

Education Loans in Kerala – An Evaluative Study

**Thesis submitted to the
University of Calicut
For the award of the degree of
Doctor of Philosophy in Commerce**

**By
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**Under the Supervision of
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June 2017

DECLARATION

I do hereby declare that this thesis entitled “**Education Loans in Kerala – An Evaluative Study**” submitted to the University of Calicut, for the award of Degree of Doctor of Philosophy under the Faculty of Commerce, is an independent work done by me under the supervision and guidance of Dr.E.K.Satheesh, Professor and Dean, Department of Commerce and Management Studies, University of Calicut.

I also declare that this thesis contains no material which has been accepted for the award of any other degree or diploma of any University or Institution and to the best of my knowledge and belief, it contains no material previously published by any other person, except where due references are made in the text of the thesis.

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This is to certify that the work reported in this thesis entitled “**Education Loans in Kerala – An Evaluative Study**” that is being submitted by Mr. MOHANDAS A for the award of Doctor of Philosophy in Commerce to the University of Calicut, is based on the bonafied research work carried out by him under my supervision and guidance in the Department of Commerce and Management Studies, University of Calicut. The results embodied in this thesis have not been included in any other thesis submitted previously for the award of any degree or diploma of any other University or Institution.

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It is also certified that no changes / modifications are suggested by the Adjudicators of the thesis.

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LIST OF ABBREVIATIONS

ANOVA	:	Analysis of Variance
ACP	:	Annual Credit Plan
APL	:	Above Poverty Line
ARC	:	Asset Reconstruction Companies
BPL	:	Below Poverty Line
CABE	:	Central Advisory Board of Education
CDS	:	Centre for Development Studies
DRT	:	Debt Recovery Tribunal
EL	:	Education Loan
EMI	:	Equated monthly Installment
FC	:	Forward Caste
Govt.	:	Government
GNP	:	Gross National Product
GDP	:	Gross Domestic Product
GER	:	Gross Enrolment Ratio
GSLP	:	Guaranteed Student Loan Programme
GSSL	:	Government Subsidized Student Loan
IBA	:	Indian Banks' Association
IGNOU	:	Indira Gandhi National Open University
IIM	:	Indian Institute of Management
IIT	:	Indian Institute of Technology
LBS	:	Lead Bank Scheme
Mgt	:	Management

MHRD	:	Ministry of Human Resource Development
NPE	:	National Policy on Education
NRI	:	Non Resident of India
NPA	:	Non Performing Asset
OBC	:	Other Backward Community
OECD	:	Organization for Economic Co operation and Development
OTS	:	One Time Settlement
PG	:	Post Graduate
PLR	:	Prime Lending rate
PSL	:	Priority Sector Lending
RBI	:	Reserve Bank of India
RRB	:	Regional Rural Bank
SC/ST	:	Scheduled Caste/Scheduled Tribe
SLS	:	Student Loan Scheme
SLBC	:	State Level Bankers Committee
SLRC	:	State Level Review Committee
SIB	:	South Indian Bank
SBI	:	State Bank of India
SBT	:	State Bank of Travancore
SRFAESI	:	Securitization and Reconstruction of Financial Assets & Enforcement of Security Interest Act
SSN	:	Social Security Number
UGC	:	University Grants Commission

Chapter 1

Introduction

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“Give a man a fish and he will eat for a day. Teach a man to fish and he will eat for a lifetime.”

– Laozi

1.1 Introduction

In the earlier neoclassical models, education was not considered a major input for production and hence was not included in growth models. In the 1960s mounting empirical evidence stimulated the “human investment revolution in economic thought”. The seminal work of Schultz (1961) led to a series of growth accounting studies pointing to education’s contribution to the unexplained residuals in the economic growth of western economies. Other studies looked at the impact of education on earnings or estimated private rate of returns was that of Becker (1964). A 1984 survey of growth accounting studies covering 29 developing countries found estimates of education’s contribution to economic growth ranging from less than 1 percent in Mexico to as high as 23 percent in Ghana (Psacharopoulos, 1984).

Till recently economists have been considering physical capital as the most important factor determining economic growth and have been recommending that rate of physical capital formation in developing countries must be increased to accelerate the process of economic growth and raise the living standards of the people. But in the last three decades economic research has revealed the importance of education as a crucial factor in economic development. Education refers to the development of human skills and knowledge of the people or labour force. In today’s knowledge-driven economies, access to quality education and the chances for development are two sides of the same coin. All countries, regardless of their national wealth, stand to gain from more and better education. According to a recent OECD report, providing every child with access to education and the skills needed to participate fully in society would boost GDP by an average 28% per year in lower-income countries and 16% per year in high-income countries for the next 80 years. According to the International Labour Organization, an additional 280 million jobs will be needed by 2019. It is vital for policymakers to ensure that the right

frameworks and incentives are established so that those jobs can be created and filled. Robust education systems – underpinned by qualified, professionally trained, motivated, and well-supported teachers – will be the cornerstone of this effort.

Of late, education has been considered as a human right. And, like other human rights, it cannot be taken for granted. Education is a right for everyone. It is a right for girls, just as it is for boys. It is a right for disabled children, just as it is for everyone else. It is a right for the 37 million out-of-school children and youth in countries affected by crises and conflicts. Education is a right regardless of where you are born and where you grow up. It is time to ensure that the right is upheld.

In India, after Independence, the national leaders were fully aware about the need and importance of quality education and accordingly many policies and measures have been introduced. Universalization of primary education was one of the crucial missions of the state and it succeeded to a great extent. Subsequently, the enrolment ratio of primary education has been improved satisfactorily. Now, access and equity in the sphere of primary education is a reality in the case of almost all the states of the country. However, as far as higher education sector is concerned, the scenario is entirely different. While government focuses on free and compulsory primary education to one and all, the role of government in higher education has been decreasing gradually and as a result, higher education has become a costly product. As a result of the advent of new economic reforms, education sector has also opened up for private investors. It has triggered mushrooming growth of private institutions in every nook and corner of India. Thus, higher education has become a mirage to middle and low income people and has compelled them to approach financial institutions for their educational needs. The Gross Enrollment Ratio (GER) in India is steadily increasing from 8.1 per cent in 2001-02 to 24.5 per cent in 2015-2016. The high GER in higher education during the last decade has been due to the growth of private sector participation in the higher education sphere (Chattopadhyay, 2017). Therefore, requirement of external funding in education, particularly in higher education, has resulted in the surge of Education Loans.

The growth of higher education in India has been passing through several constraints. Even after 69 years of Independence, the gross enrolment in higher education is less than 25 per cent while about 51 countries exceeded 50 percent rate. All the high and middle income countries are tending towards or have crossed the 50 percent mark in the GER. (Marginson, 2016). The Government after years of experience and experiments now feel that access to higher education is ensured only through cost sharing. But, as a majority of Indian people are poor, they cannot finance the education of their children independently. Hence the Government thought of introducing scholarships and students' loan for promoting higher education.

In accordance with the economic reforms introduced in the country during nineties and beyond, the number of higher education institutes has grown considerably. Enrolment too has increased to a great extent. Even if it was a relief to the weak higher education system, it engendered some other problems as well. While merit and performance were the criteria for having higher education opportunities in reputed institutions, money has also become a powerful tool in the system. Now, beyond merit and academic performance, the financial status of the parents is also a criterion. In order to pursue higher education in reputed institutions, parents have to spend huge amount as fee and other related expenses. Most of the institutions of professional education sector are in self financing segment. The number of private management institutes and engineering colleges has been increased tremendously during the recent past. As of now, around 64 per cent of the institutions in higher education system in India are in private unaided sector. Thus, publicly funded higher education system in India has been slowly shifted to the hands of private managements. Owing to the deficiency on the part of the public sector to meet the increased demand, the private sector underwent a mushrooming growth but severely compromising their quality. The user cost for higher education in the private sector is still ruling and it makes the higher education increasingly expensive. Consequently, more and more students and families felt the need to borrow.

In such a framework, the inclusion of marginalized people in the higher education space is possible only through external financial support. This has propelled the introduction of students' loan and the announcement of education loan as a priority sector loan.

The education loan scheme in India was introduced following the announcement in the budget in 2000-01. Based on recommendations made by a Study Group, IBA had prepared a Model Educational Loan Scheme in the year 2001. Accordingly, the Reserve Bank of India advised the banks to implement it vide circular No.RPCD.PLNFS.BC.NO.83/06.12.05/2000-01 dated April 28, 2001. The Educational Loan Scheme outlined by the IBA aims at providing financial support from the banking system to deserving/ meritorious students for pursuing higher education in India and abroad. The main emphasis is that every meritorious student though poor is provided with an opportunity to pursue education with the financial support from the banking system with affordable terms and conditions. No deserving student is denied an opportunity to pursue higher education for want of financial support (IBA, 2012).

1.2. Education Loan Scheme in India

Actually, education loan was not a new product in the Indian scenario. In 1963, the Government had introduced a National Loan Scholarship Scheme in order to meet the financial requirements of needy students. But, due to the poor response from the students in connection with repayment of the loan, the Government was compelled to withdraw the scheme and decided to channelize the financial assistance by introducing education loan scheme through commercial banks.

As far as the commercial banks are concerned, education loan is a new product. In the evolution of the financial landscape of commercial bank, the provision of education loan is a challenge as well as an opportunity. By now almost 15 years have elapsed after the introduction of education loan through the commercial banks in the country. The number and amount of education loan sanctioned in India has increased considerably.

1.3. Education Loan Scheme in Kerala

Kerala is the most literate state in India and as a result of increased literacy rate and universalized primary and secondary education, demand for higher education has also increased in the state noticeably. Even if the number of institutions and programmes in respect of higher education sector has increased significantly, majority of the institutions and programmes are in private unaided sector. The fee for programmes in higher education in these private unaided institutions is extremely high. Often, this fee is unaffordable to low and middle class families. In order to overcome the financial problems, parents and students highly depend on the education loan scheme in the state. The number and amount of education loans disbursed in the state has increased over the years. The total amount of education loans outstanding in the state in 2008 was ₹401054.62 lakhs. In 2016 it has increased to ₹969182.58 lakhs (SLBC, 2016). Despite an abnormal increase in the loan issued, the repayment of education loan in the state is not satisfactory. The amount of Non Performing Assets in respect of education loans is also increasing in the state.

Now, a high level of nonperforming assets shows high probability of a large number of credit defaults that affect the profitability and net worth of banks. As per recent financial reports, education loans, a segment with lowest defaults among all other retail loans so far, have seen a sudden increase in NPA due to the shrinking job market as a result of the global economic meltdown. In this background, it is a meaningful exercise to understand the education loan scheme in Kerala, its growth over the years, trend and pattern, repayment behavior etc.

1.4. Significance of the Study

Over the years, education has been transformed to a right. On that basis the Right to Education Bill was passed. Consequently, the demand for education rose considerably. In states like Kerala, there is heavy demand for higher education on the ground that the state had already achieved almost universal primary and secondary education. Government alone cannot meet the increasing demand for

higher education which led to opening of self financing courses and colleges. The cost based courses led to several issues like fee payments, accommodation and the like. Education loan scheme through commercial banks intend to ensure financial assistance to students for pursuing higher education. According to the RBI data, the outstanding amount of education loans of Indian Banks rose to ₹6,18,310 million as on March 31, 2016. It was ₹5,93,360 million in the same period last year. Around 1-3% of such loans are NPA. The RBI report says that 26,36,624 education loans have been sanctioned by various banks in India up to 31.03.2016. About 12 per cent of these loans are sanctioned in Kerala. As per the State Level Bankers Committee reports, the aggregate amount of education loan sanctioned by various banks in Kerala as on 31.3.2016 is ₹9,69,182. 58 lakhs.

As education is a fundamental right, support to education is also all the more important. But, the repayment of education loan became a ticklish issue in the recent years. Further, news related to the problems of the borrowers and prospective borrowers of education loans have been reported from various parts of the state. In this juncture, a number of research questions emerge - what is the trend and pattern of the distribution of education loans in the state? Is the repayment status of education loan satisfactory? What are the factors contributing to the regular repayment of the loan? What are the factors determining the amount of education loan? Is the scheme beneficial to the target group? etc. As studies in this area are scanty, this study is found to be useful to the policy makers.

