

EMERGING TRENDS IN EDUCATION LOAN: WITH SPECIAL REFERENCE TO HIGHER EDUCATION IN INDIA

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Higher education has been one of the major areas which provided direction to national development. In the new millennium, higher education gets more priority in national development and efforts are being made to increase the educational network of colleges, universities and institutes of national importance as well as quality of infrastructure and human resources development. Higher education and especially management and technical education have undergone significant changes. Students loan has been proved to be best suitable model for reducing the cost of education and financing the higher education, however, in India, students loans are not encouraged by banking and financial institutes due to increasing default and converting the loan as non-productive assets. Education loan is the crucial component of retail loans in India. It has significantly grown in India over the last decades, however, it has shown declining trend in recent past in India. Present paper examines the financing of higher education and education loan in India. The paper is based on secondary data and critical appreciation of pertinent literature.

INTRODUCTION

Higher education has been one of the major areas which provided direction to national development. In the new millennium, higher education gets more priority in national development and efforts are being made to increase the educational network of colleges, universities and institutes of national importance as well as quality of infrastructure and human resources development. Higher education and especially management and technical education have undergone significant changes. A large number of private institutions, including foreign and private universities, have ventured upon the task of introducing technical and vocational courses to impart management and engineering education to Indian students. AICTE has its own regulatory framework and mechanism to regulate the functioning of business institutions and ensure quality technical education, however, in order to being competent and experienced human resources, most educational institutions face daunting challenges. Educational work environment and climate is important. Most educational institutions are lacking qualified teaching staff, organizational commitment, job participation and job performance of teaching staff in these educational institutions which affect organizational climate and job satisfaction among teachers. Rapid economic growth, coupled with the demand for skilled human resources and increasing competition of Indian industries in the global economy, has made higher education sector equal access to the quantity and quality of education delivery, funding, quality research and development, employment of graduates and the

benefits of international cooperation. Private higher education institutions complement the efforts of states to meet the increasing demand for skilled workers. University education in India is in the early stage of a major reform today. India needs more holistic, flexible and vibrant universities. The education loan plays crucial role in financing of higher education and pursuing higher education by students belonging to different segment of society and income background. The education loan scheme by banks was initiated in 2001 and since then the cases of loan accounts and advances to students has increased many folds.

OBJECTIVE AND METHODS

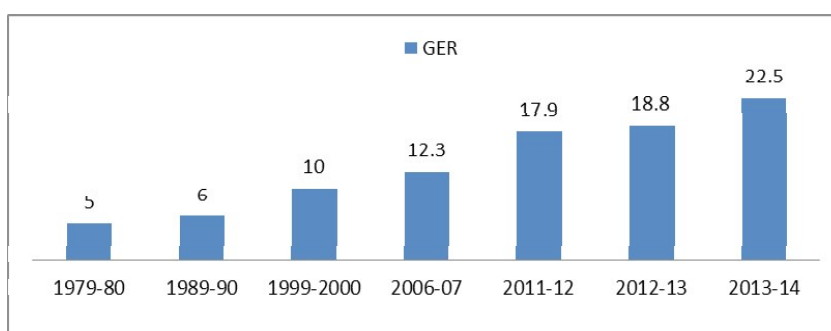
Present paper purports to examine the role of student loan in financing the higher education and analysing the emerging trends and patterns in the educational loan distributed by Nationalised Scheduled Commercial Banks, Regional Rural Banks, Private Banks and NBFCs. The paper is based on secondary data collected from reports of Trends and Progress of Banks in India, by Reserve Bank of India, Statistics Related to Banks, Ministry of Finance, Government of India, and other relevant publications of various government and non-government organisations. Besides, internet sources were used for compilation of secondary data and pertinent literature. The time series data analysis has been ensured along with critical appreciation of pertinent literature. Data has been shown in charts and tables

HIGHER EDUCATION

The higher education system in India has seen substantial growth in the last three decades. Private educational institutions are providing higher education in traditional and professional disciplines and courses. Globalization and economic liberalization have created opportunities for expansion of higher education institutions, although there is still a shortage of educational institutions as the demand for higher education is gradually increasing. Management and technical education is being provided by a vast network of educational institutions including self-financed AICTE approved institutes and colleges. Quality professional education depends on organizational commitment, engagement and performance of teachers which is highly influenced by organizational climate and working conditions. Investments in higher education during 1950 and 1960 resulted in a strong knowledge base in many fields and contributed significantly to economic development, social and political change in independent India established through state legislations. The emergence of the private sector has helped expand capacity. Private institutions have improved accessibility in select disciplines such as engineering, management, medicine, IT, etc., where students are willing to pay substantial fees. A large number of institutions related to vocational education were reported in the southern states followed by the states falling under the western region. The technical education system incorporates courses and programs in engineering, technology, management, architecture, town planning, pharmacy, applied arts and crafts. The Ministry of Human Resource Development, Government of India caters to programs at undergraduate, postgraduate and research levels. The technical / management education system at the center includes All India Council of Technical Education (AICTE), Indian Institute of Technology (IITs), Indian Institute of Management (IIM), Indian Institute of Science

