

Distance education as an strategy to attract students after the reduction of fies offers

A educação a distância como estratégia de captação de alunos após a redução da oferta do Fies

La educación a distancia como estrategia de capacitación de estudiantes tras la reducción de la oferta del Fies

Marcelo Augusto Scudeler – Universidade do Vale do Sapucaí | Pouso Alegre | MG | Brasil. E-mail: mscudeler@uol.com.br | Orcid: <https://orcid.org/0000-0002-8685-006X>

Elvira Cristina Martins Tassoni – Pontifícia Universidade Católica de Campinas | Campinas | SP | Brasil. E-mail: cristinatassoni@gmail.com | Orcid: <https://orcid.org/0000-0002-8968-3981>

Abstract: While it allowed students to enter and remain in private higher education, FIES (Students Financing Fund) was also a financing tool for this industry, especially in the first half of the 2010s. This article focuses on the consequences of FIES' progressive reduction from 2015 on, for the education segment, as well as on Distance Education (DE) as a commercial strategy to minimize these impacts in the shrinking of the process of student recruitment. This is a documentary research that intends to show that with the near absence of state public sources of student financing, the continuity of the expansion process and the maintenance of the results of the education companies were made possible by the expansion of DE.

Keywords: higher education; Student Financing Fund (Fies); distance education.

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Resumo: Ao mesmo tempo que viabilizou o ingresso e a permanência de estudantes na educação superior privada, o Fundo de Financiamento Estudantil (Fies) também foi uma ferramenta de financeirização do setor, especialmente na primeira metade da década de 2010. Este artigo focaliza as consequências para o segmento educacional, do progressivo encolhimento do Fies a partir de 2015, bem como a Educação a Distância (EaD) como estratégia comercial para minimizar os impactos deste encolhimento no processo de captação de alunos. Trata-se de uma pesquisa documental que pretende demonstrar que, na míngua de fontes públicas estatais de financiamento estudantil, a continuidade do processo de expansão e a manutenção dos resultados das empresas educacionais foi viabilizada pela expansão da EaD.

Palavras-chave: educação superior; Fundo de Financiamento Estudantil (Fies); educação a distância.

Resumen: Al mismo tiempo que posibilitaba el ingreso y la permanencia de los estudiantes en la educación superior privada, el Fondo de Financiamento Estudiantil (Fies) también fue una herramienta para la financiarización del sector, especialmente en la primera mitad de la década de 2010. Este artículo se centra en las consecuencias para el segmento educativo de la progresiva contracción de Fies a partir de 2015, así como la Educación a Distancia (EaD) como estrategia comercial para minimizar los impactos de esta contracción en el proceso de captación de estudiantes. Se trata de una investigación documental que pretende demostrar que, en ausencia de fuentes públicas estatales de financiación de los estudiantes, la continuidad del proceso de expansión y el mantenimiento de los resultados de las empresas educativas fue posible gracias a la expansión de la EaD

Palavras clave: educación superior; Fondo de Financiamento Estudiantil (Fies); educación a distancia.

1 Introduction

Over the last 25 years, private higher education has undergone various cycles and, especially, in the turn of the 21st century, with a strong demand in the education market, the opening of new higher education institutions has enabled access for several groups turning dreams into reality. However, such access was still only for the few who were able to commit to the payment of monthly tuition fees, since the increased number of admissions happened predominantly in the private sector.

As of 2005, student body profile gradually changed and the number of black and brown students in higher education increased, as well as the proportion of students enrolled from public schools and families with more vulnerable social-economic backgrounds (SANTANA, 2010). Several public policies adopted from President Luiz Inácio Lula da Silva's government (2003-2010) such as the University for All Program (Prouni), and the Student Financing Fund (Fies), promoted the enrollment and retention of students who by then had been excluded from higher education.

In 2015, the financial crisis and fiscal austerity policy (constitutionalized by Constitutional Amendment no. 95, on 12.15.2016) impacted all economic sectors. And it was no different for the higher education industry, which felt the gradual process of reduced Fies grants. In the second half of the 2010s, with the lack of public state sources of student financing, the continuous process of expansion, and, therefore, maintenance of education companies' financial results, as will be shown in this research, was enabled by the increased number of students recruited into distance education (DE) courses, with significantly lower monthly tuition fees.

Understanding the consequences of Fies' strong shrinkage, there's the intention to analyze commercial alternatives developed by education business groups to minimize the impacts of the reduced offer of public financing, showing that DE was the main strategy adopted to maintain the segment's expansion, targeting this course modality towards students with lower purchasing power, from the normative frameworks edited during President Michel Temer's administration (08.2016-2018).

This is a documentary research, that has analyzed the management reports for fiscal years 2020 and 2021 of five Brazilian companies in the higher education segment, whose actions are freely traded on the national stock exchange. In addition to those reports, the research also considered other documents, such as news reports, varying normative sources, and statistical data from the National Institute of Educational Studies and Research Anísio Teixeira (INEP), the Ministry of Finance (2018), the consulting company Hoper Educação (2021), and the Union of Higher Education Sponsoring Entities in São Paulo (SEMESP, 2022). The goal was to understand the movement of higher education corporate groups in offering distance education courses, in face of Fies' gradual shrinking process.