1.5. Scope of the Study

The scope of present study is confined to the educational loans given by the public and private sector commercial banks in Kerala for pursuing higher education in India and abroad. The study analyzes the trend and pattern of education loans sanctioned by the commercial banks in Kerala over the years. The repayment pattern of the education loan is also examined in the study. The study aims at identifying the factors affecting the amount of education loan, factors responsible for regular refund and default in repayment of the loans. The factors determining the probability for repayment of education loans is also studied. Further, the borrowers' perception

towards the education loan scheme, the level of awareness and satisfaction and benefits of the scheme to the person, family and the society were also studied. The geographical area of the study is confined to the state of Kerala.

1.6. Research Problem

Education, being the centre of human development, both the central and the state Governments in India have been assigning priority in providing educational assistance. This is true, especially for higher education, as the cost of higher education is alarmingly high. However, it is a fact that about a quarter of our population still lives below the poverty line and as such, the self supporting of their education is totally unimaginable. Here comes the importance of educational loan schemes. Efforts in this direction are visible in the Indian context since the beginning of the new economic policies of 1991.

In the context of Kerala, its universal secondary education puts more demand on higher education. But it is true that, all the aspirants of higher education cannot pursue it for want of financial support. It restrains inclusive growth. Here, the decision of the RBI directing the commercial banks to extend the loan for educational purpose is a welcome approach. Following this direction, a large number of commercial banks in the state have extended crores of rupees under the education loan scheme for materializing the higher education dreams of thousands of students. However, a number of questions arise in this context:-

1. How is the amount of education loan determined?
2. What is the trend and pattern in the provision of financial assistance through banks for education?
3. How is the education loan repaid?
4. What is the awareness level, perception and satisfaction level of the borrowers?

Now, about 15 years have elapsed after the formal introduction of education loan by the commercial banks in the country. In this context, some of the pertinent questions discussed above need to be addressed. Hence, this study is designed to look at some of the research questions mentioned above.

1.7. Objectives of the study

The objectives of the study are the following:

1. To study the theoretical and conceptual contours of Education Loan Scheme.
2. To examine the trend, pattern and growth of education loan and its repayment.
3. To understand the factors contributing to prompt repayment of education loan.
4. To analyze the factors responsible for non repayment of education loan.
5. To identify the benefits of the scheme and analyze the perceptions, awareness and satisfaction of beneficiaries in respect of education loan scheme.

1.8. Hypotheses

The hypotheses formulated in view of the objectives of this study based on the statistical tools used are summarized as follows.

Trend Analysis

H₀: The average yearly increase in the amount of education loans outstanding is not significant.

H₀: The average yearly increase in the number of applications received for education loan is not significant.

H₀: The average yearly growth in the number of education loans sanctioned is not significant.

H₀: The average yearly growth in the amount of education loans sanctioned is not significant.

H₀: The average yearly increase in the amount of Nonperforming Assets in respect of education loans in the case of public sector banks is not significant.

H₀: The average yearly increase in the amount of Nonperforming Assets in respect of education loans in the case of private sector banks is not significant.

Chi Square Test

H₀: There is no significant association between the distributions of education loan to different programmes.

H₀: There is no significant association between distribution of loans to gender and type of programme.

H₀: There is no significant association between distribution of loans to different programmes and districts.

H₀: There is no significant association between bank type and distribution of loans to different programmes.

H₀: There is no significant association between programme for which the loan is taken and religion of the borrowers.

H₀: There is no significant association between programme for which the loan is taken and location of the institution.

H₀: There is no significant association between the bank type and repayment of loan.

H₀: There is no significant association between the programme for which the loan is taken and repayment of loan.

Multiple Regressions

H₀: There is no significant relationship between income of the family and amount of education loan borrowed.

H₀: There is no significant relationship between the programme for which education loan is taken and amount of education loan borrowed.

H₀: There is no significant relationship between district of the borrower and amount of education loan borrowed.

H₀: There is no significant relationship between area of residence of the borrower and amount of education loan borrowed.

H₀: There is no significant relationship between occupation of the parents and amount of education loan borrowed.

Logistic Analysis

H₀: There is no relationship between income of the borrower and probability for repayment of the loan.

H₀: There is no relationship between programme for which loan is taken and probability for repayment of the loan.

H₀: There is no relationship between house hold status of the borrower and probability for repayment of the loan.

ANOVA

H₀: There is no significant difference in the awareness level of the borrowers with regard to the districts.

H₀: There is no significant difference in the awareness level of the borrowers with regard to the programme for which the loan is taken.

H₀: There is no significant difference in the perception of the borrowers with regard to the districts.

H₀: There is no significant difference in the perception of the borrowers with regard to the programme for which the loan is taken.

H₀: There is no significant difference in the sanctioning of loan with regard to the districts.

H₀: There is no significant difference in the sanctioning of loan with regard to the programme for which the loan is taken.

H₀: There is no significant difference in the satisfaction level of the borrowers with regard to the districts.

H₀: There is no significant difference in the satisfaction level of the borrowers with regard to the programme for which the loan is taken.

H₀: There is no significant difference in the personal benefits of the scheme with regard to the districts.

H₀: There is no significant difference in the personal benefits of the scheme with regard to the the programme for which the loan is taken.

H₀: There is no significant difference in the familial benefits of the scheme with regard to the districts.

H₀: There is no significant difference in the familial benefits of the scheme with regard to the programme for which the loan is taken.

H₀: There is no significant difference in the social benefits of the scheme with regard to the districts.

H₀: There is no significant difference in the social benefits of the scheme with regard to the programme for which the loan is taken.

Independent Sample t Test

H₀: There is no significant difference in the awareness level of the borrowers with regard to the type of banks.

H₀: There is no significant difference in the awareness level of the borrowers with regard to the area of residence

H₀: There is no significant difference in the perception of the borrowers with regard to the type of banks.

H₀: There is no significant difference in the perception of the borrowers with regard to the area of residence

H₀: There is no significant difference in the sanctioning of loan with regard to the type of banks.

H₀: There is no significant difference in the sanctioning of loan with regard to the area of residence

H₀: There is no significant difference in the satisfaction level of the borrowers with regard to the type of banks.

H₀: There is no significant difference in the satisfaction level of the borrowers with regard to the area of residence.

H₀: There is no significant difference in the personal benefits of the scheme with regard to the type of banks.

H₀: There is no significant difference in the personal benefits of the scheme with regard to the area of residence.

H₀: There is no significant difference in the familial benefits of the scheme with regard to the type of banks.

H₀: There is no significant difference in the familial benefits of the scheme with regard to the area of residence.

H₀: There is no significant difference in the social benefits of the scheme with regard to the type of banks.

H₀: There is no significant difference in the social benefits of the scheme with regard to the area of residence.

1.9. Methodology and Database

This study is designed as a descriptive one based on both secondary and primary data.

1.9.1 Source of secondary data

Web resources and reports of Reserve Bank of India, Indian Bankers Association, University Grants Commission, Ministry of Human Resource Department, State Level Bankers Committee, Kerala Planning Board etc were used to compile information required for the study. Following journals and magazines are some of the sources used for gathering secondary data:

1. Economic and Political Weekly.
2. Economic Review of Kerala Planning Board.
3. Indian Journal of Banking and Finance.
4. International Journal of Bank Marketing.
5. Indian Journal of Commerce and Management Studies.
6. Vikalpa
7. The Hindu

1.9.2 Primary Data

Necessary primary data required for the study are collected from the borrowers, bank managers and top officials of the bank selected on a sampling basis. The students in Kerala who have availed education loan for pursuing higher education in India or abroad constitute the population of the study. 432 borrowers were selected by using a multi stage random sampling technique from three districts in Kerala.

1.9.3 Sample Design

The population under the study is quite large and hence it is impossible to conduct Complete Enumeration Survey of the borrowers. In view of this, a representative sample has been drawn from the population in order to conduct the study.

The study is confined to the state of Kerala on sound grounds that:-

1. Kerala has a highest percentage of education loans from the scheduled commercial banks.

2. The universal primary and secondary education leads to higher demand for higher education in Kerala.

On the basis of the volume of education loan sanctioned, 3 districts in Kerala are selected as samples.

Table 1.1
District wise Distribution of Education Loan up to 31.03.2015

SI No	Name of District	Rupees in 000
1	Idukki	6845248
2	Palakkad	6363466
3	Thiruvananthapuram	4655901
4	Kannur	3214490
5	Thrissur	1503353
6	Ernakulam	1345311
7	Kozhikode	1001188
8	Kottayam	781542
9	Wayanad	667227
10	Alappuzha	634570
11	Pathanamthitta	551707
12	Kollam	527446
13	Kazargode	476258
14	Malappuram	375852
	Total	28943559

Source: SLBC Data for 2015

The districts in Kerala have been grouped into two based on the volume of education loans distributed as - Districts leading in sanctioning education loans and Districts falling behind in sanctioning education loans. Accordingly 7 districts (Idukki, Palakkad, Thiruvananthapuram, kannur, Thrissur, Ernakulam and Kozhikode) have sanctioned loans above ₹ 100 crores and these included in the first group. The remaining 7 districts (Kottayam, Wayanad, Alappuzha, Pathanamthitta, Kollam, kazargode and Malappuram) which have sanctioned loans below ₹ 100 crores belong to second group. From the first group, two districts were selected at random i.e. Idukki and Kozhikode. One district is selected at random from second

group i.e. Malappuram district. Thus total 3 districts i.e. Idukki, Kozhikode and Malappuram were selected.

During the second stage, two Municipalities (Malappuram and Nilambur) and one Grama Panchayath (Areacode) were selected from Malappuram District. Kozhikode Corporation, Mukkom Municipality and Thamarassery Grama Panchayath were selected from Kozhikode District. From Idukki district, two Municipalities (Kattappana and Thodupuzha) and one Grama Panchayath (Kanchiyar) were selected.

Two public sector banks each and two private sector banks each were selected from each sample area. The banks leading in sanctioning education loans are selected. Accordingly, a State Bank Group bank and Canara bank were selected from public sector banks and South Indian Bank and Federal Bank were selected from private sector banks. Accordingly, six public sector bank branches and six private sector bank branches were selected from Malappuram, Kozhikode and Idukki districts. Thus, total, 36 (6x2x3) bank branches were selected. 12 borrowers each were selected from each branch at random and hence the total sample size is 432 (12x36).

Personal interviews with the top level banking officials, bank managers and front line employees of the banks were carried out to make the study more purposeful. For the selection of borrowers for the ultimate study, a multi stage stratified random sampling procedure is used.

1.9.4 Tools for data collection

A structured interview schedule is used for collecting information from the borrowers of the banks. Direct personal interviews were also conducted in order to collect required information from bank officials.

1.9.5 Variables used in the Study

Details regarding the variables used in the study have been summarized in the table given below

Table 1.2
List of Variables Used in the Study

Sl. No	Variable	Purpose
1	District	In order to understand the difference in the perception, awareness, satisfaction etc of the borrowers.
2	Gender	To identify the difference in selection of programmes.
3	Religion	To evaluate the role in selection of programmes for study, tendency to borrow for study etc.
4	Caste	To identify the category of borrowers.
5	Area of Residence	To analyze the difference in amount of loan taken, programme for study, repayment status, perception, awareness, sanctioning of loan, satisfaction of the borrowers, benefits of the scheme etc.
6	Status of the Household	To identify the probability for repayment.
7	Parent's occupation	To analyse the role in repayment, determination of amount of loan etc.
8	Parent's income	To analyse the role in repayment and determination of amount of loan
9	Subject of the Programme	To identify the significance in amount of loan, repayment, perception, awareness, satisfaction, sanctioning and benefits of the scheme.
10	Type of Bank	To identify the significance in sanctioning of loan, repayment, perception, awareness, satisfaction, sanctioning and benefits of the scheme.
11	Reason for taking loan	Identify the need and importance of education loan scheme
12	Amount of loan	To evaluate the role of programme, bank type, area of residence and household status.
13	Cost incurred	To identify the difference in the cost with regard to bank type
14	Awareness Level	To identify the difference with regard to type of bank, area of residence, district and programme.
15	Sanctioning of loan	To identify the difference with regard to type of bank, area of residence, district and programme.
16	Perception	To identify the difference with regard to type of bank, area of residence, district and programme.
17	Satisfaction	To identify the difference with regard to type of bank, area of residence, district and programme.
18	Benefits of the scheme	To identify the difference with regard to type of bank, area of residence, district and programme.

1.9.6. Conceptual Model

The study has developed a conceptual model to describe the working of education loan scheme. It is presented in the figure 1.1 below.

