exchange in 2007. These were classified as «level 2» of corporate governance, that is, those that have obligations relating to shareholders' rights and the board of directors. They are: Anhanguera

University, Estácio de Sá University, Pitágoras College and the COC Education and Communication System (basic education and higher education). Converted into Educational Publicly Traded Companies, these institutions had their corporate name changed to: Anhanguera Educacional Participações S.A., Estácio Participações S.A., Kroton Educacional S.A. and Sistema Educacional Brasileiro S.A. (SEB), respectively. In 2013, there was a new wave of IPOs, with the opening of the capital of Ser Educacional, whose group holds Uninassau, Mauricio de Nassau College, Joaquim Nabuco College in Recife city and operates in the North and Northeast regions; and Anima Educacional with the university centers Uni, UniBH and Unimonte and two colleges in the cities of Betim and Contagem, in Minas Gerais state.

Vale, Carvalho and Chaves (2015) analyzed the corporate composition of these publicly traded companies and found there had been a gradual exit of the individual partners, replaced by investment funds and other private companies.

Since 2007, five groups of educational companies have been listed on the Brazilian stock exchange. Five years later, Kroton and Anhanguera group and Estácio Group became part of the Bovespa index.<sup>10</sup> Kroton group has traded American Depositary Receipts (ADRs) on the New York stock market. This has facilitated access to foreign investors.

Brazil is now credited with the largest higher education company in the world due to a merger between Kroton and Anhanguera groups four years ago. Together they have had more than 1 million students in a combination of face to face students and distance

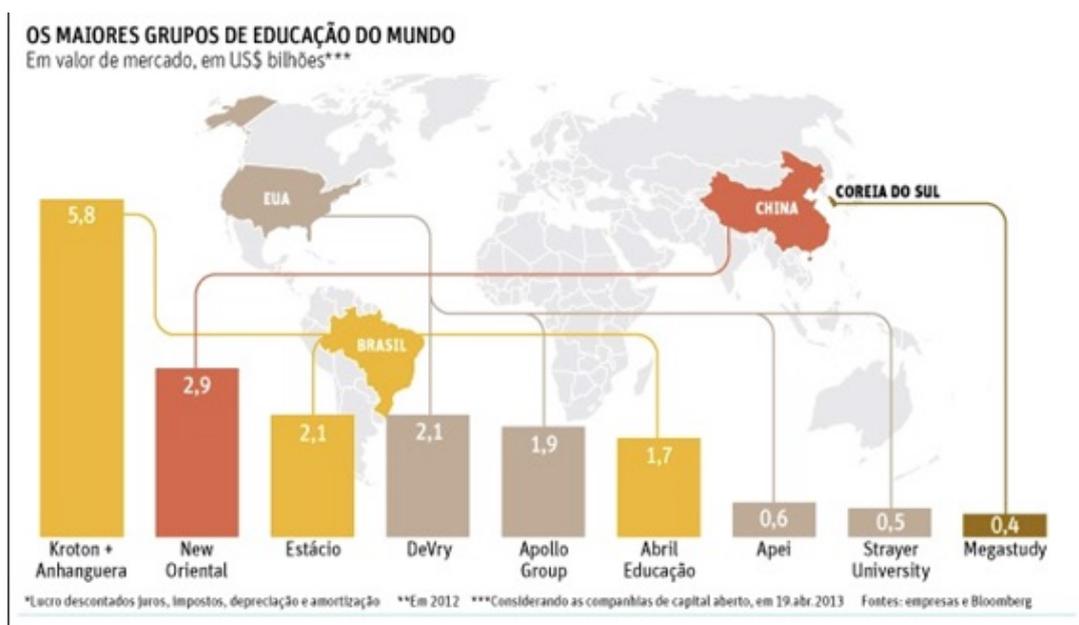
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<sup>10</sup> The Bovespa Index (Ibovespa) is designed to gauge the stock market's average performance tracking changes in the prices of the more actively traded and better representative stocks on the Brazilian stock market. This is an equivalent of Dow Jones in the US and FTSE in the UK. See: [http://www.bmfbovespa.com.br/pt\\_br/produtos/indices/indices-amplos/indice-bovespa-ibovespa.htm](http://www.bmfbovespa.com.br/pt_br/produtos/indices/indices-amplos/indice-bovespa-ibovespa.htm)

learners. It holds 16.5% of the market share and 45% of all for distance learning enrolments.

The graph below shows that two Brazilian Publicly Traded Educational Companies occupy the first and third positions in the world by market value. Among the nine largest publicly traded conglomerates, three are Brazilian, four American, one Chinese and one South Korean.

**Graph 1: The biggest Publicly Traded Educational Companies  
in the world by market value**



Source: <http://www1.folha.uol.com.br/internacional/en/business/2013/04/1267213-r-5-billion-brazilian-merger-creates-global-education-giant.shtml>

Between 2016 and 2017, the biggest group (Kroton-Anhangera) was in the process of merging with the third (Estacio); this would bring the number of enrolments up to 1.5

million with 24% of the market share. The CADE decision was against the merger, because of unfair competition in the higher education sector.

It is important to point out that the mechanisms for raising funds through the capital market, either through specific funds or the launching of shares on a stock exchange, allow the time-intensive capitalization of resources to subsidize the acquisitions and mergers, aiming at large-scale growth. In other words, the process of financialization has fueled the concentration of capital in higher education.