(IISc) , Regional Colleges. (RECs) / National Institute of Technology (NITs), Indian Institute of Information Technology, North East Regional Institute of Science and Technology. Our technical staff requires a high level of knowledge and skills to deal with rapidly changing technologies to compete successfully in the global labor market. Technical education includes engineering, technology, management, architecture, town planning, pharmacy and courses in hotel management and catering technology. The share of private sector / corporate sector in higher education has increased considerably. The share of the private sector in higher education institutions was nearly 64 percent during 2012 with a share of 58.6 percent in enrolment (Chart 1).

Chart 1 : Gross Enrollment Ratio in Higher Education



Source: University Grants Commission, New Delhi (2014).

Professional education is defined as higher educational programmes that are designed for learners to acquire the knowledge, skills and competencies specific for a particular occupation or grade or class of occupations or trades. Enrolment in Professional courses is more in Private Institutions than in Government both at Under Graduate and Post Graduate levels. At Post Graduate level, the share of enrolment in Professional courses is higher than at Under Graduate level (Table 1).

Table 1: Enrolment of Students in Academic and Professional Courses in India

Level	Management	Academic			Professional		
		Male	Female	Total	Male	Female	Total
Under Graduate	Government	4804109	4607280	9411389	1133482	774881	1908363
	Government-Aided	2036170	2289780	4325950	421130	336689	757819
	Private	2916609	2963991	5880600	3628496	2092802	5721298
Post Graduate	Government	708625	964413	1673038	409274	316850	726124
	Government-Aided	153667	269403	423070	55691	72421	128112
	Private	139813	210610	350423	533839	419571	953410

Source: AISHE, 2016, Ministry of Human Resources Development, Government of India

Many private universities have been established by the corporate sector in India. Some foreign universities are being set up in different corners of the country. Access to higher education varies widely among states. More progressive southern states have better GERs as well as greater availability of educational institution. While the institutional density is low in most hilly areas, their GERs vary from high to low. This may be due to the fact that higher education does not depend solely on the physical availability of institutions, but also on other socio-economic factors such as parental income, desire for migration, cultural factors, etc. The state of Uttar Pradesh has more

than 45 universities including 5 Central Universities, 28 State Universities, 8 Deemed Universities, 2 IITs in Varanasi and Kanpur, one IIM in Lucknow, one NIT in Allahabad, two IIITs in Allahabad and Lucknow, one National Law University. Lucknow, besides, there are number of polytechnics, engineering colleges and industrial training institutes. In addition, there are several private universities, educational institutions and educational centers across the state which provides technical and vocational education in addition to the provision of general education. The top 8 states in terms of most colleges in India are Uttar Pradesh, Maharashtra, Karnataka, Rajasthan, Andhra Pradesh, Tamil Nadu, Gujarat and Madhya Pradesh, with 28 more colleges per lakh population. In Uttar Pradesh, there are 6922 colleges and for every one lakh population. The private institutions are about two-thirds of the total higher education institutions in India. They are also responsible for most student enrolment. Most private universities in India, such as elsewhere in the world, primarily provide vocational education. The demand for professional education is changing from liberal education and the private sector is meeting this demand. Private education has played a positive role in expanding access and is considered more efficient than its public counterpart, but its impact on quality and equity is controversial. Most private institutions are professionally oriented and prepare graduates for job markets. Private higher education is to bring change, and periodically change the competitive qualifications and force in curriculum, pedagogy, examination and governance throughout the education sector.

EDUCATION LOAN

Student loans are one of the alternative sources of financing higher education for loan-constrained students. Student loans in India are an attempt by the student banks to address the shortcomings in the capital market. But for the lender and borrower; the credit markets for higher education involve uncertainty at various stages. Becoming a successful student, a graduate, becoming an employee and also one who regularly pays off loans, which is dependent on his or her future earnings (Barr and Crawford, 2005; Chapman, 2006). However, financing of higher education is a highly controversial issue (Woodhall, 2007). Arguments in favor of public financing of higher education in India often cite social justice, fairness, equity and equality of opportunity (Tilak, 2004; Chattopadhyay, 2007). This equity argument often comes to the fore in defending any attempt to increase fees and / or initiate student loans in government-funded educational institutions. However, handling the affordability and equity objective by subsidizing everyone is an equal charge, and ends up in fact promoting inequality without targeting (D'souza, 2004). It is further argued that participation in higher education in India is a modest proportion and is limited to the privileged classes. Therefore, the claim to make higher education socially inclusive is a matter of debate (Shah, 2008).