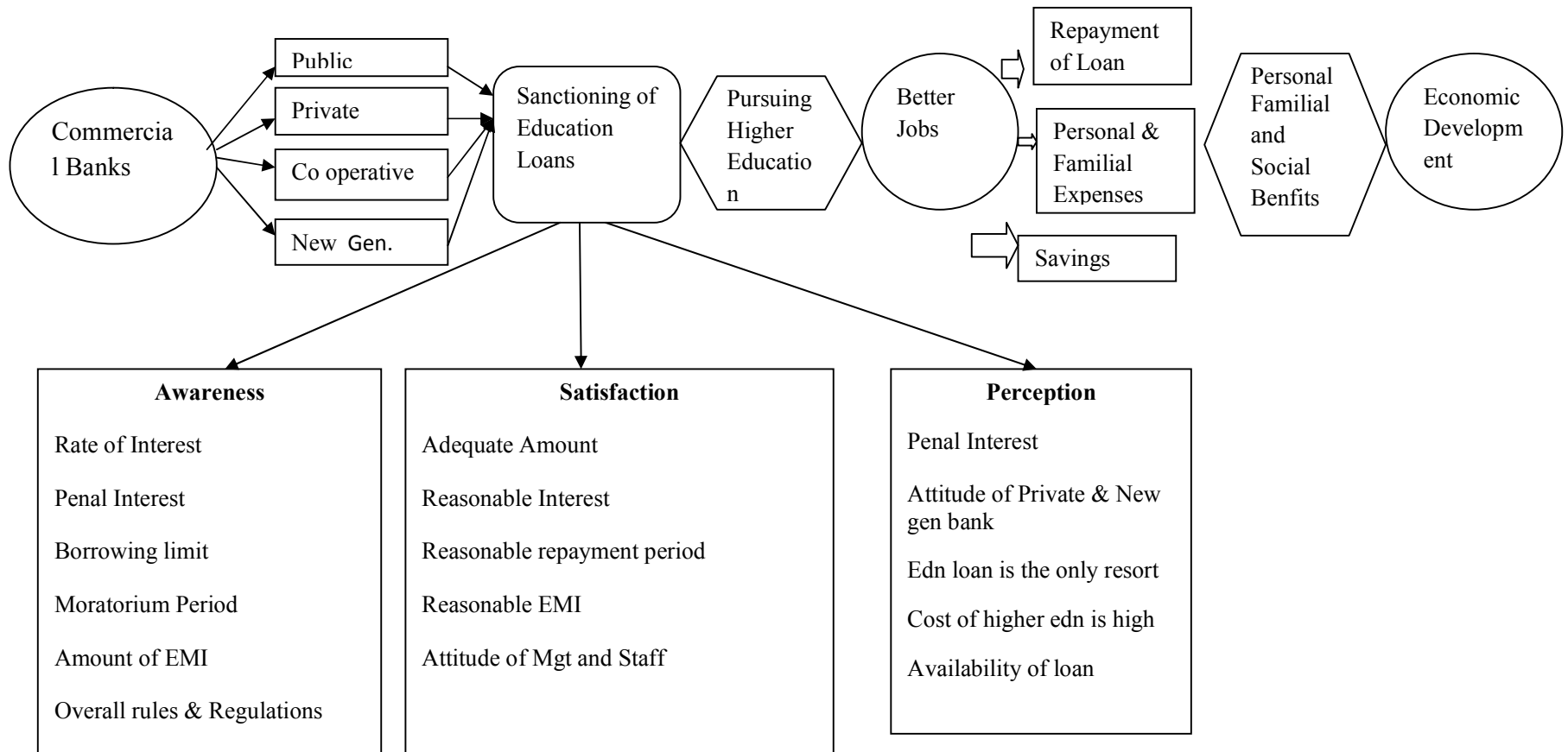


Figure 1.1 : Conceptual Model

1.9.7 Scaling Technique

Most of the data required for the study are qualitative in nature. Hence, a five point scaling technique was used to measure various qualitative data. The data pertaining to the awareness level of the borrowers, their perception, satisfaction level etc have been scaled so for the convenience of analysis.

1.9.8 Method of Data Collection

The primary data are collected directly from the selected borrowers by using a structured interview schedule. The respondents were asked to rate their opinion regarding the scaled statements. The respondents were convinced with the objectives and significance of the study.

1.9.9 Pilot Study

A pilot study was carried out at the beginning stage of developing the tools in order to ensure the reliability, variability and efficiency of the tool. 100 respondents were selected from Kozhikode district for the purpose of pilot study. The demographic features of the borrowers and the data relevant to their awareness level, perception and satisfaction were collected and analysed. The pilot study helped to remove the irrelevant items in the questionnaire. Further, some new items were added to the same in order to improve the promptness.

1.9.10 Reliability Analysis

In order to ensure reliability of the variables under study, the strength of the scale was evaluated. Cronbach's Alpha was used to examine the extent to which the items under each variable adhered to a common core. Cronbach's alpha value for all the scaled statements is above the standard Cronbach's alpha of 0.7.

1.9.11 Normality of the Data

Skewness and Kurtosis were used to find out the normality of the data. The values of Skewness and kurtosis are within the limits prescribed i.e. ± 2.58 and ± 1.96 .

1.9.12 Determination of Sample Size

The size of the population is so large and hence complete enumeration survey is impossible and irrelevant in the case of such studies. Hence, the study is conducted on a representative sample of the given population. The population of the present study consists of the borrowers of education loan whose moratorium period is over and supposed to start the repayment. Normally, a professional programme will be of 3 to 4 years duration. Adding one year moratorium to this, the loan availed in 2010 shall be due for repayment by 2015. Hence the number of education loan outstanding in Kerala on 31.03.2010 is taken as the population of the study. As per the data published by State Level Bankers Committee, the total number of loans outstanding under the head education loan as on 31.03.2010 is 279111. Since the size of population is finite, the sample size is determined by using US National Education Association Statistical Table and formula by Krejcie and Morgan (1976). This is a widely accepted method used to determine the sample size of the researches in Social Sciences. In accordance with this, the following equation is used to determine the sample size.

$$S = \chi^2 NP(1-P) \div d^2 (N-1) + \chi^2 P(1-P)$$

Where,

S = Required sample size.

χ^2 = The table value of χ^2 for 1 degree of freedom at the desired confidence level (0.10 = 2.71, 0.05 = 3.84, 0.01 = 6.64, 0.001 = 10.83)

N = The population size.

P = The population proportion (Assumed to be 0.50 since this would provide the maximum sample size).

D = The degree of accuracy expressed as a proportion (0.05).

By using this equation, sample size is determined as follows.

$$S = \chi^2 NP (1-P) \div d^2 (N-1) + \chi^2 P(1-P)$$

$$= 3.84 \times 279111 \times (0.5)(1 - 0.5) \div (0.05)^2 (279111 - 1) + 3.84 (0.5) (1-0.5)$$

$$267946.56 \div 697.775 + 0.96 = 267946.56 \div 698.735 = 383.$$

Hence, the sample size is rounded to 432.

Sampling Plan at a Glance

The following table depicts the procedure of selection of respondents.

Table 1.3
Sampling Plan at a Glance

Banks		Malappuram			Kozhikode			Idukki			Total
		Nilambur	Malappuram	Areacode	Mukkom	Kozhikode	Thamarassery	Kattappana	Thodupuzha	Kanchiyar	
Public Sector banks	State Bank Group	12	12	12	12	12	12	12	12	12	108
	Canara Bank	12	12	12	12	12	12	12	12	12	108
Total		24	24	24	24	24	24	24	24	24	216
Private Sector Banks	South Indian Bank	12	12	12	12	12	12	12	12	12	108
	Federal Bank	12	12	12	12	12	12	12	12	12	108
Total		24	24	24	24	24	24	24	24	24	216
Grand Total		48	48	48	48	48	48	48	48	48	432

1.9.13 Tools and Techniques used for analysis

The present study utilizes suitable statistical tools to analyze and interpret the data collected from primary and secondary sources. In addition to the simple statistical tools such as graphs, charts, tables, percentages etc, following statistical tools are used to test various hypotheses advanced in the study.

Mean

Arithmetic mean is used to understand the average of the opinion of the borrowers towards the statements related with perception, awareness level, sanctioning of loan, satisfaction and benefits of the scheme.

Standard Deviation

Mean is an absolute value and hence has least role in making inferences. Standard deviation indicates the reliability of the mean.

Trend Analysis

Trend analysis is used to study the rate of growth of time series variables such as rate of growth of loan amount, number of applications, Non Performing Assets etc. The functional form used for the analysis is:

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

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. u_t is the stochastic error term.

Regression Analysis

The amount of loan taken for educational purposes depends on a number of factors such as family income, nature of the course, place of residence etc. To test the significance of the various determinants of educational loan, a multiple regression model of the following form has been used:

$$Y_i = \beta_1 + \beta_2 X_i + \beta_3 D_{3i} + \dots + \beta_{12} D_{12i} + u_i$$

Where, y_i = Amount of loan taken

x_i = Family income

D_{3i} D_{12} are dummy variables representing type of course, place of residence etc.

The significance of each co efficient is tested by the usual 't' test procedure.

Logistic Analysis

Repayment of the loan depends on a number of factors such as income, nature of the course for which loan is taken etc. To analyze the probability of repayment, the present study utilizes the logit model given as:

$$P_i = \frac{1}{1 + e^{-(\beta_1 + \beta_2 x_i + \beta_3 D_{3i} + \dots + \beta_7 D_{7i} + u_i)}}$$

Where $P_i = E(Y = 1/X_i)$ is the probability that a family will repay the loan. The model is estimated using maximum likelihood method. The interpretations of the co efficient are based on the sign of the estimated co efficient. If the sign of the co efficient is positive, as the value of the variable increases probability of repayment also increases.

Independent Sample t test

Independent sample t test has been used to test whether there is any significant difference in the loans sanctioned by private and public sector banks etc. The test statistic is:

$$t = \frac{\bar{X}_1 - \bar{X}_2}{\sqrt{\frac{S_1^2}{n_1} + \frac{S_2^2}{n_2}}}$$

Where, n_1 and n_2 are the respective sample sizes and S_1 and S_2 are the respective sample standard deviations.

One Way ANOVA

One Way ANOVA is used to test difference between three or more means. In the present study, one way ANOVA is used to study the differences in awareness level of the borrowers, perception, satisfaction etc.

The test statistics used for one way ANOVA is the F test calculated from the ANOVA table having the following form:

$$F = \frac{MST}{MSE}$$

Where, MST is SST divided by the degrees of freedom and MSE is SSE divided by the degree of freedom. SST and SSE are total sum of squares and treatment sum of squares respectively.

χ^2 Test

χ^2 test of association has been used to test the association and independence of variables.

The test statistics is given as :

$$\chi^2 = \sum \left[\frac{(f_o - f_e)^2}{f_e} \right]$$

Where, f_o is the observed frequency and f_e is the expected frequency.

Suitable statistical tools appropriate to the case concerned were used for analyzing data. Statistical packages like SPSS, MS Excel, EViews 8 and MegaStat were also used in analyzing data properly.

1.10 Period of Study

The pilot study has been conducted during the first quarter of 2015. Both secondary and primary data have been used in the study. The survey for collecting the primary data is conducted during September 2015 to May 2016. The secondary data relevant to the study were collected for a period of nine years from 2007-08 to 2015-16.

1.11. Operational Definitions

The important terms and concepts used in the study are explained briefly as follows:

1. Education Loan

It is a type of loan or advance granted to only individuals which is designed to help students pay for post secondary education and the associated expenses like tuition fees, books and supplies and other related expenses.

2. Trend

A trend is a general direction of something over a period of time. It shows the inclination of data over a period of time.

3. Pattern

Pattern is a regular and intelligible form or sequence discernible in the way in which something happens.

4. Equated Monthly Installment(EMI)

An equated monthly instalment is a fixed payment amount made by a borrower to the lender at a specified date each calendar month. Equated monthly instalments are used to pay off both interest and principal each month so that over a specific number of years, the loan is paid off in full.

5. Non Performing Asset (NPA)

A non performing asset refers to a classification of loans on the books of financial institution that are in default or are in arrears on scheduled payments of principal or interest. Usually, a debt is classified as nonperforming when loan payments have been delayed for a period of 90 days.

6. Repayment of Loan

Repayment is the act of paying back money previously borrowed from a lender.

