

A Methodical Study on the role of Foreign Direct Investment in Higher Education Sector in Kerala.

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ABSTRACT

Higher Education Sector, in fact, considered being the one of the main pillars of socio – economic progress of any country. In all over the world Government were committed to supporting to receive an excellence on education to their citizens. Unfortunately, due to exorbitant cost in the Higher Education Sector the Government alone cannot cater the diversified needs in the Higher Education Sector, by offering all basic infrastructure facilities. In this regard, Foreign Direct Investment on Higher Education Sector, especially in Kerala, will offering to relieving to face the financial pressures of higher education, if the investment programs is properly designed and managed then the high rate of employment will achieved. Thus the Foreign Direct Investment is one of the most important methods that are recently declared as an productive solution for the problem of financing Higher Education Sector in Kerala.

Keywords: Higher Education Sector, Kerala, Foreign Direct Investment.

I. INTRODUCTION

It is the essential form of investment in human capital, helpful in swift industrialization of the economy by providing professional manpower, managerial and also technical skills. This can be explained mainly by the fact that Governments have faith in education as an investment, especially in developing countries like India. India has outstanding advantages to improve high quality of advanced education system. The higher education system in India has developed in an incredible method, especially in the post-independence period and to become one of the most important major systems of its kind in the world. It is the large Higher Education Sector and the third largest in the world in number of students after China and the United States. But unfortunately the given population that we have, the number of institutes for higher studies is mostly insufficient. Not only for that, the system had so many problems present, like to manage the finance including the factors to access, equity and relevance, reorientation of programs through laying the emphasis on ideals, morals, and mainly the quality of higher education combined with the estimation of institutions and its facilitation. Hence the regeneration of Higher Education Sector is needful.

Need and Significance of the Study

This excellence, benchmark in higher education was always seen as a burning theme of debate among academicians, educationalists, and students for decades. Quality practice and quality thinking have become indispensable for the day. A better institute always has better students. They always make the institute proud in their academic activities. In this regard, one of the notable examples in Higher Education Sector is that, the world -class institutions in India that were known as globally-mainly the (IITs and the IIMs). But unfortunately, the total enrolments in these institutions were, well under the 1 % in the student’s population. This has suffered an large number of talented Indian students to look for their higher studies in abroad. In fact the India is one of the biggest importers of education at present. According to the year (2004-05) survey 80,466 Indian students are applied in USA Universities and 15,000 Indian students are applied in UK Universities, higher than those from any other country. Deplorably, due to the exorbitant cost in Higher Education Sector the Government alone cannot cater the diversified needs in the Higher Education Sector by offering the all basic infrastructure facilities. This has, in fact, led to the demand for more higher education institutions especially in the private sector to offer quality education so as to cater the diversified needs of the Technical Institutes, universities, Professional/Non – professional colleges and also Research Institutions . In this regard, Foreign Direct Investment on Higher Education Sector, especially the Kerala will donate to relieving to face the financial pressures in higher education, if investment programs correctly designed, managed efficiently and the high rate of employment will achieved. The following table gives an idea about the Higher Education Sector in Kerala.

Table 1

Higher Education Sector				
Literacy Rate	1951	47.18%	2017	93.91%
Arts and science Colleges	Private Aided	150	Govt.	39
No. of Students (U.G)	2016-17	0.51 lakh (30.95%)	Girls	1.14Lakh (69.05%)
No. of Students (P.G)	2016-17	3,233 (20.72%)	Girls	12,368 (79.28%)
No. of Students (P.G+U.G)	2016-17	0.55 lakh (30.22%)	Girls	1.27Lakh (69.78%)
No. of Teachers	Male	4660 (52.48%)	Female	4,220 (47.52%)
Professional Engineering Colleges	Govt.&Aided	14 (10.14%)	Unaided	128 (89.86%)

Source:-Compiled from Economic Review

Importance of the Study

Foreign Direct Investment (FDI) is the investment in a foreign country by the establishment of an operation on a new (Green Field Site) and the acquisition of local companies. To say simply, FDI refers to enhance the production capacity of the economy and therefore the capital flows from abroad that is invested. The Ministry of Industry and Commerce, the Indian Government is the nodal Agency to promote and Reanalyzing FDI policy in the continuous basis and the variations in sectorial Equity cap/sectorial policy. The Foreign investors were free to invest in India but excluding in few activities. Where priority approval from the Foreign Investment Board (FIPB) (or) RBI must be required.