2 Brazilian Higher Education's Massification and Diversification

The enactment of the new Law of Directives and National Educational Bases (LDB), Law no. 9,394 of 12.23.1996 (BRASIL, 1996), is the starting point of the implementation of policies to increase access to higher education in Brazil. However, those policies became even more assertive as of the 2000s, with the beginning of the process of access massification, since, so far, enrolling and remaining in Brazilian higher education was a privilege of the social elite. The term massification indicates that higher education gradually opens itself to the population's varying layers, meaning, "it is no longer restricted to smaller groups, often those better socially positioned in a certain society. That is, it no longer, strictly speaking, belongs to the elite" (ALMEIDA, 2014, p. 28).

The growth in the number of enrolled students was mostly directed towards the private sector (MARTINS, 2008), from the increased number of higher education institutions (HEI) during President Fernando Henrique Cardoso's administration (1995-2002), with several legal arrangements, such as Decree no. 2,306 (BRAZIL, 1997), which allowed the existence of higher education institutions maintained by corporate entities in "any of the forms allowed by law, of a civil or commercial nature". Until then, all private HEI were under the format of civil associations or foundations, non-profit corporate entity models. Such decree was the key seed for the birth of large higher education corporate groups, that currently play a leading role in the Brazilian market.

During President Luiz Inácio Lula da Silva's administration (2003-2010), the industry's growth rhythm continued, already with the dominance of large business groups, organized to achieve high profitability, starting mergers, and acquisitions. It was during that time that the first IPO on the stock exchange occurred (Anhanguera Educacional), in 2007 (LIMA *et al.*, 2019), and the entry of international capital in the Brazilian higher education market (JARDIM; ALMEIDA, 2016).

During President Dilma Rousseff's administration (2011-2016) and following governments (President Michel Temer, 2016-2018; President Jair Bolsonaro, 2019-2022), a reduced growth rhythm regarding the number of private institutions is noticeable, which indicates a moment of market stabilization, with a reduced number of small-sized institutions, either acquired or incorporated by large corporate groups in the education area (SEMESP, 2022).

Massification, as argued by Senkevics (2021), is the first step towards democratization, providing not only a higher number of students, but also – and above all – diversifying this access to the population's poorest layers (SILVEIRA *et al.*, 2021). Along the same line, Nogueira (2018, p. 22) states that the terms diffusion and massification refer to a wider access to higher education; in turn, democratization goes beyond that, since it presupposes "equal access opportunities to different school titles",

as well as social capital accumulation aimed at reducing the weight of social backgrounds in determining school paths.

From President Luiz Inácio Lula da Silva's first two governments (2003-2010), public authorities also adopted a series of policies with the role of enabling the access of students who had until then been excluded, "for disadvantages related to characteristics that cannot be controlled" (ROSSETTO; GONÇALVES, 2015, p. 793) such as, for example, their ethnic background or social-economic status that, with a policy of equal opportunities, cannot represent an element that limits or hinders access. As such, there hasn't been only the widening of higher education's access base (massification) but also, a diversification of student group profile, reaching a percentage of the more vulnerable population. Beyond massification, that is, expanding the base with an increased number of higher education admissions, public policies enabled access diversification, making this a reality for students from poorer families. Fies is one of those policies.

3 The Public Student Financing Program: Fies

Despite the Student Financing Program having originated during the military regime that established, in 1975, the Educational Credit Program, current guidelines were established in 2007 and, gradually, Fies' financing structure became more appealing to students. With changes having been made to Fies during 2009 and 2010, and the progressive increase of the budget allocated for this line of credit, an increase in the number of new contracts signed began already in 2011, as seen on Table 1, with its peak in 2014, a year when 733 thousand new financing contracts were hired. As a result of easy conditions when hiring the loan, a first major effect was visible: "the surge in the number of students who started benefitting from the program" (ALMEIDA, 2020, p. 11).

Table 1 – Number of new Student Financing Fund (Fies) contracts hired, per year (2010-2021)

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Number of new contracts	76,000	154,000	377,000	560,000	733,000	287,000	204,000	168,000	82,000	85,000	54,000	47,100

Source: Elaborated by the author, Inep (2022).

At the end of President Luiz Inácio Lula da Silva's government (2003-2010), Fies' financing structure became more appealing to students. In 2009, Law no. 11,941 (BRAZIL, 2009) was enacted, which increased the grace period prior to the start of the financing payments, and, in 2010, with new norm changes (Law no. 12,202, BRAZIL, 2010), financing agents (Caixa Econômica Federal and Banco do Brasil) were released from the condition of partial guarantors for the financing granted and, with that, began acting more aggressively in the market. Still in 2010, other important changes included the edit of Resolution no. 3,842 (BANCO CENTRAL DO BRASIL, 2010), reducing the effective interest rate of Fies contracts to 3.4% a year (until then, interest rates were at 6.5% a year), and Normative Ordinance no. 10 (MINISTRY OF EDUCATION, 2010), which started waiving the need for students to provide any guarantees, as long as they adhered to the Educational Credit Operations Guarantee Fund (FGEDUC). With those changes to Fies during the years 2009 and 2010 and the progressive increase of the budget allocated to this line of credit, in 2011 the number of new contracts began to escalate.