7. Public Sector Banks

Public sector banks are the banks where more than 50 percent of stake is held by a government.

8. Private Sector Banks

Private sector banks are the banks where greater parts of stake or equity are held by the private shareholders and not by the government.

9. Penal Interest

It is the punitive interest charged by a lender to a borrower if instalments are not paid in accordance with the rules and regulations of the loan scheme.

10. Moratorium Period

Moratorium period is the duration in the loan term when the borrower need not have to pay back any money. It is the waiting time before the repayment of the loan begins.

11. Priority Sector Lending

It is a scheme of lending introduced by the government mainly with the intention to ensure that assistance from the banking system in an increasing manner is provided to those sectors of the economy which have not received adequate support of institutional finance.

1.12. Limitations of the study

As in the case of all Social Science researches, this study is also not free from certain inherent limitations which are summarized below.

1. The study is highly relies on sampling techniques and hence sampling errors are bound to occur.
2. Most of the private agencies are reluctant to give the necessary information.
3. The reliability of information collected through questionnaires and interview schedules may not be authentic since they are drawn from memory.
4. The respondents feel that the disclosure of information shall adversely affect their expected benefits like subsidy in the interest, waiving of loan etc.

5. Most of the variables used in the study are qualitative in nature and in order to convert the qualitative data into quantitative, scaling technique is used.
6. In addition, this is a novel area, where the previous studies are scanty.

However earnest attempt is made to overcome the above mentioned limitations and to arrive at meaningful inferences.

1.13. Chapter Scheme

The report of this study is presented in seven chapters.

Chapter 1- Introduction

In the first chapter, the introduction, importance of the study, objectives, methodology and data base, sample design, tools for data collection, list of variables used in the study, scaling techniques, method of data collection, details of pilot study, reliability analysis, determination of sample size, tools and techniques used for analysis, period of study and limitations of the study are presented.

Chapter 2 - Review of Literature

In the second chapter, the available literatures related with the present topic were reviewed in order to find the research gap and have a direct experience with the research problem. For the sake of convenience, the available studies related with the topic under the present study have been classified into 8 heads namely – Higher Education, Cost of Higher Education, Quality of Higher Education, Access and Equity, Adequacy, Repayment, Priority Sector Lending and Nonperforming Assets and Commercial Banks.

Chapter 3 - Theoretical and Conceptual Contours of Education Loan Scheme

In the third chapter, the theoretical and conceptual back ground of the educational loan scheme in India is described. The role of education in the social and economic development, cost of higher education, the current scenario of higher education in India and Kerala etc were given.

Chapter 4 - Trend and Pattern of Education Loan in Kerala

This chapter emphasized on the trend, pattern and growth of education loan in Kerala. The growth rate in respect of number of education loans received, amount of loan sanctioned and disbursed by commercial banks in Kerala over the years are analyzed. The increase in the NPA in respect of education loan scheme is also analyzed.

Chapter 5 - Factors Affecting the Amount of Education Loan and its Repayment

The fifth chapter analyses the factors affecting the amount of education in Kerala. The repayment performance of education loan scheme in Kerala is also analysed. Further, the reasons for prompt repayment and factors responsible for default in repayment of loan also are analyzed.

Chapter 6 - Awareness Level, Perception and Satisfaction of Borrowers

This chapter emphasizes the awareness level of the borrowers regarding the rules and regulations of the education loan scheme, borrowers' perception towards the scheme and satisfaction level of the borrowers. The benefits of the education loan to the family, person and to the society are also analyzed.

Chapter 7 - Summary of Findings, Conclusions and Suggestions

In the last chapter, the executive summary of each chapter, major findings of the study, suggestions and conclusions are presented. Scope for further research has been given in the last section of this chapter.

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Chapter 2

Review of Literature

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2.1. Introduction

In order to frame the study in a more effective and efficient manner, to review the available studies related to the present problem is very essential. In view of this, the researcher has reviewed the past studies relevant to the present problem. Further, it helped the researcher to frame the research problem appropriately. Extensive studies have been conducted all over the world in the area of education loan. Based on the thrust area of the studies, such studies have been classified into 8 heads as follows.

1. Higher education
2. Cost of higher education
3. Quality of Higher Education
4. Access and equity
5. Adequacy
6. Repayment.
7. Priority Sector Lending
8. Nonperforming assets

2.2. Higher education

Girikumar (2014) has substantiated in his study that the developed countries in the world had realized much earlier that the individual with higher education has an edge over his counterparts. One of the major reasons for their socio economic development is the realization of this fact. It is the high time that the developing countries identified and gave due consideration to higher education. He opined that the major challenges that contemporary higher education sphere in India faces include access, equity, relevance and quality. The study strongly objects the decision to introduce foreign universities scheme in order to expand the opportunities of higher education in India. According to the study, India's self sustained abundant resources of knowledge is self sufficient to cater to the higher education needs of the people in the country. Introduction of foreign universities scheme shall be detrimental to the planned development of the country as such institutions may not offer welfare schemes during admissions as well as in scholarships and as a result,

educational opportunities shall be deprived to a major part of the population for want of money. The study strongly objects the privatization of higher education and point out that it is a threat to the public system. The developmental activities should involve all the sections of the population and then only the constitutional values and obligation will be materialized.

Vijayalakshmi (2014) had studied the reasons for the closure of 12 colleges affiliated to Bangalore University during the academic year 2013-14. The perspective of the society and policy makers towards higher education should be changed. Employability and job opportunities should not be the single criterion. Education system which ignores the Indian tradition and ethos shall be detrimental to the common interest of the nation in the long run. She comments that the irrational allotment of new courses and new colleges leads to such a vulnerable situation. Further, while there are innumerable combinations to opt for in a graduate programme, the students and parents get confused. Anyway, closure of colleges running traditional graduate courses in Sciences and Humanities shall be harmful in future because along with the new generation courses, basic Science and Humanities subjects also have to be studied.

Jayakumar (2010) in his study on “The Status of Indian Higher Education in Asia: Trends, Issues and Challenges”, observes that the higher education system in India has been witnessing dramatic changes during the recent years. Higher education drives and is driven by globalization. Higher education tries to equip the youth in order to face the challenges of cross border or worldwide development. The study comments that higher education is now a days a vibrant business in Asia. The unprecedented growth in the population, specifically the youth population expands the demand for higher education. To ensure quality education to meet this demand is a big challenge. In order to meet the increased demand, more opportunities should be generated in government sector. Shortage of resources is one of the major constraints in expanding the supply of higher education.

Hatekar (2009) states that the MHRD’s proposal to start new central universities and national universities with the world standards will be helpful to

enhance the quality of higher education in the country. It is a fact that the present state owned universities cannot meet the increased demand for higher education. Hence, the introduction of more central universities shall expand the opportunities. However, before promoting the central universities, the status of existing universities also should be assessed. Most of the state universities are facing many problems. Resource crunch is one of the serious issues. The study warns that if the state governments failed to equip the state universities in order to cope with the changing environment, the plight of state universities will be vulnerable. State governments should take necessary steps to enhance the quality of higher education imparted by state universities.

According to **Thilak (2008)** the widespread introduction of neo liberal economic policies and globalization made the higher education a commodity for trade rather than a public good. But India has its own unique tradition in the field of education. While education is becoming a saleable commercial good, the common interest of the nation shall be diluted. He warns that the fundamental role of higher education in nation building should not be forgotten while formulating public policies related to higher education.

Chattopadhyay (2007) reviewed the literature on Government intervention in education and the pros and cons of some alternative sources of financing higher education. The withdrawal of Government from the higher education space shall affect the quality of education. To pump a huge amount into the higher education sector is really a challenge to the government. At the same time, the alternative sources of funds used by the foreign countries may not be suitable in the Indian context. Finally, he argues that keeping in mind India's imperatives, the Government has to continue to play a leading role in the provision of higher education. He is of the view that fee enhancement and education loans are of limited significance in a country like India.

According to **Kumar & Sharma (2003)** in India, the priority assigned to higher education system has been declining over time. Despite the pivotal role of higher education in the socio economic development of the country, government

tends to withdraw from the space of higher education. The study emphasizes that this situation should be considered seriously. Because of the importance of the sector in the contribution to the overall development of the country, government's role in this sector cannot be under estimated. Compared to the developed countries, a wide gap exists in the priority given to higher education in India. They argued that the ongoing process of dismantling the higher education system in India has to be reversed in order to bridge this gap.

Remadevi (2002) studied the higher education system and the structural disequilibrium in the job market in Kerala and found that there is a mismatch between education and occupation which is associated with a mismatch of education and earnings and the large scale exodus of educated persons in search of better opportunities and emoluments. One of the important reasons for this situation is the blind expansion of the educational sector without considering the demands of the economy together with a sluggish growth of productive sectors of the economy. When the individuals are denied of the opportunity to get employment, they may remain unemployed and the economy is denied of their productive contributions in spite of the huge expenditure for their education. Hence, a dynamic and flexible higher education sector serving the basic technological and academic requirements of the economy is very essential to solve this problem. She pointed out that in the case of students in prestigious institutions, the cost per student to the nation is huge. But most of those students migrate and their contribution to the state revenue is negligible. She suggests that this system of subsidizing the emigrant elites can be solved by taxing such persons at a rate which ensures that each such migrant repays more than the amount spent on his/her education.

According to **Thilak (1999)** student loan programmes are based on a questionable philosophy and unrealistic assumptions. He pointed out that the concept of student loans for higher education has inherent weaknesses. It does not recognize the basic character of higher education, its philosophy is dangerous for society, gains claimed are elusive, the assumptions behind it are unrealistic and it is not a feasible solution to the problem of inadequate resources for higher education.

According to **Halsay, Floud, & Anderson (1961)** social structure of a society is highly related to the sphere of higher education. He argued for independence in higher education because higher education has a pivotal role in social stratification. While higher education is constrained to some class on account of social and economic grounds, equality in development cannot be ensured.

Schultz (1961) had elaborately described about the human capital and according to him, expenditure to education is invariably an investment for the future. The dividend from that investment shall be reasonably higher than the return from other investments.

2.3. Quality of Higher Education

According to **Shriprasad (2014)** a country develops in proportion to education and intelligence penetrated among the mass. One of the major concerns of Indian Higher Education system is deterioration in quality. In addition to this, exploitation of students by the private education providers is a grave concern. Ensuring equitable access to quality education for students hailing from poor socio economic background is a major challenge. The private sector has been actively participating in the development of the higher education system in the country with more than 60 percent of the total higher education institutions being private self financing institutions. Certainly these are positive trends but the higher education system continues to demonstrate many structural shortcomings which create challenges in meeting future expectations. The study recommends promoting the private participation in higher education through development of innovative PPP models.

According to **Singh & Mishra (2013)** the plight of higher education system in India is not satisfactory. Even if the quantity has been expanded to a great extent, quality in this regard is interrogative. Not more than 15 percent of graduates of general education and 25 – 30 percent of technical education are fit for job in their field concerned. Many bodies and authorities have been established in the country in order to improve quality of higher education. University Grants Commission and National Accreditation and Assessment Council and similar independent bodies aim

at regulating and monitoring the standard of institutions in higher education sphere. However, lack of quality norms comparable with international standards, political influences and corruptions discourage these bodies from active interference in the quality improvement.

Palshikar (2010) has pointed out that in expanding higher education, we did not care for quality and thus produced graduates who are not competent enough. The increase in the number of institutions did not reflect the quality of education. Such a system shall produce a large number of graduates who do not possess adequate knowledge and skill. According to him, balancing quality and quantity has always remained a challenge in the field of India's higher education policy.

Nakrani (2010) says that in order to build up knowledge based society, education in general and higher education in particular is holding a fundamental role. According to his study, higher education is the process of transforming students from raw materials to polished youth capable of meeting the challenges in their career and life. The quality of the life of a citizen is highly correlated with the quality of higher education he possesses. In ancient periods, India had the capacity to cater to the higher education needs of not only Indians. In Takshashila and Nalanda, famous ancient universities in India, renowned scholars from foreign countries pursued higher education. Sustainable and all round development of India is not possible if it fails to give due consideration to higher education sector. The study concludes that the higher education system in the country faces many challenges including access and quality. He suggested a massive overhaul of the present higher education system, keeping in mind the goal of national development, which is the only way by which India can strive to provide world class higher education.