Based on the past review, on the Government which has not be able to serve the entire needs, without private participation. Liberalization of economy has opened an outlook newly for the development of in Indian perspective of the FDI. The idea of investment in education was clearly adopted by the Indian Government and since Feb2000 FDI in India is allowed an education under the automated route, without any sectorial cap. Hence the investors has introduced the foreign capital has been inevitable for the sustainability of Higher Education Sector, mainly in Kerala, where the quality of an Higher Education Sector is demanded of paramount requirement of the state. The following table clearly shows the present level of financing by the Government of Kerala in the Higher Education Sector.

Table 2

Grant to Universities in Kerala (Rs. In Crore)						
Name of University	2014-15	Growth Rate(Base)	2015-16	Growth Rate	2016-17	Growth Rate
Kerala	81.31	1.0	89.2	1.10	101.34	1.25
Calicut	55.66	1.0	62.08	1.12	74.89	1.35
M.G.	37.66	1.0	38.99	1.04	47.17	1.25
Sree Sankaracharya	15.19	1.0	19.18	1.26	25.01	1.65
Kannur	11.46	1.0	21.72	1.90	20.4	1.78
CUSAT	36.16	1.0	35.21	0.97	41.25	1.14
Total	237.44	1.0	266.38	1.12	310.06	1.31
University and higher Education	782.53	1.0	998.94	1.28	1541.17	1.97

Source:-Compiled from Economic Review 2014-15 to 2016-17

From the table it noted that from the year of 2014-15, there will be a same level of growth rate is noticed for the grant given to various universities by the Kerala Govt. except Kannur University, when comparing with this base year the growth rate is same in 2014-15, except Sree Sankaracharya and Kannur Universities. Hence an attempt has been done to examine whether the average growth rate of the grant received by six universities is the same for three years, for which Univariate General Linear Model Test was done. The result is shown below.

Table 3

Mean Growth Rate of Grants		
Year	Mean Growth Rate	Std. Deviation
2014-15	1.0	.00
2015-16	1.23	.34
2016-17	1.40	.25
Mean	1.21	.28
Computed Value of Univariate General Linear Model		4.077
Significance (5%)		0.039

Source:-Compiled from the Secondary data

From the table it is clear that the growth rate of grants received by six Universities in Kerala for the three years differs significantly and H_0 with respect to grants received is rejected. That means the growth of grants received in third year is more. This clearly shows that the spending pattern of Govt. towards Higher Education Sector is on increase. Now a question arises whether the Govt. has the wherewithal to congregate the growing expenses of Higher Education Sector single-handedly? Owing to lack of funds, exorbitant cost in higher education and obligation towards other social manifesto, to augment the number of State funded Universities and colleges is not possible, and thereby offer quality education in the Higher Education Sector. Therefore one of the promising alternatives for solution is FDI.

Arguments Favor and against the FDI in Higher Education Sector

FDI is used may be a basis of investment at least in specific selected sectors especially to run Medical, Engineering and other Professional courses like MBA, CA, CFA, ICWA etc., where Govt. can have a major control over the institutions. Local institutions develop into institutionally competitive; when there is Foreign higher educational institutions create vigorous competition. This will automatically forces the local institutions to transform their programs and to respond it confidently for the necessities of the students. That means, in foreign institutions it will bring a quality programs with its market orientations. Besides under the following terms which are teaching to learning processes, updated curricula estimation of processes may be assumed. Furthermore, these institutions are offering the

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degrees will become a globally akin. Then the FDI in education will make new institutions and infrastructure, generate employment. Thus the FDI could promote competitiveness in the education system as a whole.

Even though there are so many arguments favour to FDI in Higher Education System, it is not free from criticisms. The common argument against the foreign investment in education is that it is not concerned about our culture and society and that may lead to the cultural domination. Also there is possibility for teachers being appointed without necessary qualifications, as the main motive is profit and market.

FDI in Kerala's Context

A severe criticism against Higher Education Sector, especially in Kerala is that even without FDI, a whole lot of professional colleges have come up in Kerala. In terms of physical facilities (infrastructure) these colleges are excellent. What they lack are quality teachers and a good and up to date curriculum. Even now, most of the seats in professional courses are lying vacant because students are unable to pay the fee. When FDI is introduced the cost of operation would increase because of the high cost of funds and this would ultimately get reflected in the fee charged making it out of bounds for majority of the students. Against this backdrop, a challenging question arises, what and where is the need for FDI?