As of 2015, as shown on Table 1, Fies contracts were heavily reduced, with the target group being restricted to students with a household income *per capita* of up to 3 minimum-wage salaries, high interest rates, increased student share in the payment of the course's monthly tuition, and the sharing of educational fees with higher education institutions.

Two ordinances were edited in December 2014, under President Dilma Rousseff's administration (2011-08.2016), with important changes to the financing contracting model, including the requirement of proof by the student of having obtained a minimum score of 450 points on ENEM (National High School Exam), and a score other than zero on the essay (MINISTRY OF EDUCATION, 2014a), as well as the return of a mandatory guarantor on the contracts (MINISTRY OF EDUCATION, 2014b).

While under President Michel Temer's government, the policy of fiscal austerity was constitutionalized, with the edit of Constitutional Amendment no. 95 (BRAZIL, 2016), which froze primary expenditures (intended to fund public services to society) for 20 years (with possibility of review after 10). This situation resulted in an expressive and gradual reduction of the budget allocated to Fies and, as a consequence, financing offers to new students, as can be seen in Table 1.

Despite all criticism aimed at Fies (PINTO, 2016; ALMEIDA, 2020), especially in the aspect of promoting the financing of private HEI, based on the premise that there has been a powerful growth in the number of Fies contracts, especially between 2011 and 2014, as seen in Table 1, it is possible to state that this growth was stronger among students from families with a lower *per capita* income. As such, while in 2010, 72.4% of students benefiting from the program were from families with a *per capita* income of up to 2 minimum-wage salaries, in 2014, this percentage grew to 98.1% (MINISTRY OF

FINANCE, 2018). At the same time, there was also an important development in the number of contracts established by Indigenous, black, or brown people. In 2010, this percentage was only 36.8%, while in 2014, the participation of Indigenous, black, and brown people grew to 60.3% (MINISTRY OF FINANCE, 2018).

However, from playing a leading role in the first half of the 2010s, to becoming a mere supporting player as of 2015, Fies struggles as it arrives in the 2020s. In its contradictions, it is seen as a public policy that has provided the effective diversified inclusion of students from poorer social classes in higher education and, at the same time, as an important financing tool for education business groups, ensuring revenues and students.

Fies' gradual shrinking as of 2015 demanded that education business groups sought alternatives to maintain financial profitability and enrollment growth percentages. The weakening of this important public policy caused an education market reaction, as the maintenance of the growth surge, that the segment had been witnessing since the start of the 21st century, demanded the inclusion of students from vulnerable social classes, without whom this growth rate would not be maintained. The offer greatly increased, and the consumer market could not be reduced, under penalty of causing a severe financial crisis in the industry. That was the logic followed by the education business segment.

4 The development of commercial strategies by higher education business groups

There are no blank spaces in capitalism and the gap left by Fies needed to be filled to maintain the growth rhythm of the private education segment. The concern towards continuing to reach class C, D, and E students caused the segment to re-think the tuition pricing policy installed since the beginning of the 21st century. It still wasn't a commercial strategy, but rather the first reactive movement to maintain student retention.

Table 2 reproduces a study conducted by the educational consulting company Hoper and shows the development of average tuition fees for in-person and distance education courses practiced by private HEI, between 2005 and 2021 (for distance education courses, values started being consulted only in 2012). The values shown are updated by the customer price index and, as such, price inflation can be ignored for the analyses. The consulting company informs that to gather an average monthly fee, 18,071 prices were collected between November 2020 and February 2021, considering a universe of 24,465 courses.

Table 2 – Average monthly tuition fee at private HEI (in Brazilian reais), per education modality, year, and percentage difference between the cost of the two modalities. Brazil, 2012-2021

Year	In-person (BRL)	DE (BRL)
2005	932,25	
2006	908,49	
2007	859,34	
2008	846,34	
2009	835,37	
2010	787,77	
2011	817,75	
2012	826,02	405,22
2013	850,36	393,66
2014	883,81	390,64
2015	959,64	382,18
2016	935,02	358,95
2017	907,10	324,90
2018	900,59	306,41
2019	872,07	283,36
2020	769,27	261,20
2021	758,44	248,67

Source: Elaborated by the author Hoper Educação (2021, p. 28).

Focusing initially on in-person courses, Table 2 shows that between 2005 and 2010 the average cost implemented by those courses offered by private HEI maintain a constant and gradual process of reduction. However, the rhythm is interrupted in 2011, starting an increasing cycle until 2016 when, again, a new reduction cycle starts, lasting until 2021.