It becomes relevant to analyze the implications of the emergence of this new model of educational company. As analyzed by Carvalho (2013), these two financial instruments - private equity and IPO - establish the management's commitment to the interests of shareholders. This means that the company's goals transcend profit maximization, once they are subordinated to the maximization of shareholder value in the capital market. In this sense, all management strategies must converge to increase short-term profits (Aguilera et Jackson 2003; Lanzonick et O'Sullivan 2000).

There is no control over the source of capital funds. Private Equity funds and application in shares permit that ownership is spread further and allow corporate concentration of speculators and foreign companies. They began to interfere in central administrative decisions through the purchase of common shares that give voting rights at shareholders' meetings.

The new capital accumulation strategies in the education sector, through the capital market, became feasible for a restricted group of higher education companies in Brazil. This phenomenon is part of the transformations that occurred in the worldwide financial market from the 1970s onwards. The deregulation of financial flows, the interconnection of markets, the creation of financial innovations (derivatives, debt

securitization, futures contract) and institutional investment funds, all involved what scholars call the ‘financialization’ process<sup>11</sup>.

The phenomenon has taken on major proportions in the US economy and has become quite evident in developed countries. Although the Brazilian economy has suffered its influence, financing through capital markets is still only incipient. However, in the specific case of higher education, there is strong evidence of ‘financialization’ within the behavior of educational companies, as business logic becomes the « domination of the maximization of shareholder value among corporate objectives» (Guttmann 2008: 12)<sup>12</sup>. In other words, business decisions are ultimately taken to increase the proportion of profits paid in the form of dividends.

As a result, institutional investors play a central role as they use the right of ownership to impose an increase in quarterly earnings per share as a performance indicator. Therefore, financial logic prevails in corporate boards and in adopting corporate governance standards. The priority is short-term results to the detriment of long-term activities.

Under corporate finance, business growth is driven by mergers and acquisitions, as well as by private equity funds, which are decisive in the quest for controlling the business.

Guttmann (2008) warns of the deleterious effects of financialization in so far as:

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<sup>11</sup> Authors of various theoretical perspectives have investigated financialization and the accumulation regime dominated by finance. In Brazil, the pioneering interpretation belongs to Braga (2000), developed in his doctoral thesis in the mid-1980s. For a mapping of the approaches of the financialization process and the regime of growth driven by finances in Brazil, see Bruno; Diawara; Araújo; Reis and Rubens (2009).

<sup>12</sup> «dominação da maximização do valor ao acionista entre os objetivos corporativos». (Guttmann 2008 :12).

The stock price is therefore the key variable around which corporate management organizes its activity, inciting frequent stock repurchases, the use of shares as currency, the loosening of accounting standards and the manipulation of financial statements. (my translation) (p. 13)<sup>13</sup>.

The new financial logic of Brazilian higher education companies accompanied by other organizational strategies is incompatible with the principles that guide the educational process. This business model tailored to the educational sector promotes clear conflicts between educational and business values; as corporate, virtual, and for-profit providers manifest an ethos that privileges large enterprise and individual achievement, and thereby exacerbates an instrumentalist approach to education (Ryan 2001).

### **Final remarks**

The classification of private in the strict sense formalized a concrete situation experienced by a large number of Brazilian private higher education institutions. The legal status of an educational company led to increased operating costs as a result of tax liability. The adhesion to Prouni, from 2005, reinstates part of the tax relief. As a result, for-profit institutions continued to have access to indirect public resources, as well as to take advantage of financial markets. The growth of the sector has been quite significant, in face-to-face, but mainly, in the distance courses, since this modality has become one of the main strategies of expansion of low cost enrollments.

The recent phenomenon in Brazilian higher education is the multifaceted movement of market concentration and financialization; it is important to emphasize: the latter has been feeding the former. Although access to the financial market is restricted to a few

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<sup>13</sup> « [...] o preço da ação é, portanto, a variável-chave em torno da qual a gestão corporativa organiza a sua atuação, incitando aquisições frequentes de ações, o uso de ações como moeda, o afrouxamento das normas contábeis e a manipulação de demonstrações financeiras. » (Guttmann 2008 : 13).

Publicly Traded Educational Companies, nowadays, these companies represent a significant portion of enrollments and courses. There are more than 2,000 educational institutions, although the four largest groups account for 34% of enrollments in higher education and 25% of net revenue. They are: Kroton/ Anhanguera, Estácio, Unip and Laureate groups.

It is worth noting that the Ministry of Education does not regulate the concentration of capital in education. That is the responsibility of CADE, which is an agency that authorizes mergers and acquisitions and regulates the formation of oligopolies in Brazil. The largest private educational groups are from Brazil with strong resources from the US (Lareaute and Drvry groups) and UK companies (Pearson group). The influences of the financial market, and capital concentration in Brazilian higher education, are central elements in the analysis of the limits and possibilities of public educational policy.

Political interference in the decision-making process, through the lobbying of the National Congress, which is financed by groups with greater financial resources, is inherent in the most powerful economic activities under the domination of oligopolistic and globalized capitalism. However, this context is incompatible with the educational process.

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