Lending programs exist in more than 60 countries today, but rarely have some of them been successful in their primary mission. Countries like China, Russia and India, which are the three most populous countries, also introduced loan schemes, but on a large scale these schemes have been successful only to some extent, in China.

Panigrahi (2010) studied the accessibility of educational credit in India borrowed by students from technical and vocational institutions in terms of variables such as gender, regions, discipline and socio-economic status. Meenu John (2016) stated that education

loan is a great aid for students who have not been able to pursue vocational education due to financial constraints. But the loan program was disappointing in terms of repayment status. Geeta Rani (20106) has attempted to examine the trends in financing of higher education in her paper which suggests that student loans are the major source for financing higher education in India. This leads us to explore various factors, which are enrolment growth, growth in the private sector, the emergence of a young population with a middle class with a wide acceptance of the credit culture, and an increase in the premium paid and paid for higher education desire.

In fact, children from well-off families provide low-quality school education to the public so that they are provided independently or with high subsidized high-cost and high-quality public higher education (Geeta Rani, 2014). To capture, equality cannot be achieved through blunt tools such as subsidized education for all students, as Tilak argues. Targeting is always more effective in promoting public objectives of equity (DeSouza, 2004). Socioeconomic privilege provides many direct benefits, both through a domestic culture that reinforces the goals of formal education and through the ability to access education in private schools after access to higher education in a review in European countries (Asplund *et al.*, 2008). Similarly in India, children from the richest income groups provide low-quality school education publicly so as to provide independently or at higher subsidized higher cost and higher quality public higher education (Geeta Rani, 2014). To be captured. The underestimation of under-privileged socioeconomic groups in higher education has important implications for social policy, economic efficiency, and social justice. In addition to social and economic groups, tuition fees and student loans across the course structure promote an imbalance in overall course requirements at the macro level. The structure of tuition fees is determined in part by subsidies and by course costs, with the latter marked differently (Chapman, 2006). The credit market in student loans primarily caters to a narrow segment of the student community based on their choice of professional and market-oriented courses. In addition to these courses, social loan background plays an important role in accessing student loans. This creates potential new disparities whereby students from poorer backgrounds qualify to diploma level and those with more affluent backgrounds obtain professional degrees (Christie and Munro, 2003). Tilak (1992) reported that the National Credit Scholarship Scheme has been in operation since 1963. He examined the strengths and weaknesses and problems specific to the program in India with a view to identifying measures for marginal improvement in the program. The conclusion is that student loans currently contribute very little to higher education efficiency or equity in India. The need to raise additional resources for higher education is widely recognized (Tilak 1992). Accordingly, various alternative measures are being discussed, including improvement in fees, introduction of payroll tax, student loans, fixed taxes etc. One proposal, a similar increase in fees, is usually rejected on the grounds that it would result in a decrease in socially and economically weaker sections of society's access to higher education. Adding to the complexities of the already complex tax framework in the country, arguments have been presented in favor of discriminatory fee structures (Tilak and Varghese 1985, and 1991), while graduation or payroll taxes are considered burdensome. Debt financing is not new in India. The National Debt Scholarship Scheme was introduced in 1963–64 with the aim of improving access to higher education without the government having to bear the total burden of financing higher education. Varghese and Manoj (2012) stated

that educational loans existed before the period of economic liberalization in India. But they were treated like personal loans and were available to those who met the conditions of individual banks. Since then, educational loans have become an important component of the personal loans of scheduled banks in India and the higher education scenario has had the effect of increasing the gross enrolment ratio of loans, NPAs, educational institutions and students. Higher education is an important driving force for economic development, and paramount in economic and social mobility.

Vast research literature including paper by Hanushek and Kimko (2000); Krueger and Lindahl (2000); Hanushek and Woessmann (2007) provide evidence of the value of investment in education to develop human capital and its contribution to economic growth and development. Admission to loans can be expected if there is a lack of credit for education decisions, there may be a difference in enrolment or educational attainment. However, evidence on the importance of lending barriers in education is mixed.

Using data from the US to analyze enrolment in higher education, studies such as Cameron and Heckman (1998), Cameron and Heckman (2001), Carneiro and Heckman (2002) and Cameron and Taber (2004) showed college enrolment rates. The difference is credited. Rich and poor account for the difference in capacity resulting from systematically low investment in the early stage of education by poor families. On the other hand, recent studies Belley and Lochner (2007), Lochner and Monge-Naranjo (2011) and Brown, Scholz and Seshadri (2012) argue that lack of borrowing poses a major challenge for individuals to participate in higher education which causes low income families. Using the expectation of mothers' schooling and returns from Mexico, Attanasio and Kaufmann (2009), provide evidence from View, Dunlap (2012), Wiederspan (2015) and Rothenstein and Rouse (2010). Wiederspan (2015) analyzes the impact of community colleges' participation in the loan program. However, unlike Dunlap, which uses only cross-sectional variation across institutions, Wiederspan uses within-institution, to filter out the specific factors of the institution across time. They have no effect on attendance, degree attainment, and four-year college transfer, identifying the positive impact of lending on the number of credit courses. Analyzing the impact of student loans on early career choices using policy shifts, they find that student loans reduce graduates' chances of choosing lower-paying, public-interest jobs. Rothenstein and Rouse (2010) as well as Solis (2012) have used two education loan programs in Chile to employ a regression distortion design to estimate the effect due to access to credit on enrollment. Credit eligibility was determined solely by test scores. He finds positive and statistically significant effects. Solis also identifies an asymmetry in influence in relation to the quartile of family income. The effect is strongest for the poorest quartile and weakest for the richest quartile. In a similar study from a developing country, Gurgand, Lorenceau and M'elonio (2011) use a credit score cutoff to evaluate a lending program in South Africa. They have similar positive effects.