Table 2 shows three distinct and clear phases of the pricing policy exerted by private HEI for in-person courses.

On the first phase, between 2005 and 2010, average monthly tuition costs for in-person courses undergoes a reduction process. It is a period when the first large education business groups are being formed and focusing their student recruitment process on pricing marketing, where the main differential offered is the low monthly tuition costs. This movement causes the average price of tuition to fall.

On the second phase, between 2010 and 2015, the average cost of tuition fees exerted has the tendency to increase, a period that coincides with Fies' peak prominence, which can be observed on Table 1. During this first period, public power becomes the main "client" of education business groups that, with the security of a good-paying partner, start a policy of real increase of monthly fees practiced, targeting

occasional discounts (of commercial nature) towards the general public, not granted to those who benefit from Fies.

The economic crisis that started in 2015 and the process of Fies shrinkage causes educational business groups to review pricing policies, starting a third phase of pricing policies: in Table 2, it is noted that as of 2016, a process of reduction of average monthly tuition costs starts, lasting until 2021.

As it happens, simply reducing average monthly costs for in-person courses wasn't enough; nor was it recommended, since this reduction could impact the financial survival of private HEI. After all, a plain price reduction would affect all groups, that is, both students from classes A and B, as well as students from classes C, D, and E. The situation demanded, therefore, more than the mere reaction to reduce the price charged.

Distance education has existed since the 19th century, with the most varied models and types of correspondence courses. In its creation, the goal was to provide knowledge to people who were isolated and distant from large urban centers. However, it is from the 21st century onward, with the support of new highly accessible technologies, that this modality gains a new aspect. Despite distance education not being something new in the current century, it is of this century that a process of structurization begins in Brazil, until it reaches its current form.

With the constant reduction in the number of new Fies contracts, noticed in Table 1 as of 2015, large business groups that act in the education segment began pushing public authorities towards regulatory changes that would make it easier to open and offer distance education courses. In 2017, a set of public policies in higher education allowed and promoted the substantial expansion of the offer of distance education courses. Effectively, in President Michel Temer's government, Decree no. 9,057 (BRAZIL, 2017), from 25 May 2017, that brought forth a new regulatory milestone for the segment, with substantial legal changes to the authorizing and assessment processes of courses and support centers. Among the measures, the Decree grants authorization to HEI accredited in the distance education modality, with autonomy, to offer courses in this modality regardless of authorization, only informing the Ministry on the creation of the course, "for the purposes of supervision, assessment, and subsequent recognition". On the last days of President Michel Temer's government, Ordinance no. 1,428 (MINISTRY OF EDUCATION, 2018) was edited, fundamental for what is currently called hybrid learning, that is, courses offered and regulated in the in-person modality, but with an expressive part of its courseload (up to 40%) offered online. All these regulations allowed for large scale opening of distance education centers and made it even easier to expand the offer of courses in this modality.

An enabling environment was created for the growth of distance education courses, with the support from public policies that meet the interests of economic groups (DIAS SOBRINHO, 2015) in the segment.

Table 3 displays this movement, year by year, allowing a comparison of the number of students enrolled in public and private HEI, over an eight-year period, between 2014 and 2021. In 2015, for example, the year when Fies' shrinkage process began, out of a total quota of 8 million enrollments in the higher education system, 6.6 million students were in the in-person modality, while only 1.4 million were in distance education. Year after year, this difference had been decreasing, until 2021, when the number of students enrolled in distance education in the private segment exceeded the number of students in in-person courses.

Table 3 – Higher education enrollment, per year, HEI administrative category, and learning modality. Brazil, 2014-2021

YEAR	HIGHER EDUCATION ENROLLMENT				Total
	Public HEI		Private HEI		
	In-person	DE	In-person	DE	Total
2014					
Number of students	1,822,193	139,373	4,675,696	1,202,503	7,839,765
Percentage	23.2%	1.8%	59.6%	15.3%	100%
2015					
Number of students	1,824,192	128,393	4,815,602	1,265,387	8,033,574
Percentage	22.7%	1.6%	59.9%	15.8%	100%
2016					
Number of students	1,867,897	122,601	4,689,930	1,371,826	8,052,254
Percentage	23.2%	1.5%	58.2%	17.0%	100%
2017					
Number of students	1,880,249	167,837	4,651,412	1,591,413	8,290,911
Percentage	22.7%	2.0%	56.1%	19.2%	100%
2018					
Number of students	1,904,860	172,975	4,490,329	1,883,584	8,451,748
Percentage	22.5%	2.0%	53.1%	22.3%	100%
2019					
Number of students	1,922,761	157,657	4,231,500	2,292,608	8,604,526
Percentage	22.3%	1.8%	49.2%	26.6%	100%
2020					

Number of students	1,799,234	157,372	3,775,908	2,948,431	8,680,945
Percentage	20.7%	1.8%	43.5%	34.0%	100%
2021	In-person	DE	In-person	DE	Total
Number of students	1,906,440	172,221	3,363,744	3,544,149	8,986,554
Percentage	21.2%	1.9%	37.4%	39.4%	100%

Source: Elaborated by the author (INEP, 2022).