Ranjini (2009) in her study cited that the quality of higher education in Kerala is poor. She has indicated the incapacity of the state to break out of its vernacular cocoon. The study highlights that the Universities in Kerala are not the cosmopolitan centers of education. In order to improve the quality of human resources in the state, the quality of higher education should be improved. The

quality of higher education determines the employability and skill of the learners. If the higher education system prevalent in the state fails to impart contemporary knowledge and skills, the investment in education shall not improve the quality of work force.

Pulapre (2006) states that while increasing the number of institutions in higher education in order to expand the system, the quality of higher education has been deteriorating. The statistics testify that the number of institutions in the higher education space in India has increased considerably. But most of the institutions fail to impart quality education. It seriously affects the knowledge, skill and employability of the learners. According to him, trying to expand a second rate educational system would be detrimental to the public interest. In the case of higher education, quality is what matters rather than quantity.

2.4. Cost of higher education

According to **Dewan, Malhotra, & Goel (2014)** Higher Education is no longer as a dream to the students who do not have sufficient finance because ample education loan facilities are available in the market. They argue that one of the major defects of the existing loan scheme is the higher rate of interest. They substantiate that the rate of interest applicable to education loan is much more than that of the car loan. Moreover, when compared to other countries, the maximum amount of loan available is less in India. The study found that the education loan scheme is a great boon to the higher education aspirants who do not have adequate fund for the same. However, in order to make the scheme more effective, attractive and efficient, some modifications are highly essential in the terms and conditions of existing education loan scheme.

Manjunath & Mahesha (2014) opined that funding large population seeking higher education is a herculean task for the Government. The economic reform packages introduced in India in 1991 onwards imposed a heavy pressure on the public funding on education sector especially on higher education. As a result of structural adjustment policies, a fiscal squeeze is experienced in all social sector investments. This restriction of public funding has severely affected the higher

education system in the country. The study proposes that since Government requires huge resources in order to ensure equity and universalisation of school education, financing options which ensure equity of weaker sections and efficiency of education sector is the need of the hour.

Krishnaswami (2014) opined that the nations across the world are trying to reduce their grant for higher education. India has also been moving in this direction for the last few decades. When the total fund earmarked for education is about 4 percent of the Gross National Product, the share of higher education is around one percent only. The Government's withdrawal from the scene shall attract the private players to the education scenario. In a private entrepreneurs dominated education system, access, equity and quality pose serious threats. In order to aver this, the study suggests Public Private Partnership models (PPP) which has been successfully implemented in many states in India. He cites the example of Christ University in Bangalore as a successful model for PPP experiments and he pointed out that such micro level experiments shall succeed only with an effective regulatory mechanism by the authorities.

Carnoy & Dossani (2013) evaluated the higher education governance in India and concluded that the state's role in education has been declining gradually. According to them, the higher education system has been becoming a privately run system for the elites. The study emphasizes the need for governments' active interference in the higher education space in India in order to ensure equity and access.

Thilak (2013) states that in many developing countries, the student fees and loans are positively viewed as feasible methods of financing higher education and they assume that these can be treated as desirable substitutes to public funding for higher education. He establishes that the increasing demand for higher education in BRIC countries has allowed the Governments to shift its cost burden to families through increased fees and loans.

According to **Sanyal & Johnstone (2011)** while the developed countries had achieved a Gross Enrolment Ratio of 58% in 2007, the developing countries had

reached only 18%. Sub – Saharan Africa and South and West Asia have the lowest participation rates at 6% and 11% respectively. China, with the World’s largest enrolment in higher education, had a participation rate of 23%, while the world average is 26%. With the figures, they substantiate that the world wide demand for higher education will continue to grow. Accordingly, the need of resources for the same will also be increased. According to them, the state can never meet such a financial burden in future. Hence they recommended the cost sharing policy in order to solve the problem. Cost sharing means shifting of the increasing costs of higher education from governments and tax payers to parents and students.

Kalia (2010) had studied the financing practices of students of professional education in Punjab and the study pointed out that due to the lack of sufficient funds for creation of adequate infrastructure in professional education in the Government’s budget, the private players entered in the professional education sector in a big way and over powered the educational market of the state, especially after the economic reforms period. The study further revealed that the participation of both students and teachers from socially and economically weaker sections of the society is showing a declining trend in the professional education scenario.

Krishnan (2010) in his article entitled ‘Internal Resource Generation in Indian Universities: A Review of Recommendations and Experiments’, quoted the recommendations of National Knowledge Commission with regard to funding of higher education. According to the commission, in order to supply quality education, sound investment in the sector is needed. Sound investment can be arranged from alternative sources. The study cited the following observations of the national Knowledge Commission:

1. In order to ensure excellence in higher education, 6 percent of GDP should be earmarked for education. Of this, 1.5 percent should be exclusively allocated to higher education.
2. In order to supplement this, other possibilities should also be explored in order to increase the total investment in education.

3. Most of the universities have huge unused resources like land. This type of unused resources should be used properly in order to meet the financial requirements of the universities.
4. The universities can fix the fee for the programme. However, the fee fixed for a programme should meet at least 20 percent of the total expenditure in universities.
5. The present laws should be amended so that universities can invest in financial instruments of their own choice and utilize the income generated from such investments.
6. There is a need to create supportive institutional mechanism that allows the universities to engage professional firms for this purpose.
7. Private investment in education should be promoted in order to widen the opportunities available to the students.

The study concluded that even if there were so many recommendations by various commissions and committees for alternative sources of fund, still universities face severe fund crunch. In order to avail supply of quality education by the universities, internal resource generation by the universities is highly needed.

According to **Prakash (2007)** the public allocation to higher and technical education is not only inadequate but also declining since the last decade and a half. As the public funding of higher education could not keep pace with the growing enrolment, the real unit costs have fallen dramatically since the 1990s. Hence, it is imperative that these trends in funding be reversed and public funding for higher education to be raised.

According to **Agarwal (2007)** the private spending on higher education is estimated at 50% of the total expenditure. He stressed that earlier, this expenditure was predominantly from government sources. He established that the public funding for higher education in India is not only small but its spread is uneven. He concludes that the overall trend is that a larger share of funding for higher education in India

comes from non government sources. This has made higher education in the country increasingly expensive, beyond the reach of the poor. With rising tuition fees, ensuring equitable access to students coming from poor families is now a major challenge.

According to **Das (2007)** owing to the student loan scheme, the students, especially from subordinate sections of the society are liable to fall in a permanent debt trap. Since even loan from public financial institutions require personal guarantee, including mortgage of immovable property or tangible security bonds, the system of student loans will be disadvantageous for the economically weak but educationally deserving students. He further states that with a well entrenched social taboo against female education – especially for higher education – the loan regime will further adversely affect the prospect of female presence in this sector. Above all, he quotes the warning of psychologists that the loan regime will adversely affect the relationship between children and parents because the parents will ultimately have to bear the burden of increasing expenditure on education.

Agarwal (2006) in his work on Higher education in India: The need for change, argues that low level of public funding is a serious issue in the higher education sector in India. The study substantiates that the funds earmarked for higher education is not sufficient in the changing scenario. The fund allocation of the government to this sector is not enough to meet the demand. According to him, the emergence of private institutes and increase in cost in public owned institutes has made higher education beyond the reach of poor. While opening higher education doors to the private sector, he suggests that a social equity fund be set up to meet the need of students from poor socio economic background.

Tilak (2006) pointed out that the best method for financing higher education is financing by the state through its tax and non tax revenues. Student loan and other similar schemes are not the panacea for solving financial problems in the higher education scenario. Because of the peculiar features of the country, these measures will not be successful in India. In the long run, these like schemes will be a curse rather than a boon both to the stake holders of the same and government.

According to **Chakrabarti and Joglekar (2006)** education expenditure at all levels has been significantly increased after introduction of new economic policies during 1990s. In higher education space, costs of some programmes are beyond the reach of common people. Most of the newly started higher education institutions are in private sector. There is no effective mechanism to monitor the fee structure of these privately managed institutions. While increasing the cost of education, a section of the population shall be deprived of the chances. This situation is highly detrimental to the interests of vulnerable sections of the population like women, Scheduled Caste, Scheduled Caste etc.

Sahni and Kale (2004) substantiate that in India, job oriented professional courses are becoming extremely costly when compared to the courses that do not guarantee job. Consequently, education which would generate future income is becoming available to only those who can afford it. The income supposed to be generated after the study by the learners of certain programmes shall be higher and such expectations of future income increases the cost of these programmes as well. The study explains that the regional or specialization disparities exist highly in availability and cost of job oriented higher education.

Govinda (2000) studied the average level of expenditure on primary, secondary and higher education of 15 large Indian states during the period from 1992-93 to 1997-98 and concluded that the actual spending on educational services in low income states is lower than their needs. The inadequacy of income discourages the states from financing education which shall negatively affect the growth of those states.

Godbole (1997) says that the State's increased involvement in financing higher education should be controlled. According to him, a part of the education especially in the case of professional education should be borne by the students. To meet all the cost of education by the state is not feasible in the changing scenario. A part of the cost of professional education has to be paid by the students. However, he stressed that even in the case of professional education, government can financially

help the students who hail from poor socio economic background. It should be in the form of Student Loans.

According to **Mathew (1996)** under any circumstance, the entire cost of providing higher education should not be recovered from the students.

Woodhall (1992) had studied the feasibility of student loans in developing countries and suggested that student loans are feasible and can promote wider cost sharing and help to generate additional resources for higher education, but only if the loan programmes are well designed and efficiently managed. He concluded that student loans can make a contribution in relieving the financial pressure faced by higher education. However, it is not a simple solution to the financial problems faced by higher education in developing countries. He stressed that the reforms and improvements in the efficiency of existing programmes are urgently needed in many countries.

Azad (1976) had opined that the tuition fee charged by the institutions in higher education space as per the existing system is negligible and in order to ensure quality of higher education, adequate fee should be levied. He agrees that it would curtail the academic opportunities of meritorious students for want of money. Hence, he suggested introduction of a differential fee system i.e. higher fees being charged to students who are not regarded as being suitable for higher education and the usual fees from those regarded as academically suitable.

2.5. Access and Equity

Panigrahi (2014) asserts that the expansion of the higher education system in India shall expand the opportunities of the students as well. They shall have better choices and preferences of educational products and services. But at the same time, he apprehends that the access to these opportunities is confined to a particular segment of the society owing to increased cost. It shall aggravate the inequality in the society due to the financial constraints suffered by the marginalized sections of the society. His study testifies that a major segment of the underprivileged

population is beyond the reach of higher education owing to many constraints especially socio economic barriers.

Lalitha and Nari (2014) pointed out wide gender disparities in terms of access to higher education. Despite the rapid growth, expansion and changes in the number of institutions and the level of education, both in the number and quality, the benefits of these developments in higher education sphere have not reached fully to all. Most of the committees and commissions have emphasized the need for ensuring gender equality in higher education. But still, a good number of the target group is beyond the reach. Quantitative factors like lack of adequate number of colleges and institutions and lack of proper infrastructure facilities etc delimit the access of education to women. Further, absence of options according to the choice of learners, non availability of scholarships and fellowships etc are some of the qualitative factors which act as barriers in having higher education to women.

Santhosh (2014) had studied “The Kerala scenario of higher education and Marginalized” which revealed that higher education of the marginalized in Kerala is not as much as planned and expected. The level of higher education is an important element ensuring growth and development of a society. The quality and pattern of higher education has a crucial role in the qualitative development and progress of the society. However, the study revealed that the students from marginalized sections of the society are not getting due representation in higher education sphere in the state. He suggests that systematic and well planned efforts are needed in the state in order to avert the situation.

According to **Gowda (2014)** educated individuals and society is a predominant criterion for determining the socio economic development of a country. In India, only about 20 percent of the population is obtaining higher education opportunities. Disparity in accessibility is highly visible across geographical regions, genders and socio economic groups for want of economic resources, mobility and socio cultural backgrounds. According to the study, in order to rectify the deficiencies of higher education system in India in the areas like accessibility,

quality, financing and governance, a strategic paradigm shift in the policy framework and overall functioning is vital.

Singh and Mishra (2013) are of the opinion that the universities, deemed universities and institutions of national importance in India are merely degree producing institutions. Most of them are far behind in the case of quality when compared to their global counterparts. They cited the inadequate funding and excessive political interference as reasons for this situation. Only about 10 per cent of the total student population enters higher education in India as compared to over 15 per cent in China and 50 per cent in the major industrialized countries.

According to **Nayak (2013)** the private universities should give due importance to quality and cost. The business like functioning of universities will be detrimental to the educational dreams of poor youth in our country. Such universities have to hold democratic values in their functioning and quality in imparting knowledge.

