

Trend Analysis of Education Loans in Kerala

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Abstract - Education loan scheme was introduced in India in 2001 as a priority sector lending in order to give financial assistance to the meritorious students to pursue higher education in India and abroad. The increase in the number and amount of loans sanctioned over the years shows that this scheme helped a large number of students to realise their higher education dreams. Kerala is one of the leading states in sanctioning education loans. However, in the last year, the number of education loans sanctioned in the state has been decreased significantly. Hence this article is an attempt to analyse the trend of sanctioning education loans in Kerala. The study testifies that the plight of education loan scheme in the state is not satisfactory. The students and parents are reluctant to apply for education loans. The increased rate of default in repayment indicates that the students and parents face difficulties to repay the loan in time due to difficulties to get proper job after completion of the course and poor salary.

Key Words : Cost of Higher Education, Education Loan, Higher Education, , Repayment of loan, Trend.

I. INTRODUCTION

In the efforts of overall development of a modern society, education plays a pivotal role. Education is considered as an effective tool for both social and economic upliftment [3]. That is why the policy makers consider education as a long term investment for the overall development. In India, after independence, the national leaders in the country gave due consideration and importance to education sector. Consequently, the access and equity in education is now a reality in India. The country could achieve universalisation of primary education to a great extent. The education status of all the states in the country has been increased considerably.

As far as the Kerala is concerned, the situation is not different. The rate of literacy in Kerala was 47.18 in 1951. It became 93.91 per cent in 2017 [5].

Kerala has emerged as one of the top performing states in Niti Aayog's SDG India Index 2018. According to the report of Niti Aayog, Kerala's top position is attributed to its superior performance in providing good health, reducing hunger, achieving gender equality and providing quality education.[6]. It has been proved in many times that the education system prevailing in the state is a model to other states in the country.

However, as far as the higher education sphere is concerned, the situation is not so satisfactory in the state. The opportunities for higher education have been increased considerably in the state recently. However, most of the newly started courses and institutions in higher education are in the private unaided sector.

Table 1.1 Number of private and public sector colleges in Kerala during 2014-15 and 2015-2016.

Sl No	Type of Institution	2014-2015		2015-2016	
		Number of Institutions	Percentage	Number of Institutions	Percentage
1	Private Un aided	720	64.9	800	65.81
2	Private aided	196	17.6	201	16.5
3	Total private	916	82.6	1001	82.31
4	Government	193	17.4	215	17.69
	Grand Total	1109	100	1216	100

Source: Economic Review 2016 & All India Survey on Higher education 2015-2016.

The table obviously indicates that the lion share of higher education institutions is under the ownership of private unaided managements. In 2014-15, 64.9 percent of the colleges were in private unaided sector. The role of private aided and government institutions was 17.6 percent and 17.4 percent respectively. In 2015-16, these became 65.81, 16.5 and 17.69 percent respectively [5]. The private unaided sector hold dominant share in the case of higher education institutions.

The cost of education in most of these institutions is unaffordable to the common people [1]. It is in this

At the juncture, the Government of India introduced a new priority sector lending scheme named as Education Loan Scheme. Education loan scheme was introduced in the country in order to help the deserved students to pursue higher education in India and abroad by providing financial assistance through commercial banks. Kerala was one of the leading states in the country as far as the sanctioning of education loans is concerned. However, the recent data show that the amount sanctioning under the portfolio of education loan segment shows a decreasing trend. Hence, present study is an attempt to analyse the trend of sanctioning education loans in Kerala.

STATEMENT OF THE PROBLEM

Education loan scheme was introduced in India in order to ensure financial assistance to the students hailing from poor socio economic background for pursuing higher education. The scheme aims at offering financial assistance to the needy students through commercial banks. Most of the loans sanctioned in the country were in southern states. In 2016, Tamilnadu was in the top of the list and Kerala had second place in sanctioning education loans in the country [8]. But according to SLBC data 2018, there is a decrease in the number of education loans sanctioned in the state[7]. Hence present study aims at evaluating the trend of sanctioning education loans in Kerala.

OBJECTIVES

Following are the objectives of the study

1. To identify the present status of education loan scheme in the state.
2. To analyse the trend of sanctioning education loans in the state.