Student loans, sometimes referred as deferred payment plans', are integral to higher education policy, where educational costs are borne by students (Johnstone, 2004). Individual students are expected to meet the cost of higher education. Any increase in tuition fees may make it difficult or ever impossible for weaker sections of society to pursue higher education (Mathew, 1996). There are many problems associated with student loans, such as, they have been psychologically exposed in many societies besides

highly available as well as de facto unavailable for students from economically weaker sections of society in developing countries due to the demand for protection by financial institutions (Friedman, 1962; Mathew, 1996; Nerlove, 1972; Pigou, 1920) and the risk of non-payment of debt (Tilak, 1995). Thus, “investing in loans for higher education will not provide good fiscal benefits to the government which invests in debt. “Debt is considered to promote equity and efficiency (Blaug, 1970; Mingat & Tan, 1985; Psacharopoulos & Woodhall, 1985; Woodhall, 1983). However, Johnstone (2004) calls these two” separate but quite contradictory “. Student loans have been considered beneficial to increase access to higher education (Matthew, 1996; Woodhall, 1983) and to increase students’ hard work and efficiency (Matthew, 1996). Loans are advocated because they provide flexibility in repayment.

The National Debt Scholarship Scheme started in India in 1963, when the government decided to conduct an interest-free National Debt Scholarship Scheme aimed at increasing access to higher education for the economically weaker sections of Indian society. The loans were provided based on merit as well as the financial needs of the students. The recovery of the debt was the responsibility of the Central Government and the amount recovered was to be shared between both the Central Government and the State Governments. However, the scheme had to be withdrawn mainly due to high default rate and low rate of recovery (Tilak, 2007) . Private Banks enforce their terms, charge different rates of interest and insist on a regular source of income for the parents of the student seeking a loan. Furthermore, they do not care either for the student’s educational background or their economic background (Tilak, 2007, Agarwal, 2009). Ashar (2005) investigated that U.K. and compared to 85 percent in Sweden, 50 percent in the United States and Canada, and 77 percent in Australia, less than 1 percent of students took loans for their education in India (Agarwal, 2009). Bollag (2002) supported the view that loans are necessary to avoid becoming privileged students from educated families.

In India, the responsibility of financing higher education is shared by both the public and private sectors. The public sector includes central government and state governments (Ahir and Joshi, 2013). Central government spending is more towards central universities. Even if the trend is always upward, the total public expenditure on higher education is about 1.25 percent of GDP; by any standard is certainly insufficient (UGC, 2012). Private expenditure on higher education has increased nearly 12.8 times during the past decade (Ahir and Joshi, 2013). Public expenditure in the education sector, especially in higher education, has remained very low is only a little over 1 percent of GDP over the years. Funding is one of the most important aspects of higher education. The extent to which a country invests in its higher education sector determines the development of that country. Therefore, it is imperative to improve the financing of higher education, however, selection of appropriate methods has been always a major challenge. Providing education is considered a public good in India. Therefore, central government and state governments are more responsible for imparting education from basic to higher education level. Regarding public funding of higher education, about 80 percent has been circumcised from state governments while about 20 percent has been obtained from the central government (FICCI, 2011). Central universities receive more funding from the central government than the state government. However, state universities in India are more

dominated. Therefore, it is necessary to promote higher education which is accessible, affordable and cost effective. Students may get education loan to finance their higher education as they are the primary beneficiaries. The Government of India is trying to promote education loans to subsidized education cost and increasing the accessibility and affordability of higher education. This is evident the changes have been made to allow the deduction of interest payments on loans taken for higher education to assess taxable income (Chattopadhyay 2007).