Even though a particular angle pertaining to the further increasing in cost and structure of the Higher Education Sector, after introducing the FDI is unquestionable. To a certain extent, being the social responsibility of corporate giants, it is looked forward that the fund allocated by them may be free of cost to uplift the society. Moreover it is also benefited to the MNC's themselves, because they can recruit the talented, young energetic aspirants directly to their vacant positions in tune with industry demand, by designing the update curriculum. In addition to this, Govt. can easily waive tax liability for the investment in Higher Education Sector in notified or selected areas in accordance with the direction of the Central Govt. In Kerala, if the professional colleges can offer quality education as per the demand of the industry coupled with the general interest of the society and students, unquestionably, not only from Kerala but also from national and foreign students will come to Kerala for their higher education. This is evidence from the recent uproar of foreign students to University of Kerala for their Higher Education.

In this regard it is interesting to note major banks of non performing Assets in Kerala due to educational loans are taken by the students is mostly non-payment of Kerala.

Table 4

Non-Performing Assets (Educational Loan;Rs.in lakh)									
Item	Bank	2014		2015		2016		2017	
		No.	Amount	No.	Amount	No.	Amount	No.	Amount
NPA	SBI Group	1451	4522.00	5263	6303.10	2878	5012.20		11813.80
	Nationalised Bank	3364	2811.48	2039	3101.19	5007	6989.23	6528	10652.75
	RRB	109	63.00	274	152.00	369	245.00	467	323.00
	Pvt.sector Banks	777	954.72	1083	1372.20	1409	1924.52	1897	2858.09
	Cooperative Banks	19	34.64	267	456.75	453	737.10	1178	2248.30
	Total State	5720	8385.84	8926	11385.24	10116	14908.05	10070	27895.94

Source:-Compiled from the SLBC, Canara Bank 2014-2017

Table 5

Growth Rate of NPA's in Kerala				
Name of Banks	2014 (Base Year)	2015	2016	2017
SBI Group	1.0	1.39	1.10	2.61
Nationalised Bank	1.0	1.10	2.48	3.78
RRB	1.0	2.41	3.88	5.12
Pvt.sector Banks	1.0	1.43	2.01	2.99
Cooperative Banks	1.0	13.18	21.27	64.90
Total State	1.0	1.35	1.78	3.32

Source:-Compiled from the Secondary data

From the table is noted in the year 2014, there will be the same growth rate level is noticed for Non-Performing Assets from major banks in Kerala mainly because of then on-payment of educational loan which is undertaken through the students of Kerala except the Cooperative Banks, when comparing with this base year. The growth rate is same in 2016 and 2017 except in Cooperative Banks. Hence an attempt has been done to examine whether the average growth rate of the Non-Performing Assets of banks are mostly in Kerala is t same for the four years, for which Univar ate General Linear Model Test was done. The result is shown below.

Table 6

Mean Growth Rate of NPA's in Kerala		
Year	Mean Growth Rate	Std. Deviation
2014	1.00	.00
2015	3.90	5.21
2016	6.14	8.51
2017	15.88	27.41
Mean	6.73	14.56
Computed Value of Univar ate General Linear Model		0.978
Significance (5%)		0.43

Source:-Compiled from the Secondary data

From the above table it shows that the NPA's growth rate in Kerala for the four years is not differ significantly and HO with respect Toméan Growth Rate of NPA's in Kerala is accepted. That means the NPA's growth rate in Kerala for the four years is same. This clearly shows that the role of NPA'sin Kerala that the major bank due to the educational loan which is undertaken by the students of Kerala is similar.

II. CONCLUSION

Higher education is supposing an important part to the developing country like India and mainly in Kerala. These are necessary to generate the knowledge, care dangerous thinking and also the teaching skills driven through the desires of society. Knowledge is the full force in the quickly varying globalized economy and society. Such Quality Educational Institutes with the foreign funding ,setting are essential to form the coming generation. India has a incredible potential to attract foreign direct investors at much extra dramatic levels if it rushes its changes process. There is no ideological dilemma about FDI. However, some sort of control has to be maintained, as education is a sensitive issue. Educational institutions with foreign collaboration should be allowed only after finalising benchmark for incentive to good institutions and disincentives for sub-standard institutions. A National Commission should be established at the first to study the problems and views of this energetic sector. Therefore this is the occasion to move workings and speed up the velocity in reforms of educational sector in India and particularly in Kerala and it can be decided in India and is accepted to obtain the advantage for all the intentional tasks.

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