And this trend must continue in the upcoming years, especially when analyzing the number of students enrolling. Data provided by Inep (2022) indicates that in 2021, of a total of 3.94 new students in the higher education segment (both public and private), 1.46 million students have opted for in-person courses, while 2.47 million have chosen courses in distance education, which represents 62.8% of new students enrolled in that year.

To keep up with the higher number of students enrolled in distance education, the number of courses offered increased. Table 4 shows the quick growth of courses offered in this graduation modality: in six years, the number of courses grew more than fourfold. When considering only those offered by private HEI, this growth was five times higher. In 2015, there were 1,476 courses, with 1,054 being offered by private institutions; six years later, in 2021, the total number reached 7,620, with 7,075 (over 92%) maintained by private institutions.

Table 4 – Number and percentage of courses authorized by the Ministry of Education, in distance education, per HEI administrative category and year. Brazil, 2015-2021

ADMINISTRATIVE CATEGORY	YEAR						
	2015	2016	2017	2018	2019	2020	2021
Public	422	449	464	497	520	539	545
	28.6%	27.0%	22.0%	15.6%	11.5%	8.8%	7.2%
Private	1,054	1,215	1,648	2,683	4,011	5,577	7,075
	71.4%	73.0%	78.0%	84.4%	88.5%	91.2%	92.8%
Total	1,476	1,664	2,112	3,180	4,531	6,116	7,620

Source: Elaborated by the author (INEP, 2022).

In addition to the increased number of courses and vacancies, the greater number of students in higher education in distance education was also enabled by regulatory milestones that made it easier to open campuses that, in practice, are points of sale for distance education courses. Meeting the interests of business groups, Normative Ordinance No. 11 (MINISTRY OF EDUCATION, 2017), which regulated Decree no. 9,057 (BRAZIL, 2017), allowed HEI accredited to offer distance education

courses to create their own centers, regardless of previous authorization, as long as their Conceito Institucional (Institutional Rating) was positive: HEI with a score of 3 were granted permission to open up to 50 centers a year; 150 centers a year for institutions with a score of 4; and 250 centers a year for institutions that scored a 5.

As such, the increase in the number of centers from 2017 to 2018 was over 100%, as displayed on Table 5, maintaining its growth rhythm in the following years. The difference in the entire period was extremely significant: from 4,913 centers in 2014 to 31,497 centers in 2021.

Table 5 - Number of DE centers, per HEI administrative category, and year. Brazil, 2014-2021

ADMINISTRATIVE CATEGORY	2014	2015	2016	2017	2018	2019	2020	2021
Private	3,695	3,636	3,868	5,657	13,320	20,514	24,996	28,725
Public	1,218	1,281	1,266	1,395	2,132	2,276	2,629	2,772
Total	4,913	4,917	5,134	7,052	15,452	22,790	27,625	31,497

Source: Elaborated by the author (SEMESP, 2022).

Scattered across Brazil, often with minimal physical installations, the centers are used to recruit students for distance education courses. Such establishments are usually maintained by HEI' commercial partners, that design the center following their guidelines, receiving a percentage of its profit, forming a partnership quite similar to that of the existing commercial franchising system.

Surely time flexibility and the possibility to study without having to commute to HEI' campuses are key differentials for those who opt for distance education courses. However, the industry's aggressive pricing policy is the siren's song to attract students.

Focusing on the monthly cost of distance education courses, also displayed on Table 2, it can be seen that during the period assessed (2012-2021), the average price has been steadily decreasing. And this gradual decrease is explained by the education market's own logic: the offer of distance education has grown significantly, either due to the increased number of courses, or the increased number of centers, so that those courses' profitability is now maintained by the number of students enrolled, with large-scale gains, since a higher number of students in this modality doesn't equal, at the same rate, higher expenses in terms of infrastructure, professors, or tutors.

The reduced cost of in-person courses' monthly tuition fees has also favored the reduced cost of courses offered in distance education, more evidently. Table 2 shows that, in 2012, the average cost of monthly tuition fees practiced in distance education courses was nearly half (49.1%) of the price practiced in in-person courses. Year after year, this difference has been increasing in such a way that, in 2021, the average cost

of monthly tuition fees practiced by distance education courses equaled only 32.8% of the average cost practiced by in-person courses.

5 There are no Blank Spaces in Capitalism

The capitalist market is dynamic, and it is no different in the education market, especially in the higher education segment. In the first half of the 2010s, Fies was a public policy that, at the same time as it enabled access to higher education for students from more vulnerable social strata, it also promoted the transfer of public capital for private HEI which, with this financial boost and support from national and international capital market investors, have transformed Brazilian higher education into a big business.