GROWTH PATTERNS IN STUDENT LOANS

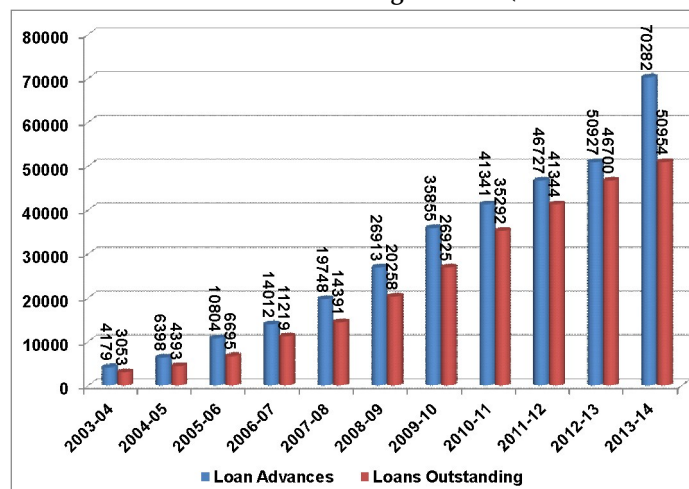
There has been annual growth of 37.9 percent in loan advances and 33.7 percent growth in loan outstanding during the period of 2003-04 to 2013-14. The percentage of loan outstanding against advances was reported 73.06 percent in 2003-2004 which increased to 91.70 percent in 2012-13 (Table 2)

Table 2: Students Loans Outstanding in India (Rs. In 10 millions)

Year	Loan Advances	Loans Outstanding	% Outstanding in Advances
2003-04	4179	3053	73.06
2004-05	6398	4393	68.66
2005-06	10804	6695	61.97
2006-07	14012	11219	80.07
2007-08	19748	14391	72.87
2008-09	26913	20258	75.27
2009-10	35855	26925	75.09
2010-11	41341	35292	85.37
2011-12	46727	41344	88.48
2012-13	50927	46700	91.7
2013-14	70282	50954	72.5
GR	37.9	33.7	-

Source: Statistical Tables relating to Banks in India, RBI

Chart 2: Students Loans Outstanding in India (Rs. In 10 millions)



Source: Statistical Tables relating to Banks in India, RBI

Education loan scheme was initiated in India in 2001. Ever since its inception, the number of educational loans have increased from 0.11 million, in 2000-01 to 2.59 million in 2013-14 with registering average annual growth rate of 28.7 percent in loan accounts while growth in enrolment in higher education was recorded 12 percent. The education loan distribution has increased by 68.37 times while education loans witnessed by 23.12 times increase over the corresponding period. The education loan constituted 106.7 percent against government expenditure on higher education including technical education in 2013-14 (Table 3).

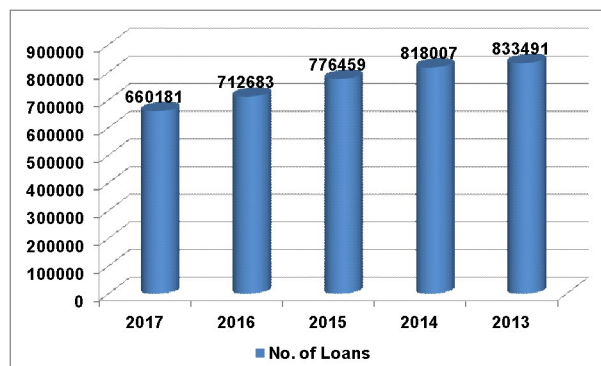
Table 3: Growth of Education Loans in India

Year	Education Loans (in 000s)	% of Students Enrolled in Higher and Tech Education	Education Loans Released (Rs. 10 Millions)	Education. Loan as % of Govt. Exp. On Higher and tech. Education
2000-01	112.0	1.3	1028.0	5.1
2001-02	157.0	1.8	1527.0	16.0
2002-03	239.0	2.5	2870.0	28.2
2003-04	347.0	3.5	4179.0	35.1
2004-05	470.0	4.0	6398.0	50.6
2005-06	641.0	4.5	10804.0	73.6
2006-07	1002.0	6.4	14012.0	84.5
2007-08	1215.0	7.1	19748.0	86.4
2008-09	1580.0	8.5	26913.0	104.0
2009-10	1911.0	9.2	35855.0	111.8
2010-11	2211.0	8.0	41341.0	96.9
2011-12	2373.0	8.3	46727.0	94.1
2012-13	2479.0	8.4	50927.0	86.7
2013-14	2590.0	7.8	70282.0	106.7
GR*	28.7	12.1	37.9	14.9

Source: Statistical tables Relating to Banks in India, RBI

The distribution of educational loan by State Bank of India and its associated banks has shown declining trend during 2013 to 2017. It shows that education loan has declined recently due to many factors, mainly because of poor financial recovery from loan advances released by banks (Chart 3).