II. METHODOLOGY

In order to identify the status of education loan scheme and analyse the trend in sanctioning education loans in the state, the present study made use of secondary data published by authorised bodies like Reserve Bank of India, State Level Bankers Committee, Kerala Planning Board etc.

NO OF ACCOUNTS AND AMOUNT OUTSTANDING UNDER EDUCATION LOAN SCHEME IN KERALA, 2018

Following table shows the bank wise details regarding the number of accounts and amount outstanding under education loan segment in 2018.

Table 1.2 Performance of Banks under Education Loan Scheme in Kerala as at 31.03.2018

Amount in Lakhs

Sl No	Type of Banks	Loans Outstanding	
		Number	Amount
1	Public Sector Banks	262345	797262.86
2	Private Sector Banks	45961	120713.70

3	Co operative Banks	3983	8278.03
	Total	3448879	1017452.59

Source: SLBC Report 2018.

The table shows that the total loan amount outstanding under education loan segment in various banks in Kerala as on 31.3.2018 is Rs 1017452.59 lakhs in 3448879 accounts. Table further shows that public sector banks have a dominant role in sanctioning education loans both in numbers and in amount.

Table 1.3 Amount of Education Loan Outstanding in Kerala from 2008- 2018

Amount in Lakhs

Year	Number of Accounts	Amount
2008	192831	297053.35
2009	247540	480988.71
2010	279111	485448.17
2011	314492	601317.30
2012	359013	721063.00
2013	380295	829454.00
2014	390237	919917.00
2015	393849	956843.88
2016	369829	969182.58
2017	375364	937295.81
2018	3448879	1017452.59

Source: SLBC Data

According to the table 1.3, the amount of education loan outstanding in the state was 297053.35 lakhs in 2008. In 2018 it became 1017452.59 lakhs. The outstanding amount and number of accounts show a steady increase up to 2015. In 2016, the number of accounts decreased and there is a slight increase in the amount outstanding. In 2017, the number of accounts showed a slight increase but the amount outstanding shows a decrease. In 2018, the number of accounts decreased considerably. However, the amount outstanding has been increased moderately.

III. TREND ANALYSIS

Trend analysis is used to study the rate of growth of time series variables such as number of education loans sanctioned, amount of education loans outstanding etc. The functional form used for the analysis is:

$$\log (y) = \beta_1 + \beta_2 t + ut$$

Where, (y) is the variable of interest, t is the time trend, β_1 and β_2 are the parameters with β_2 representing trend in the variable. ut is the stochastic error term.

THE TREND OF AMOUNT OF EDUCATION LOAN OUTSTANDING IN KERALA

The education loan scheme in its new form has been introduced in India in 2001. Kerala is one of the leading states in sanctioning education loan since the inception of the scheme. The statistics of SLBC show a regular increase in the amount of education loan out standing in almost all years in all banks in Kerala from 2008 to 2018.

The table 1.3 shows an increasing trend in the amount of education loan outstanding in Kerala from 2008 to 2018. In order to evaluate if the increase in the amount of loan outstanding in year to year is significant, following hypothesis is set.

H_0 : The yearly increase in the amount of education loan outstanding is not significant.

H_1 : The yearly increase in the amount of education loan outstanding is significant.

Table 1.4 Trend Analysis of Amount of Education Loan Outstanding from 2008 – 2018

Variable	Trend
Amount of Loan Out standing	0.1097 (0.000)*

Figures in brackets show p value

*indicates significance at 5% level

The trend analysis indicates a 10.97 percent average annual increase on the amount outstanding. The p value is less than 0.05 and hence here null hypothesis is to be rejected. It means the average yearly increase in the amount of education loan outstanding is significant. It is an indication to the fact that the amount of education loan outstanding in various banks in Kerala has been increasing. Education loan scheme is one of the most demanded priority sector loan schemes in the state. The increased cost of higher education compels the parents and students to depend highly on commercial banks in order to avail financial assistance for pursuing higher education.

However, In 2016, the average annual increase in respect of amount of loan outstanding was 13.55 percent [9]. In 2018, the rate became 10.97 percent.