Fies' shrinkage demanded quick and effective answers from the education market, to maintain its growth and profitability rhythm, especially for private HEI with shares traded on the stock exchange, prone to economic pressures for positive operational results and significant dividend sharing.

The focus was on maintaining student recruitment and, to do so, it was necessary to continue reaching the population's more vulnerable layers, not for ideological reasons, but rather to maintain financial results being produced by education business groups. Filling the gap left by Fies' agony was necessary and, in the absence of public policies, private HEI sought commercial strategies to maintain access to higher education for this segment of the population. The increased offer of distance education courses, with prices quite lower than those practiced by in-person courses was the main strategy by those education groups to enable higher education to students from families with *per capita* income not contemplated by Prouni.

To support this claim, an analyses of the last two management reports (2020 and 2021) of five education business groups publicly traded on the Brazilian stock exchange was conducted, with the goal of demonstrating that the expansion of distance education was decisive for maintaining the growth of the main education players in the national market.

In 2022, five education companies had their shares freely traded on the Brazilian stock exchange, currently called B3 (previously Bovespa). Those are: Cogna Educacional, Yduqs Participações, Ser Educacional, Cruzeiro do Sul Educacional, and Ânima Educação. Those companies have their capital stock fractioned into shares that are traded on the market, so that anyone may acquire them, becoming a shareholder in the company to receive dividends, whenever business activity results are profitable. It is a highly regulated and controlled market, to provide safety and attract investors around the world. One of the regulatory tools to provide transparency and credibility to investors is those companies' obligation to periodically render public accounts, detailing all their operations, financial results, and strategic plans.

5.1 2020 and 2021 management reports of five education companies with shares in the Brazilian Stock Exchange

Cogna Educacional introduces itself to the market as one of the main education organizations in the world, that meets the demands of over 2.4 million students in basic and higher education. In its 2020 management report (FOLHA DE SÃO PAULO, 2021), it was stated, in the opening text, that the year was one of the most difficult in the company's recent history, with a sharp decline in revenue. The report informs that this situation demanded that the company underwent the "greatest restructuring in its history", so that it could start 2021 "with its physical structure optimized for the new higher education reality of growing digitalization", which caused the company to incur "extraordinary expenses, such as termination fines, labor indemnities, and write-offs". Thus, to maintain operational results that, in that case, implied mitigating the losses that had been noticed during the fiscal year, the company reduced the size of its physical structure, shutting down university campuses (reducing operational costs of physical infrastructure maintenance, including, for example, rent payments). The investment in the offer of distance education courses also resulted in cost reduction with the governing body, with layoffs that generated "expenses of an extraordinary nature" (severance pay for termination of employment contracts).

For the second consecutive year, in the 2021 management (FOLHA DE SÃO PAULO, 2022), the company reported a negative operational result. It informed that it had continued a process of restructuring for its campuses pedagogical staff, taking advantage of MEC regulations that authorized offering up to 40% of in-person courses' workload in distance education. With this strategy, it was able to, once again, reduce its staff and infrastructure. Confirming the trend perceived in the previous report, it indicated that a financial boost would rely on the growth of courses offered in distance education, the company informed that the reduction in in-person courses' student body "was offset by the expansion of the online learning base, highlighting the focus on higher education's digitalization". It explains that it has maintained the growth rhythm of its distance education centers, registered that in 2021 it reached 2,517 centers and that this growth "is aligned with the company's strategy and brings positive perspectives for student recruitment in the upcoming cycles". Still concerned regarding cost-reduction, it informs that most of those centers are "light", a modality with a smaller physical space, "lower need for partner investment (therefore, it requires a smaller number of students to be viable) and a relevant commercial role in cities or regions that had not been previously catered to". This strategy, according to the company, has provided an accumulated growth, over the last two years, of 32% in the number of students in distance education.

Yduqs Participações states having the mission to transform education in Brazil, from the intensive use of technology to support the development of students of all

backgrounds. The management report for fiscal year 2020¹ starts with the record that the year has been one of the most challenging in the company's history, due to the Covid-19 pandemic. Still in its opening message, the report states that financial results had suffered "great pressure" for different factors, especially highlighting losses felt due to the reduced offer of public financing (Fies). The report also informs that the company ended the year with a higher number of students, with a strong boost towards distance education, which grew 63% from one year to another.

As for the 2021 management report, (VALOR ECONÔMICO, 2022) it informs that the company "reached BRL 1.3 billion in revenue in distance education", considering this result "emblematic, since it was Fies' income at its peak", which means, in 2021, with only distance education as a product, the company was able to reach the same revenue obtained with Fies, in 2014. The report also informs that the positive results of distance education courses "provided support during this difficult phase", with investment towards the expansion of the number of centers (a 34% growth compared to the previous year) and bringing the brand to over 1,300 cities. The goal is to reach, by the end of 2022, 2,500 centers. The report also highlights the importance of the growth in the number of students enrolled in distance education courses, to offset the losses seen throughout 2021 with in-person courses and Fies' reduction.