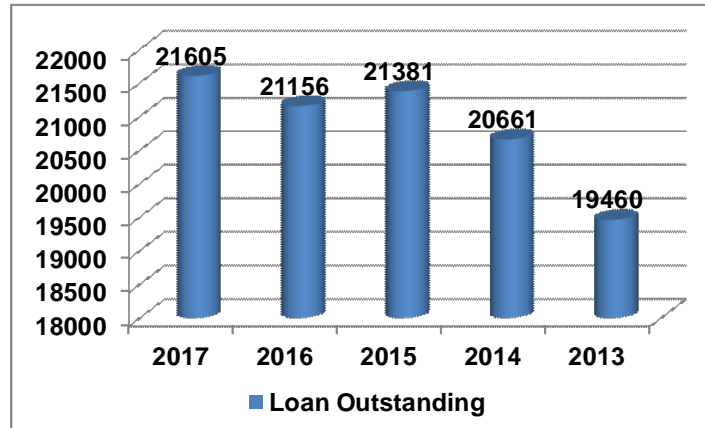
Chart 3: Distribution of Educational Loan By SBI and Its Associated Banks in India



Source: Annual Reports, SBI

Though number of student loan has declined in recent past, however, loan advances has shown significant growth (11 percent) during the period of 2013- 2017 (Chart 4).

Chart 4: Educational Loan Outstanding By SBI and Its Associated Banks in India (Rs Crores)



Source: Annual Reports, SBI

Loan advances increased at an annual average growth rate of 38 percent. Similarly, loans outstanding also increased at an annual average rate of 34 percent. Outstanding loan as a proportion of Student Loans constitute around more than 60 percent of loans released. Though this may not be an ideal way of examining performance of loans, this crude indicator reports with huge percentage of loans outstanding against loans advanced. Comparing education loan with other components of personal loans such as housing, consumer durables, vehicles and personal credit cards, indicate that not only student loan advances growing faster but also the growth rates of loans outstanding is also the highest with 21 percent during the period 2009 to 2013 (Table 4).

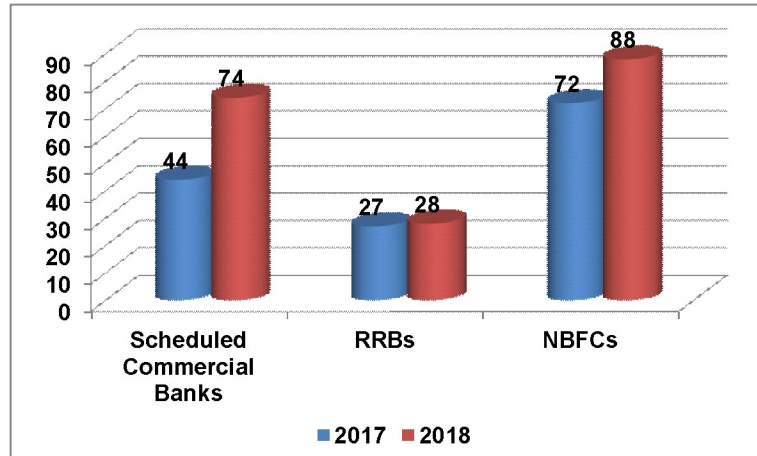
Table 4: Loan Outstanding Across in India Rs. in Millions

Components	2009	2010	2011	2012	2013	GR
Housing	284751	306307	345931	378744	464711	12.66
Consumer Durables	7373	5759	6564	7347	8213	4.7
Vehicles	59824	44634	65717	70366	81619	11.37
Education	24848	38380	46990	52005	55044	20.86
Personal Credit Cards	30214	21807	20676	22179	25446	-3.21
Others	146536	142008	184256	219509	236257	14.92
Personnel loans	553546	558895	670135	750151	871291	12.77

Source: Statistical tables Relating to Banks in India, RBI

Educational loan has shown increase over the period of 2017 to 2018. During 2017, more than half of the loans were distributed by NBFCs while Scheduled Commercial Banks released loans in the tune of 30.77 percent. However, share of NBFCs in educational loan reduced to 46.32 percent with the increased share of Scheduled Commercial Banks (Chart 5)

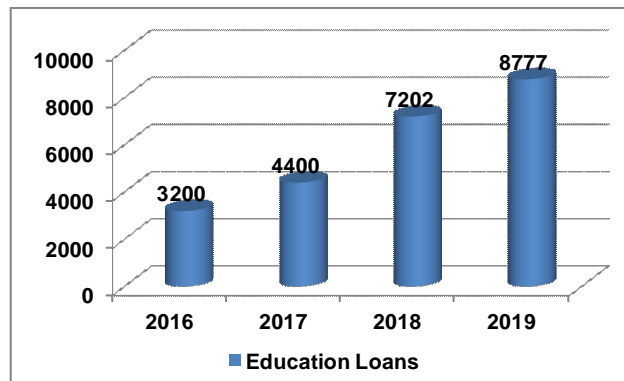
Chart 5: Education Loans by Banks in India (Rs. in Billion)



Source: Trends and Progress of Banking in India, RBI

Education loan distribution by NBFCs has grown significantly during 2016 to 2019. It has shown 174.28 percent growth over the period (Chart 6).