It shows that the amount of loans sanctioned under education loan segment is indicating a decreasing trend in the last year in Kerala.

A report by Indian bankers Association warns that about 9% of the education loans sanctioned by public sector banks in India became Non Performing Assets in the Financial Year 2017-18 [8]. Among the Non Performing Assets of the Public Sector Banks under education loan segment, the highest percent (ie 21.3%) is contributed by loans taken for pursuing Nursing courses followed by Engineering (9.7%)[10].

The decrease in the trend in sanctioning education loan indicates that now students and parents hesitate to take education loans due to the fear of repayment. Due to the decrease in job opportunities and absence of adequate pay, students and parents face difficulties to repay the loan in time.

Even if education loan scheme is introduced in the country in order to help the deserving students, most often it turns to a curse to the students and parents due to many reasons. The increased rate of interest and high amount of EMI affects the regular repayment of the loan. Further, now students face difficulty to get job easily once the course is completed. It also affects repayment. Once repayment of loan is defaulted, it shall affect the profitability of the banks as well [2]. Since major part of the education loans is sanctioned by public sector banks in Kerala, the default in repayment of loan shall affect the financial performance of public sector banks [2].

Hence, in order to make the student loan scheme more popular, to introduce some borrower friendly provisions in the scheme like reduce the interest rate and penal interest, extend the moratorium period, waive the interest during moratorium period etc are highly essential.

IV. FINDINGS OF THE STUDY

Major findings of the study can be summarised as follows:

1. The total number of education loans sanctioned by all the banks in Kerala as on 31.03.2018 is 34,48,879 and total amount comes to Rs 10,17,452.59 lakhs.
2. Lion share of educations loans sanctioned in the state is advanced by public sector banks.
3. The trend analysis of data for a period of 11 years from 2008 to 2018 invariably shows that there is a significant increase in the sanction of education loans in Kerala.
4. In 2017, there is a decrease in the amount of education loans sanctioned in the state. In 2009, there is only a moderate increase in the amount of loans sanctioned.

5. The trend analysis further shows that there is a 10.97 percent average annual increase in the amount of education loans sanctioned in the state.
6. Since the average annual increase of amount of loan sanctioned in the state was 13.55 percent in 2016, one can say that there is a decrease in the trend in sanctioning amount of education loans in Kerala in 2018.

V. SUGGESTIONS

Based on the findings of present study, following suggestions are put forth:

1. Kerala is one of the leading states in sanctioning education loans since its inception. However, due to some harmful provisions of the scheme and shrinking job market worldwide, the scheme is not so popular in the state right now. So, in order to facilitate the meritorious students to pursue their higher education in India and abroad, some borrower friendly changes on the part of policy makers is highly essential. Since cost of education is an essential investment for the future, imposing high rate of interest on education loans is not justifiable. Hence, interest rate on education loans should be reduced reasonably.
2. Similarly, charging interest on the unpaid accumulated amount as penal interest makes the principal amount a huge one. It makes the students lifelong creditors of the bank. Hence policy makers have to re think on charging penal interest on education loans.

VI. CONCLUSION

Education loan scheme in its present form has been introduced in India in 2001 in order to ensure financial assistance to meritorious students to pursue higher education in India and abroad. The increase in the number and amount of loan sanctioned over the years indicate that the scheme is highly useful to the students and parents.

But recent reports warn that the plight of education loan scheme is not satisfactory in Kerala. Many students face difficulty to repay the loan for want of adequate income. Students fail to find out better jobs after completion of the programmes.

The present study testifies that the amount of education loans sanctioned in Kerala during 2018 is moderately more than the amount sanctioned in 2017. The trend analysis of data from 2009 to 2018 indicates a 10.97 percent average annual increase in the number of loans sanctioned in Kerala. However, it was 13.55 percent in 2016. It testifies that there is a decreasing trend in the sanction of education loans in the state.

The high interest rates, penal interests, inadequate moratorium periods etc make the scheme a curse to many students. Such a situation discourages the students and parents to borrow the education loans. Hence, some

borrower friendly measures are to be implemented by the authorities immediately in order to make the scheme more popular. Then only the meritorious students and parents shall come forward to borrow education loan.

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