Cruzeiro do Sul Educacional introduces itself as one of the largest companies in the Brazilian education segment, working in all education levels, founded over 50 years ago, and with currently 390 thousand students. It went public in February 2021, following the conclusion of the listing process in B3's Mercado Novo, reaching BRL 1.2 billion in its IPO². As it already fulfilled corporation legislation, it is possible to consult its 2020 management report³, where it informed, right at its introduction, that the effort of distance education courses grew "seven times more than the loss of in-person students", allowing the company to register in 2020 "a significant organic growth, since this initiative not only promoted the growth of its student base but also profitability." Still in its 2020 report, it informs that it has adopted the review of its structure and costs as a strategy, in addition to a wide review of its curriculum frameworks, "increasing the number of online subjects for in-person courses."

¹ Available at: <https://www.yduqs.com.br/Download.aspx?Arquivo=ulSWWLWHDCqj69Ibsn0DrA=>. Accessed on: 12 July 2022.

² Available at: <https://www.seudinheiro.com/2021/empresas/cruzeiro-do-sul-primeira-analise/>. Accessed on: 12 July 2022.

³ Available at: https://www.alertadiario.com.br/publication_pages/5bd1d-diario-oficial-de-sao-paulo-caderno-empresarial-2021-04-07-pg-10. Accessed on: 13 July 2022.

As for the 2021 administrative report⁴, the company first states that “a big adjustment plan to our base of campuses” has been executed, with a focus on creating campuses with a “hub, with specific laboratories for practical activities, enabling the offer of courses on Engineering, Nutrition, Pharmacy, Biomedicine, and Gastronomy in distance education.” As such, the company states having received ministerial approval in 2021 to open 2,000 vacancies for the nursing course in distance education. Like other publicly traded companies, it states in both of its administrative reports that the sustainability of its growth and its profitability during the period was based on the strong growth of the distance education courses offered.

Ser Educacional originated in 1994 as a preparatory school for legal exams, currently with over 300 thousand students. Heavily present in the country’s Northern region, in its 2020 management report⁵, the company states having incorporated four other higher education institutions in that year, accelerating the expansion of its offering of distance education courses. Nonetheless, during the fiscal year, financial results suffered with the pandemic’s impact, as well as unemployment rates, which didn’t stop it from obtaining “solid profitability rates”, in such a way that it has achieved a gross revenue of BRL 2.4 billion, with a 15.1% growth compared to the previous year. It has also stated that, despite its increased revenue (as well as number of students), it was able to reduce operational expenses, with one of the key factors being “reduced expenses with personnel, due to the administrative structure’s readjustment to accommodate the Company’s current student base”.

As for the 2021 management report⁶, the company stated having ended the year with 223.6 thousand students, with a growth of 16.9% compared to the previous fiscal year. For the company, this growth was based on the “performance of the online learning segment”, that ended the year with a 63% increase compared to the previous fiscal year.

Ânima Educação introduces itself to the market as one of the largest education business groups, with over 330 thousand students and 19 years in the market. Unlike the rest, its student base is well established with in-person courses, with a more modest distance education performance, that, as of the management report for 2021, will be handled as the company’s main strategic priority. In the 2020 management report⁷, it informs a 20.4% growth in net revenue, which reached a total of BRL 1.42 billion. For

⁴ Available at: https://estadaori.estadao.com.br/wp-content/uploads/2022/04/final-Cruzeiro-do-Sul-Educacional-SA__DF2021.pdf. Accessed on: 13 July 2022.

⁵ Available at: <http://vipfiles.valor.com.br/BDEmpresas/541152.pdf>. Accessed on: 14 July 2022.

⁶ Available at: http://ri.sereducacional.com/sereducacional/web/conteudo_pt.asp?idioma=0&conta=28&tipo=47947. Accessed on: 14 July 2022.

⁷ Available at: <https://ri.animaeducacao.com.br/#>. Accessed on: 15 July 2022.

the following year's report⁸, the company starts by contextualizing that it overcame yet another year of hardships, caused by the "financial crisis in 2008, Fies' significant changes (2014), and the pandemic beginning in 2020." It informs having ended 2021 with 321 thousand students, representing a 191.2% growth, compared to the previous year, a result of the acquisitions completed in the fiscal year, as well as the growth of the demand for distance education courses that, according to the company, "have become more relevant in our ecosystem".

The analyzes of all five companies' reports allows us to state that with the gradual shrinkage of credit for new Fies contracts, from the second half of the 2010s, the large-scale offer of graduation courses in distance education presented itself as an offsetting strategy to attract students who weren't financially able to afford in-person courses' monthly fees, and who also wouldn't be eligible for the sponsorships awarded by Proni. Such reports indicate that all five companies maintained the quantitative growth of their student base with the expansion of the offer of distance education courses, a segment that has been pointed out as the preferred niche for the upcoming years and, with this strategy, all of them have mentioned the increased number of support centers as the basis for their growth.