Chart 6: Education Loan by NBFCs in India (Rs. in Crores)



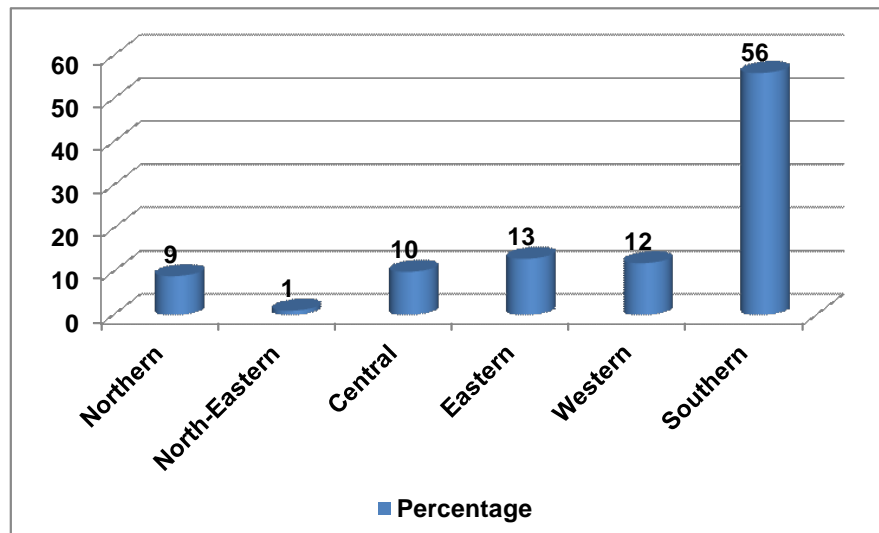
Source: Trends and Progress of Banking in India , RBI

Financing for higher education is being met through various sources including direct student loan from banks and other financial institutions, parents borrowings through other channels including from friends and relatives, credit card borrowings, loan against property and other unorganised sources. The overall education loan portfolio is about Rs.80,000 crore comprising mainly of scheduled commercial banks (Rs.73,000 crore), co-operative Banks (Rs.2,000 crore) and NBFCs (Rs.5,000 crore). Education loan scheme was introduced in 2001 by banks for facilitating higher education for poor and meritorious students. Initially, this scheme covered students studying in India as well as abroad with a maximum ceiling of Rs.7.5 lakh in India and Rs.15 lakh for abroad studies. Currently, education loans up to Rs.10 lakh are eligible to be classified as priority sector loan, irrespective of the sanctioned amount (CARE Rating, 2018) . Education loans under the priority sector lending stood at around 89 percent in 2017 compared with the total

educational loan portfolio of the banks. However, it has been observed that the ratio of priority sector loans to total educational loan portfolio has been on a decreasing trend from almost 95.86 percent in 2013 to 89.75 percent in 2017. However, there is no compulsory prescribed limit to banks for education loans segment under priority sector lending guidelines unlike in case of other segments i.e. agriculture (18 percent).

The distribution of the education loan portfolio by the banks shows large regional disparities. Southern India forms around 56% of the total education loan portfolio of the banks. Amongst the states, Tamil Nadu and Kerala together account for 36% of the outstanding education loan portfolio. The other states which contribute higher to the education loan portfolio of banks include Maharashtra, Karnataka, Andhra Pradesh and Telangana. The education loans are skewed towards some regions mainly on account of higher literacy levels and students inclination to pursue higher education mainly technical courses. Furthermore, the availability of the government schemes, access to finance and availability of ready educational infrastructure are other key aspects which skew the ratio towards these regions (Chart 7).

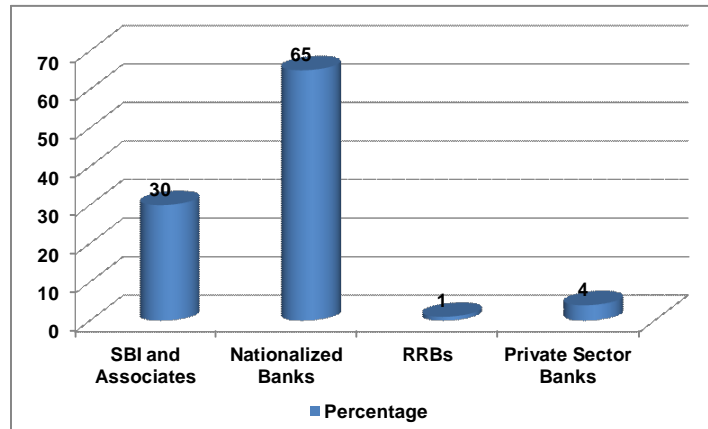
Chart 7: Region-wise Distribution of Education Loans in India



Source: CARE Ratings ,2018

During 2017, about two third education loan was distributed by nationalised banks while SBI and its associated banks distributed about 30 percent loan to students, thus, about 4 percent loan was released by private sector financial institutions (Chart 8).