According to **Mahajan (2012)** due to the wide gap in the supply and demand, higher education scenario becomes more and more privatized in India. According to him, as of 2011, 36% of university level institutions in India are in private sector.

Thilak (2012) asserts that according to the neo liberal policies, higher education became a non merit good and subsequently, the state has been withdrawing from funding to higher education. But he establishes that the best higher education institutions in the world in terms of quality and standards are those which are guided by the principles of philanthropy. In this context, he concludes that, in order to ensure quality and equity in higher education, the active involvement and participation of the state in this sector is very essential.

Srinivasan and Das (2011) in their study concluded that a student pursuing post graduate professional course is more likely to get education loan than a student pursuing undergraduate course. Similarly, banks prefer giving loans to students seeking admission in government owned/ approved institution. However, there is no

discrimination between students with or without prior work experience, for getting education loan. The study further reveals the reluctance of private sector banks in extending loans.

According to **Panikkar (2011)** during post independence period, the national leaders aimed at an education system that would be liberal, humanitarian and set the nation on the path of progress and prosperity. He explored that during the past few decades, this agenda has been dumped by the successive governments and it has been replaced by an educational policy which gives more importance to private profit. Despite the objective of the new policy to ensure excellence in education, he concludes that in a country like India, with ample human resources, the only way for achieving excellence is through equity and social justice.

Gandhar (2010) attempted to review the growth and performance of education loan scheme during the period 2004 – 2010 through a case study of scheduled commercial banks in Chandigarh and found that the scheme of educational loans run by commercial banks of India emerges as the need of the hour. The growing magnitude of educational loans indicates that the scheme is getting very popular amongst the higher education aspirants in India. He concluded that the scheme is run purely on commercial basis and does not offer any soft options for the meritorious and the needy.

According to **Varma and Kapur (2010)** even though the admission is restricted by entrance examinations, most of the students studying in IITs are from families having sound socio economic background. Their study revealed that along with other factors, access to IITs is strongly correlated to students' socio economic status.

Ajith Kumar and George (2009) asserted that due to the factors like increase in private costs to be incurred by students, growth of student financed institutions, strengthening of non financial entry barriers, inadequate attention to the problems of the disadvantaged groups etc, the higher education in Kerala which had a well known glory for its access in the past has been becoming an inaccessible one to the socially and economically back ward groups. They argue that the

commercialization, communalization and politicization are now entering the educational system in an unprecedented manner and it is likely to undermine the inclusive features of the nationally and internationally applauded Kerala model of development.

According to **Chattopadhyay (2009)** the Government's policy to apply marketing principles to higher education sector will indeed affect the nation's dream of an inclusive society. The so called policies shall generate a community without values and quality but having higher qualifications.

Dhanya (2008) in her work, "Priority Sector Lending by Nationalized Banks – A Case Study of Indian Overseas Bank", concludes that priority sector lending which is a key sector determining the growth & progress of an economy has to be given due importance by the economic planners of the country while making policy decisions and lending towards Agriculture, SSI & the other priority sector should be increased over the years rather than merely maintaining the targets so as to bring about a sustained and continuous progress of these sectors as well as that of the entire economy.

Banks Face Problems with Education Loan in Kerala, (2007) the unfair practices of some educational institutions, especially institutions outside Kerala, are posing a threat both to the students and banks. Some institutions appoint agents for canvassing students and parents. These agents charge heavy commission from the students. According to bank officials, even blank forms are available in the market in the letterhead of the colleges with the sign of principals. Students themselves can fill their marks and scores in the entrance test. These forms are submitted to the banks along with the application for education loan. According to some of the bank officials, big rackets are going on in the state with the middlemen, who receive hefty commission from the institutions for canvassing students.

According to **Kaul (2006)** Indians spend nearly \$4 billion annually to send their children abroad for higher studies and technical training. Despite the fact that the constitution provides free and compulsory education up to the age of 14, the country also has the dubious distinction of one of the highest level of illiteracy in the

world. He found that there is a mismatch between the degrees available in the market and the demand for employment. According to him, with globalization, there is a great need for India's higher education to provide a platform for gradual integration of its degrees with the best available in the world. He opined that if the government introduces a student loan programme for deserving students at a national level, with a guarantee for those unable to meet the financial surety requirements, it will be a great boost to the higher education aspirants in the lower income group.

Kanitkar (2004) in his article, asserts that the engineering student Rajani's suicide is an eye opener for India's banking system, and is also a clear signal that we need to urgently address issues of equity in our educational system. Rajani was a dalit engineering student in Kerala who committed suicide as her family could not afford the fee for her education. The professional education system is dominated by the private entrepreneurs and it is a big social threat. They charge exorbitant fee for their programmes. Since the number of seats in the case of professional programmes is very limited, students have to depend on private institutions. The Rajani incident is not at all an isolated incident. In order to ensure equity and access in higher education, governments initiatives in this regard is highly essential.

Dasguptha (2002) commented that even if the objective of priority sector lending was to help the weaker sections of the society and thereby the improvement of socially important sectors, most often these social objectives have not been realized due to various social, economic and political interests. Hence, he argued that a new approach is required to ensure flow of credit to priority sectors for the benefits of all the parties concerned. According to him, a new scheme which gives incentives to high risk sectors is required to ensure efficiency and equity in priority sector lending.

Schwartz (1998) had studied the problems of student loan borrowers in Canada and found that majority of the student borrowers face difficulty in repaying their loan amount. The study proved that the inability to repay the loan was the reason for large scale default of student loans rather than the borrowers'

unwillingness to repay. The students who fail to get job after the study find it difficult to repay the loan in time.

Gomathinayagam (1997) studied the impact of priority sector lending on the weaker sections of the rural poor and found that there is a positive impact on the living conditions of the poor due to the provision of priority sector lending. Priority sector lending scheme aims at ensuring adequate funds to some sectors which are highly important and sensitive but are neglected by the banking sector. The scheme offers finance to the needy people in the areas concerned, at affordable terms and conditions. It is a milestone in the banking history in India and funds have been directed in large scale to the sectors which were neglected hitherto. However, the study points out that because of a number of factors, the impact of the scheme is not as much as was desired and planned. Further, she stresses that the impact of priority sector lending should be a sustainable one.

According to **Thilak (1992)** unless student loans are accompanied by carefully formulated policies regarding fees, loans may aggravate rather than reduce inequities. This may lead to inequality of access and declining participation in higher education by ethnic minorities. Access to higher education may be seriously reduced by student loan programmes. Hence, student loans must be judged more in terms of generating finance for higher education, rather than as a measure to improve access and equity in higher education. He concludes that at present, student loans make little contribution to either the efficiency or equity of higher education in India.

Mumper and Vander (1991) conducted a study on Stafford Student Loan Programme and found that the programme eats away the need based student aid funds and shifts the character of student aid from low to middle and upper income students. They argued that the result of this transformation was troublesome. The study revealed that the federal commitment to providing student aid to the most needy and insuring that all Americans have an equal educational opportunity has been undermined. According to them a reform to the existing student loan system is very essential.

2.6. Adequacy

According to **Murugan (2011)** the role of commercial banks in ensuring accessibility of financially backward students to the arena of higher education should not be under estimated. Education loan through commercial banks has a significant role to play in the social development. The study revealed that the education loan scheme has significantly helped to improve the accessibility of the students to higher education. Further, the study notes that the attitude of the borrowers of education loan scheme to the repayment of loan is not satisfactory. The willful default in repayment of loan on the part of the borrowers is a grave problem faced by the banks as far as education loan scheme is concerned. According to the study, in most cases, the amount of education loan sanctioned by the banks is inadequate to meet the cost of higher education. The study testifies that the delay in completing the course and delay in getting the job are major reasons for default in repayment of education loans.

Puttaswaraiyah (2010) studied the education loan scheme prevailing in India and concluded that the number of educational loan is 1580000 in 2009, which increased from 70,000 in 1991. Accounts of educational loan constituted about 3.66 percent of total number of accounts during 2009, which was 0.20 per cent during 1991. This shows that number of students who have taken educational loan for their higher education is increasing over the years. He opined that it may be due to the availability of educational loans, simplified procedures etc. The study revealed that educational loan by public sector banks in India is increasing over the years, showing the increasing demand for education loan. But among the priority sector lending, educational loan constitute a small share of 3.7 percent in the year 2009.

Ansari (2010) points out that in India, higher education is offered through a complex public and private partnership with different types and levels of institutions offering a wide range of educational programmes. While the institutions in government and aided sector receive fund from the government concerned, the private sector institutions are financed from the collection of various fees from the students. The study emphasizes that there is a gradual shift towards greater reliance

on students' fees contributions, which in turn is supported by easily available students' loans. The study further specifies that the existing education loan scheme is inefficient and regressive. In order to enable all the eligible aspirants of higher education to benefit from the programmes offered by universities and other educational institutions, the study suggests an income contingent education loan scheme.

Narayana (2005) empirically analysed the role of student loan by commercial banks in financing the estimated budgetary subsidy to general collegiate education by government and private aided colleges in Karnataka state and found that the current student loan scheme is wider in scope and is responsive to the changing needs of students. The scheme is equally supportive of higher studies in India and abroad. The support for studies abroad is particularly relevant for encouraging international movement of students which is complementary of globalization of educational services.

Geetah rani (2004) argues that increasing reliance on student fees, student loans and privatization, without considering the low income groups may produce aggravated effects in the society. Under the waves of globalization and competition, important economic rationale for government funding especially for higher education is neglected. Public support for higher education remains essential to ensure a balanced achievement of educational and social missions, apart from surviving in the knowledge based society. She warns that cost sharing with students has social and political limits and excessive commercialization of higher education should be forbidden.

2.7. Re Payment.

According to **Nambudiri (2014)** nurses in Kerala look for opportunities in new countries which were not so popular till the recent past. They are ready to work even in war – torn countries like Libya etc and cold nations like Denmark etc. She pointed out that the poor salary in the state forced the nurses to think of jobs in these countries. According to unofficial records, around 60000 nurses from the state are

already employed in foreign countries. One of the major reasons behind this migration is the huge amount of education loans they have to be repaid.

Chronicle (2014) SLBC officials assert that many students are not repaying the education loan even after they got better jobs. Banks sanction loan with the assumption that it can generate income as interest out of the regular repayment of the loan after the moratorium period. But in the case of education loans, the repayment performance is very poor. It affects the profitability and credit worthiness of the banks. Hence, they urge the Government to take stringent action against the defaulters of education loan.

According to **Shinde (2014)** the higher education system in India has grown considerably especially after the independence. However, the expense of higher education has been increasing at a much faster rate in India and it makes the higher education inaccessible to a large section of the society. Most of the borrowers of education loans belong to the low or middle income families. Hence, education loan should be treated as an investment for socio economic development and prosperity. Often, private banks are reluctant to give education loans owing to the low interest rate and high default risk. The study points out that the availability of education loans at affordable terms and conditions is highly essential to ensure the supply of skilled human resources for the economic development of the country. The scheme is really a blessing to the aspirants of higher education. But still, as far as the repayment of loan is concerned, there are certain problems. If the borrower failed to find a better job immediately after completion of the programme, it shall affect the repayment of loan. In order to avoid this grave situation, there should be some provisions for softer loans for the needy groups. The pure commercial nature of the scheme is to be changed.

AmbiliKumar (2013) conducted a study on overdue loans of Primary Agricultural Credit Co operative Societies in Kerala and found that the increase in overdue of loan is a serious threat of Primary Agricultural Credit Co operative Societies. According to him, since the jurisdiction of a Primary Agricultural Credit

Co operative Society is very limited, it can easily manage the problem by careful evaluation of the borrowers and strong follow up actions.

Field et.al;(2012) studied the stress related with financial indebtedness among the micro finance clients in India and found that the financial stress, especially of loan instalment, caused health problems. Meanwhile, the policies for relieving financial stress by limiting debt levels of poor households adversely affect the economic well being of the rural and poor households. According to them, one of the measures for solving the problem is to increase the repayment flexibility of the loans.

Mallika (2012) had studied the problems of nursing industry in Kerala. The study revealed that majority of the nursing aspirants had taken education loans in order to meet the high cost of their courses. Most of the students are unable to repay the loan timely due to the absence of well paid jobs. The study concluded that the financing of education without considering the demand and wage conditions of the human asset will be helpful only to the private corporate including commercial banks and private educational institutions.