It is worth noting that companies Cogna, Cruzeiro do Sul, and Ser Educacional textually inform in their reports that they have undergone infrastructure and staff restructuring processes, notwithstanding they have pointed out a quantitative growth in the number of students. If the growth in the number of students were maintained for in-person courses, the need for infrastructure increase to welcome them would only be natural, as would the proportional increase of the administrative and faculty staff. However, staff and infrastructure reduction were only possible when considering that the growth was focused on students in distance education, who do not make use of the university *campus* and allow the reproduction of scaled learning. On the cost reduction factor, especially with the reduced number of pay hours for professors in in-person classrooms, Cogna Educacional and Cruzeiro do Sul have also informed in their reports increased distance education content and subjects for in-person courses, in the proportion of up to 40% of the total course workload (hybrid model).

Except for Cruzeiro do Sul, other companies have also informed significant losses in their reports due to Fies' gradual shrinkage. Based on the premise that this financing promotes access to higher education mostly for students from families with a *per capita* income of up to three minimum-wage salaries, with the support of public policies that enable the increased offer of distance education courses, large education business groups were able to maintain the growth rhythm of the number of students enrolled, investing in distance education. Considering that students in this modality

⁸ Available at: <https://ri.animaeducacao.com.br/#>. Accessed on: 15 July 2022.

contribute financially with quite lower average monthly tuition fees, when compared to those practiced by in-person courses, this increased number of students needed to happen along with the reduced operational costs, achieved through infrastructure and administrative staff downsizing, to maintain business profitability.

Lacking attractive financing sources, the student body turned to distance education courses, that offer lower monthly fees, when compared to in-person courses. This movement was developed by education business groups with the purpose of maintaining the same level of profitability previously achieved, since this financial sustainability relied on the massification and diversification of access to higher education, reaching not only students from classes A and B, but also the rest.

This strategy relied on the support of decrees that facilitated, favored, and reduced bureaucracy to increase the offer of distance education courses while, at the same, enabled a hybrid model for in-person courses, allowing the offer of distance education content, up to a maximum of 40% of the total course workload.

6 Conclusions

The goal was to demonstrate that with Fies' gradual shrinkage, as of 2015, education business groups found alternatives to maintain financial profitability and the number of enrolled students, targeted towards recruiting students from poorer social classes. Without sources of public funding, recruiting more vulnerable students would be limited to Prouni, which, in practice, implies only tax benefits for adhering institutions; not providing revenue.

Under such circumstances, almost reactively, as of 2016, the private higher education industry started a movement to reduce the average cost of monthly tuition fees for in-person courses, interrupting years of real increase: the average ticket began a process of reduction, in such a way that the average cost of monthly tuition fees practiced in 2021 represented 79% of the value practiced in 2016.

From this perspective, and analyzing the average cost of monthly tuition fees, the historical cut between 2005 and 2021 has demonstrated that between the years 2011 and 2015 was the only period with real growth of the average price practiced. It is precisely at the moment when Fies was the key player in the education market, even financing nearly a fourth of students in private HEI (in 2014).

The private education segment soon noticed that reducing the cost of monthly tuition fees would not solve the issue and it would certainly lead several private HEI to financial ruin. The situation demanded the development of commercial strategies to maintain the growth rhythm in the number of students in higher education, as well as financial profitability, an extremely important factor for their shareholders. From Fies' shrinkage, after strong lobbying from the industry, public authorities edited, in 2017 and 2018, a series of decrees that, gradually, allowed the increased offer of distance

education courses, as well as the inclusion of online content for in-person courses (which started being referred to as a hybrid model). Following this logic, in 2014, the year when Fies was at its peak, the share of private education distance education enrollments represented 15.3%, while in-person was responsible for 59.6% (the rest, that is, 25.1%, was in the public sector); seven years later, in 2021, distance education participation more than doubles, reaching 39.4% of enrollment and surpassing the enrollment percentage of in-person courses (37.4%) in the private sector (the rest, that is, 23.1%, was in the public sector). And DE's participation in the education market is still growing, so much so that in 2021, the number of new students in distance education courses surpassed the number of in-person students, confirming the continuation of this trend.

This strategy focuses on filling the gap left by Fies' agony. The analysis of the management reports of five education companies with shares traded in the Stock Exchange has shown that those companies have maintained the quantitative growth of their student base by increasing the offer of distance education courses. The reports have shown this market segment as the preferred niche for the upcoming years and, as part of this strategy, the higher number of support centers has been singled out as a foundation for this growth.

Lacking public policies that enable the access and retention of students from poorer social-economic backgrounds in higher education, the education market – with the support of public authorities – has adopted as a strategy the increased offer of distance education courses to attract this student profile, with quite affordable prices, when compared to those practiced by in-person courses.

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Author contributions

M. A. Scudeler – Responsible for the conception and design, for the organization of bibliographic and documentary materials, for the analysis and interpretation of data, revision and approval of the final version of the article.

E. C. M. Tassoni – Responsible for design, guidance in data analysis and interpretation, review and approval of the final version of the article.