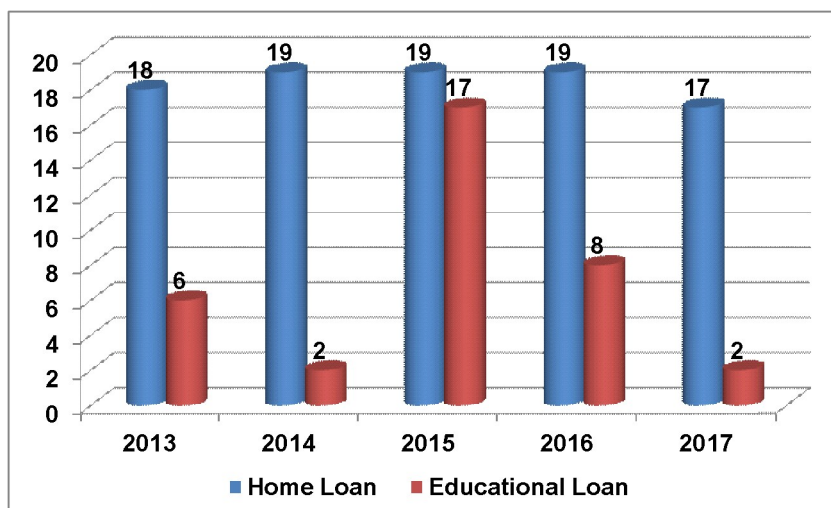
Chart 8: Distribution of Education Loans by Banks



Source: CARE Ratings, 2018

The growth of educational loan is shown in chart 9. There has been less growth in education loan compared to housing loan in India. even, educational loan has reduced .over the period

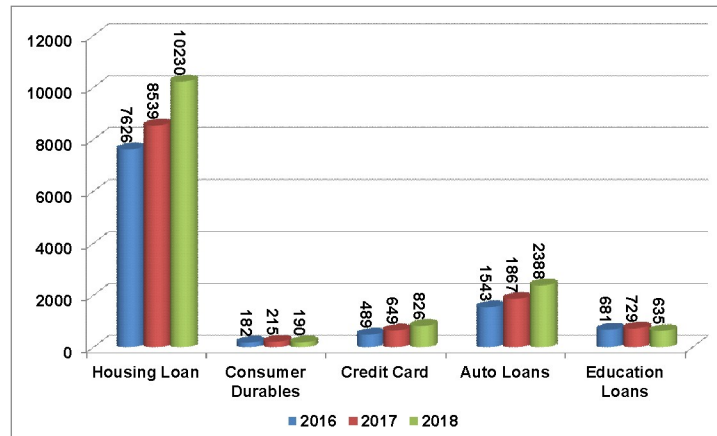
Chart 9: Annual Growth Rate of Education Loans



Source: CARE Ratings, 2018

There has been significant growth in retail loans in India over the period of 2016 to 2018 , however, highest growth was recorded in credit card followed by auto loans and lowest growth was reported in consumer durables . Educational loan sector recorded 6.75 percent growth during the period of 2016- 2018 (Chart 10).

Chart 10: Retail Loan Outstanding of Banks (Rs. In Billion)



Source : Trends and Progress of Banking in India , RBI

The education loan portfolio growth has been low despite the opportunities in the education segment. One major factor could be higher delinquencies experienced by banks and very few specialised lending institution in this segment. The total value of non-performing loans for the public sector banks in the education sector has grown from Rs.3,536 crore in 2015 to Rs.5,192 crore in 2017 with NPA ratio of 7.67 percent. While the problem of higher delinquencies across India, however Kerala and Tamil Nadu have higher delinquencies.

CONCLUSION

Universities can offer market-oriented self-financing courses, which are in demand and universities can associate self-financing private colleges. This can generate some income for universities. But it can discriminate and dominate other disciplines. Therefore, it may be one of the options to increase income but may not be the best in the Indian context. Due to fiscal constraints and a greater need for greater spending at the primary level, public funding in higher education is not sufficient. As a result, finding some more income generating options has been an essential task. Although fee increases and education loans have been practiced as sources of income generation to finance higher education, they also appear to be of limited options in terms of equity and access. It is imperative to explore potential sources of financing for higher education, as the rising cost of higher education, especially technical and professional education has made it a matter of concern for policy makers and educational leaders how to reduce the cost of education so that it can be made more accessible and affordable. Students loan has been proved to be best suitable model for reducing the cost of education and financing the higher education , however, in India , students loans are not encourages by banking and financial institutes due to increasing default and converting the loan as non- productive assets . The education loan segment requires a specialised approach towards designing the product to maintain good asset quality. The players need to clearly define the parameters to assess each student loan separately rather than treating it as priority sector loan.

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