Bandyopadhyay and Saha (2011) in their article entitled “Distinctive Demand and Risk Characteristics of Residential Housing Loan Market in India” studied the factors affecting the repayment of housing loans. They found that beyond the change in the market value of the property, factors like marital status, employment situation, regional location, city location, age profile etc also affect the repayment pattern of house loans in India.

Srirekha (2011) conducted a comparative study about the repayment performance of the borrowers of public and private sector banks regarding priority sector loans in Thiruchirapally district of Tamil Nadu. She had taken into account two aspects regarding recovery of priority sector loans, namely recovery of priority sector loans and repayment performance of borrowers as regards priority sector loans. While recovery pattern of agricultural loans is appreciable in private sector banks, public sector banks had a leading recovery performance in the case of industrial loans. As a whole, the over dues are higher for private sector banks when

compared to the public sector banks. She also found that the female borrowers had a better repayment performance than the male borrowers in both the public and private sector banks. The repayment performance of the literates was better than that of the illiterates. The study proved that monthly income has a significant influence on the repayment performance of the borrowers of public sector banks while it does not have any influence on the repayment performance of the borrowers of private sector banks. While education level, occupational status, adequacy of loan, lethargy on the part of the bankers etc have an influence on the repayment performance, number of earning members in the family, age of the borrowers, marital status etc did not have any influence on the repayment pattern.

According to **Raman (2011)** in Tamil Nadu, on an average, only 61.2 percent of the borrowers repay the education loan regularly. Most of the bankers use the help of development agencies for loan recovery. The study suggests that effective supervision, educating the borrowers and regular periodical recovery camps shall be helpful to reduce the default in repayment to a great extent. Bankers complain that more number of ineligible applications, undue political interferences and multiplicity of borrowings are some major issues related with education loan scheme. According to the study, the role of private sector banks in provision of education loans is very scanty. The study further proves that the amount sanctioned by the banks under education loan segment is insufficient to meet the higher education related expenses. The study proposes an interest subsidy scheme for the borrowers having a good repayment track.

Shen (2010) had studied the Student Loan programme in China and suggested that the Government Subsidised Student Loan in China should refine the repayment condition by reducing interest rate and extending repayment periods in order to alleviate debt burden of the students. Further, both the financial institutions and higher educational institutions should help the students to improve the awareness of paying off loans.

A study on role of nationalized banks in supporting higher education through education loans with special reference to Mumbai region by **Prasad (2010)** revealed

that education loan scheme helped a large number of students in pursuing their higher education. Nationalized banks have a dominant role in sanctioning education loans. The bankers feel that proper awareness about the rules and regulations of the scheme on the part of the borrowers is highly needed in order to make the scheme more popular and beneficial. In the case of other segments of loans under priority lending scheme like Agriculture etc, targets are fixed to the nationalized banks. Such a predetermined target is not there in the case of education loans. Most often, banks follow an indifferent attitude towards the scheme due to this. Sometimes, banks demand margin money, collateral securities etc although these are not necessary for education loan up to Rs 4 lakhs. In order to ensure transparency in the sanction of education loans, close supervision of the lending activities of the banks in this regard is needed. The study suggests that if interest rate concessions are offered to the borrowers who repay the loan regularly, it shall encourage the repayment of loan in time which is one of the major constraints of education loan scheme.

Rao and Ghosh (2008) studied the preparedness of Indian banks in managing operational risk and opined that the Indian banking sector is still in its preparatory stage and is constrained in implementing a sound operational risk management system, as it is wanting in risk transfer and its quantification.

In the editorial column of Economic and Political Weekly (2007) stated that most of the banks adopt severe methods to recover the loans and it is a crisis both to the banks and consumers. While the loans are easily and hassle freely available, people are tempted to borrow money for both necessities and un necessities. The ad hoc and irresponsible granting of loans regardless of creditworthiness and without explaining facts to the borrower has led to this crisis.

Baker, Masud and Jusoh (2006) studied the knowledge, attitude and perception of students towards education loan in Malaysia and found that the students have good knowledge about the loan agreement. As far as the attitude is concerned, the study revealed that majority of the students has a negative attitude towards repayment of the loan. They perceived the loan as a burden to them and it limits many options of their life after the study.

Kanagasabai (1999) analyzed the priority sector lending under lead bank scheme in the union territory of Pondicherry and found that the entry of commercial banks into the development process has brought a revolutionary progress in the economy by lending credit to various priority sectors of the economy. He suggested that an integrated approach on the part of lead bank is very essential in order to assess the potential of the region concerned and also to fulfil the credit needs of the target groups.

Fredericks et.al;(1998) had analysed the factors affecting student loan defaults among various racial and ethnic groups and according to their study, the most important reasons for default of student loan are being unemployed and working at low wages. The study further explored that ignorance and misinformation have least importance in default because most of the students realized that the loan has to be repaid. They also found that race and ethnicity have a strong effect on repayment of loan. They also proved that the variables that reduce and increase loan default are substantially the same across minority and majority population but their influence on minorities is larger. They concluded that the default rate differences are based more substantially upon the nature of borrowers and their achievements rather than the types of institutions they had attended.

Shajahan (1998) substantiates with RBI data that almost one half of all NPAs of public sector banks are accounted for by the priority sector.

Mezzanotte, Gianatasio and Murphy (1997) had studied the US Student Loan Industry and concluded that the default rate of student loans highly related with the school and borrower demographics, discipline studied etc. Whether the loan is taken for graduate or under graduate study was also a factor determining the default of the loan repayment. According to them, most of the defaults occur within the first three years of repayment.

According to **Flint (1997)** in the 1990s, defaulted student loans did cost the federal government at least two to three billion dollars each year. The growing cost of defaulted loans resulted in the large part from the burgeoning use of student loans throughout higher education. Owing to the frequent defaults in student loans, the

Congress reauthorized the federal student aid programmes in 1992 and subsequently, hundreds of institutions lost their eligibility for federal student aid programs due to the high default rates caused by their former students. He warned that the federal government's punitive measures against colleges with high default rates will tend to be a burden or punishment to high risk students because a large number of low income and minority students enroll in proprietary colleges. He found that having an adequate disposable income is necessary but is not a sufficient condition for ensuring repayment of education loan. It indicates that there are so many sociological and psychological factors which have an influence on repayment of education loans.

Chuta (1992) had studied the Student Loan Scheme in Nigeria and found that severe problems are there in the system and one of the important problems was the disappointing rate of recovery of the loan. He proposed the establishment of a separate Education Bank to finance student Loans and other forms of investment in higher education.

Greene (1989) had conducted a study on student loan default and found that graduation has a strong negative influence on an individual's default. He advocates that acquiring a college degree increases an individual's ability to acquire a job and to command a high salary. Further, the personal attributes of perseverance, dedication and ability which motivate students to graduate, also motivate them to make student loan repayments. Income and Grade Point Average (GPA) are other important factors which have negative influence on default. The study revealed that religion of students, grant aid and scholarship aid received etc are some of the factors having positive influence on default.

2.8. Priority sector lending

Bansal and Agarwal (1999) in their paper discusses the development of banking industry in India during the post independence era and pinpoints the challenges in priority sector lending. They have found that the World Bank is against priority sector lending because the loans actually advanced to the priority sector were much higher than the stipulated 40% and this is not healthy for the

overall development of the economy and the situation becomes still worse when such decisions are taken to please the bosses of the political parties of the country.

Bishnoi (1991) in his study tries to examine the impact of priority sector credit on public sector banks profitability during 1974 – 1986, and has found that the interest subsidy rates varied across the priority sector and increased over the period, each of the priority sector has shown tremendous increase in absorption of bank credit, the interest income loss to public sector banks increased from Rs 33.44 crore in 1974 to Rs 607.39 crore in 1986. Both the ratio of income loss to total working funds and to operating income are substantially higher than the net profit ratio and profit margin earned by the banks in all these years and the rising interest income loss and low recovery in respect of priority sector credit adversely affected the profitability and fund recycling capacity of the public sector banks. It further weakens the viability of priority sector lending. Considering all these points, he suggests that the entire gamut of priority sector schemes, procedures and system of credit delivery needs to be reviewed and revised for improvement in operational efficiency and profitability of the public sector banks.

Revola et.al; (1989) in their study of the role of banks in the Development of priority sectors, have found that there has been no appreciable rise in the development of priority sectors and that the return flow of funds is not satisfactory and the over dues in the priority sector advances are gradually increasing. They have found that the percentage of over dues outstanding in the priority sector of public sector banks are as agriculture (21.9%), SSI (17.9%), other priority sectors (23.6%), as against the non priority sector over dues (9%) and total for banks (13%).

Samuel and Stephen (1987) in their paper find that the purpose of the priority sector lending is good & should be further accelerated. The study finds that the stumbling block in priority sector lending is the problem of over dues. This problem should necessarily be over whelmed and determined changes are inevitable to achieve this goal. The study has also given few suggestions on these lines.

2.9. Nonperforming Assets and Commercial Banks

Varghese and Manoj (2013) had studied the Educational Loans and Non Performing Assets in Kerala and found that the educational Loan Scheme introduced in India helped to increase the enrollment in higher education institutions to a great extent. But their study testified that the lion's share of the NPAs is traceable to the borrowers belonging to the General Nursing and Midwifery and B Tech Courses.

Mishra (2013) had studied the trends of Non Performing Assets in Public sector banks in India from 1992-93 to 2011-12 and found that the trend is not favourable to the banks. The tremendous increase in loan disbursement during the period increased the volume of NPA as well. He concluded that the banks should be very careful while lending loans to the customers.

Lalith (2013) public confidence in banks and their confidence in borrowers have a direct link with non performing assets. More nonperforming assets mean public or depositors lose their confidence in that bank and they believe that such banks cannot safe guard their interest. She establishes with evidences that the magnitude of NPAs is severe in Indian banks and it will affect the interests of depositors, borrowers, share holders, public and the economy as well. The study indicated that the major reasons for NPAs include willful default, diversion of funds, deficiency in the credit appraisal standards and lack of supervision and follow up. She suggests that the market intelligence system, properly trained staff, exchange of credit information among banks etc will be helpful to reduce the NPAs of banks to a great extent.

Murthy (2013) asserting that banks should try to decrease the volume of NPAs in order to retain their reputation in the stock market too because shares will face a downturn in prices once the NPA of the bank increases during a particular quarter even though the bank might have excelled in several other parameters. Profitability and net worth are major parameters in determining the reputation of a concern. In the case of banking companies, the increase in NPAs shall deteriorate the profitability and net worth of the banks. In addition to the short term impacts of decrease in profit, it shall affect the long term reputation of the banks as well. While

profitability and net worth are not sound, it shall affect the market value of the shares of the bank.

Prasad and Veena (2011) assert that one of the major drawbacks of Scheduled Commercial Banks is their NPAs. According to them, the problem of NPAs can be solved only with proper credit assessment and risk management mechanism. The onus for containing the factors leading to NPAs rests with banks themselves.

Ahmed (2010) analyzed the reasons for poor recovery and increasing volume of NPA of banks in the selected districts of Assam and identified that the poor credit appraisal system, lack of foresightedness while sanctioning credit limits, lack of proper monitoring, reckless advances to achieve the budgetary targets, lack of sincere corporate culture, inadequate legal provisions on foreclosure and bankruptcy, change in economic environment, non transparent accounting policy, poor auditing practices, lack of coordination between the banker and the customer etc are the major reasons for the same. He concluded that NPA being an important parameter for assessing financial performance of banks, reduction of the same is necessary to improve the profitability of the banks and compliance with capital adequacy norms.

Rajeev and Mahesh (2010) conducted a study on NPA in commercial banks and they realized that after financial reforms, many tools have been introduced by the banks to tackle the problem of NPA but still it has been increasing over the years. Their study revealed that the NPA of the priority sector is higher than the NPA of non priority sector and this trend has been continuing over the years. The study emphasizes that the possibility for an advance turning non performing is high in the case of advances to priority sectors when compared to the advances to non priority sectors.

Bhakare (2010) pointed out that there are many reasons for the sorry state of affairs related with the Non Performing Assets management. Important among them are political interference, poor enforcement, archaic Laws and procedures, corruptions at various levels, competition in various banking institutions, flow of

funds etc. He proved that the diverted flow of funds and willful defaults are the major factors contributing to NPAs. According to him, the loan application form is the basic document from which credibility and creditworthiness of the borrower could be judged. Hence, this document should be developed with due care, get filled in properly, communicating all the rules and regulations, penalties in case of non repayment etc. He recommended that the banks should adopt new recovery policy and different schemes like interest rebate, cut of interest with specific period, loan melas, resettlement packages etc in order to minimize the NPAs.

According to **Rana, (2010)** genuine advances, sufficient security, post loan inspections, regular renewal of loans etc will help the banks to minimize the NPAs. Bank management should administer banks as if they are trustees of popular funds or investment. He stressing that otherwise we cannot regain the lost popular faith in banks.

According to **Chandrashekar, (2008)** In India, bank credit has been growing very rapidly in recent years. The retail exposure of banks in the form of personal loans has increased sharply. Even if it is a positive one in one hand, there is a threat too. Liberal sanctioning of loans will lead to the bankruptcy of the banks in the long run.

Jayachandran and Vasu (2003) in their study on Mgt of nonperforming assets in public sector banks have found that the problem of NPAs is more in public sector banks when compared to private sector banks and foreign banks and suggests that proper selection of borrowal accounts, financing viable schemes, extending need based financing, ensuring proper end use, proper post sanction follow up, regular contact with borrowers, regular monitoring of the accounts, avoiding overdrawing extraneous debt, holding recovery camps etc are required for reducing NPAs and to built a banking system with an international orientation.

Rajaraman and Vashishtha (2002) opined that the health of financial sector is a yard stick to the economic soundness of a developing country and hence the growing level of Non Performing Assets in banks, especially in public sector banks, will affect the reputation of the economy as a whole. The study warns that the

waves of the effects of increasing Non Performing Assets shall not be confined to the performance of the bank concerned. The increase in NPAs of public sector banks causes erosion of funds and it shall affect the further distribution of advances especially to priority sectors.

Vijayulu, Sakunthala, and Ramachandran (2002) in their paper attempts to evaluate the problem of NPAs in public sector banks and the ways and means for managing them. They conclude the study by finding the truth that total elimination of NPA is not possible in banking business, but their influence can be minimized. It is always wise to follow the proper policy for appraisal, supervision and follow up of advances to avoid NPAs. Banks should not only take steps for reducing present NPAs, but necessary precautions should also be taken to avoid future NPAs.

Patel and Kaveri (1997) in their study basically aims at studying the strategies followed by different bank branches in managing the issue of non performing advances in the priority sector, and bring out the lessons of recovery from NPAs by the banking sector in the future. The study was undertaken during the second half of 95 – 96 and was completed during 1996 – 97 and contains 23 sample cases. The experience of branches covered in the study suggests that recovery from NPAs is possible provided little care is taken. With the proper approach, sincerity and involvement of staff, recovery problem can be effectively solved. Branches covered in the sample experienced a sharp rise in recovery particularly from agricultural advances, though it has slowed down the pace of deposit mobilization.

Siddaiah (1989) in his study tries to investigate the various factors responsible for over dues of bank loans and finds that the improper identification of borrowers, wrong formulation of schemes, lack of proper supervision over the end use of credit, lack of adequate rapport with the borrowers and lack of prompt and necessary action by the bank staff as some of the important factors responsible for the mounting of over dues in commercial banks.

2.10. Conclusion

The analysis of previous studies indicates that the cost of higher education has been a burden to the governments all over the world. Governments tend to withdraw from funding to higher education. This compels to identify alternative sources of finance for meeting the cost of higher education. Education loan schemes in different forms exist in almost all the countries in the world. In India, the scheme is implemented through commercial banks. As far as Kerala is concerned, there is a high demand for education loans.

2.11. Research Gap

Despite the increased demand for education loan in the state, the plight of this novel priority sector lending scheme is not so satisfactory in the state. The news from the various corners of the state indicate that various problems are there related with the education loans scheme. The increase in the amount of NPA in respect of education loan scheme indicates that the repayment pattern is not satisfactory. Since the studies addressing these issues are very scanty in the state, this study is designed to address some of these issues.

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Chapter 3

Theoretical and Conceptual Contours of Education Loan Scheme

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3.1. Introduction

Prior to the analysis of the details of education loan, it is worthwhile to probe into the history and development of the education system especially higher education system in India. The present chapter shall attempt to discuss the traditionally renowned education system in India with special reference to the state of Kerala. In order to understand the theoretical and conceptual background of education loan scheme clearly, the present chapter is divided into two sections as:

Section A – Higher Education in India - A Historical Perspective

Section B - Education Loan Scheme

Section A

3.2. Higher Education in India – A Historical Perspective

India is the biggest democracy and the second most populous country in the world. The Indian people numbering 133.7 crore are a mixed assortment of various racial strands. In its long and unbroken history of more than 5000 years, there has been a continuous mingling of races, cultures and languages with the result that a large number of languages and dialects are today spoken by different groups. In the range of complexions and features also the population reflects a wide variety from almost white to dark people and from the pure Caucasian to the Dravidian and the Mongolian type. All the great religions – Hinduism, Christianity, Islam, Buddhism and several other faiths and creeds are practiced here. Notwithstanding all these diversities and differences, the country possesses an undercurrent unity and homogeneity of culture and outlook which is uniquely Indian. People practice different religions, belong to different races, adopt different ways of living, speak different languages and yet in a way, they form an integral part of the same whole, each proud of their characteristic differences which they love to hug to themselves. This unity is a deeper and basic fact while the differences are superficial. The greatness of India lies not only in its vastness and variety but more in the continuity and unbrokenness of its ancient culture. It is this continuity of culture and tradition which differentiates India from other ancient countries like Egypt, Greece, Rome

and Babylonia. In its characteristic attitude to life, its loftiness of idealism and its regard for humanitarian and universal values lays the greatness of India's culture and history (Chand, 1999).

Rigveda says, "Let us burn our inner wisdom to remove the darkness of society, let the noble thoughts come from all corners". A highly advanced system of education was there in India even in ancient times. India has an unbroken tradition in this regard. Gurukulas were the centers of knowledge and guru would impart the principles of Vedas to the disciples.

During the time, education was free in India. It was accessible to all. However, shudras were excluded from getting education. Education was not the responsibility of the state as it was purely a private affair. Teachers were from the upper classes of the society, most often, Brahmins. Teachers were considered as the parents of the students. During the period, the ultimate aim of the education was to acquire knowledge.

Gurukulas were then expanded to a group of scholars and parishads dealt in intellectual discussions, debates etc which leads to centers of various faculties. According to some historians, these centers were the old form of University education in India. Nalanda in Bihar and Thakshasila in Rawalpindi were examples of such centers.

3.2.1. Education in India during British Regime

When the East India Company acquired territories in various parts of India, it found that India had a good network of educational institutions all over the country. There were also institutions where highly distinguished scholars who were involved in research as in Science and Social Science. The peculiar feature of these institutions to be noted here is that most of these institutions were under the patronage of the states concerned (Chand, 1999).

The Charter Act of 1813 is considered as the foundation of British Educational System in the country. The aim of the Rulers during this period was very clear. Macaulay's Minutes in 1835 has rightly pointed out this. They wanted a

group of people to be Indian in blood and color but British in taste, in opinion and in morale and intellect (Macaulay, 1835). British Government wanted a class of people having adequate knowledge and intelligence in order to help them in administration. One of the important features of the system was that the facilities of higher education were not uniform throughout the country. Most often, the facilities were concentrated in some localities having ports and business centers. This feature brought high degree of disparities in the accessibility of higher education.

3.2.2. Education in India after the Independence

The immensity of the problems in education which free India had to face can be realized partly by turning to face figures of literacy and unemployment obtained at the dawn of independence in 1947. During a century of systematic state aided educational efforts, only 12.2 percent of the people in the country had been made literate. Of the total population, 8.2 percent only were in all types of institutions of which 5.5 percent were boys and 2.7 percent girls. For a population more than 400 million, there were 218 thousands institutions of various types, in which 18.24 million students were enrolled. In 1947, there were 173 thousand primary schools with an enrolment of 14.11 million; 18140 secondary schools (including middle schools) with enrolment of 2.9 million; 500 arts and science colleges with 193 thousand of enrolment, 140 professional and technical colleges with 44000 students; and about 1300 special schools with 499 thousand students. The total expenditure on education in 1947 was ₹ 576.6 million. The educational expenditure per head of population was Rs 1.94 of which only ₹ 0.69 was met by the government (Ministry of Education, 1965).

On 15.08.1947, with the unfurling of free India's new tri colour national flag displaying the Ashoka Chakra, the symbol of Budhist tolerance, under the leadership of Jawaharlal Nehru, the first Prime Minister of India and chief architect of Independent India ushered in an era of independence. Independent India, carved out by the partitioning of the sub continent, was born with many stresses and strains unprecedented in the history of the mankind. After the restoration of some normalcy, India introduced a planned development through successive five year plans. This

development in the varied sectors of the nation's life attempts to compress centuries of development into decades, ever trying to realize the people's aspirations that are the byproduct of freedom. In the scheme of this overall progress, educational development lies at the very base because education is essentially concerned with the training and development of human resources.

In India, under the federal constitution, education for most part is managed by the state governments concerned. The Union Government has the sole executive responsibility for the maintenance of central universities, national Institutions of importance and others for professional, technical and vocational training and for promotion of research and co ordination and determination of standards in higher education or research. The directive principles of the constitution enjoin on the central government to give free and compulsory education to children up to fourteen years of age, to develop, enrich and spread the federal language, Hindi, as also to develop other modern Indian languages. The central government, through the Ministry of Human Resource Development discharges these obligations in the field of education, science and culture and helps the state governments through a broad based system of grants in aid. The central and state governments work together in the formulation, implementation and evaluation of the various programmes.

Educational efforts, both in terms of finance and manpower, in a country of the size and population of India have to be colossal and these naturally pose great challenges to the educational planners and policy makers.

3.2.3. Higher Education

In India, education has been included in the concurrent list of the constitution since 1976 and hence both central and state governments jointly exercise the responsibilities in this regard. Broad classification of Indian education system comprises pre primary, primary, secondary, Higher Secondary and higher level education. The ten plus two plus three pattern is followed in which higher education consists of three years of education after higher secondary education in the case of Arts, Science and Commerce streams and four years in the case of Engineering and Medicine. This three year/four year bachelor course is followed by two years post

graduation and thereafter doctoral degree of minimum three years. In other words, all post secondary education after class twelve is treated as higher education in India. It includes various subject areas including professional programmes like Engineering and Technology, Medical, Agriculture etc. Higher education comprises three levels of academic studies – Under Graduate Degree programmes, Post graduate Degree programmes and Pre Doctoral and Doctoral programmes like M Phil and Ph.D. It is a general structure and some universities and institutions offer integrated programmes like five years professional course in Law, integrated M Phil, Ph D etc. Prestigious institutions like IIMs offer diploma courses as well.

3.2.4. Institutional Framework of Higher Education

Generally, the degrees, diploma and certificate programmes are offered through the following institutions:

1. Central Universities

These are the universities enacted by the special Act passed in the Parliament. As on 31.3.2016, there are 47 Central Universities in India.

2. State Universities

Universities established by the state government concerned by passing special Act in the Legislative Assemblies of the state are called State Universities. There are 526 State Universities in total in the country. Of these, 197 are in private sector and remaining 329 are in public sector.

3. Deemed Universities

Universities authorized to function as a university by special notification by the central government are known as Deemed Universities. Deemed Universities are again classified into three on the basis of type of ownership as Government, Government Aided and Private sector deemed universities. Total number of deemed universities is 122 of which 32 are in Government sector, 79 in private sector and 11 in Government aided sector.

4. Open University

Universities which impart education exclusively through distance mode come under this category. One Central Open University and 13 state open universities are functioning in the country as on 31.03.2016.

5. Institutes of National importance

These are the institutions like Indian Institute of Technology (IITs, IIMs etc) having authority to award their own degrees and diplomas. As of now, there are 75 such institutions in the country.

6. Private Universities

These are the universities approved by University Grants Commission, run by private entrepreneurs. They are allowed to grant degrees but they cannot run off-campus affiliated colleges. The total number of private universities in the country is 227.

7. Affiliated Colleges

Institutions and colleges affiliated to universities engaged in imparting knowledge in any subject come under this head. The total number of such affiliated colleges as on 31.03.2016 is 39071.

8. Stand Alone Institutions

In addition to the above mentioned institutions, there are 11923 stand alone institutions functioning in the country which offer Diploma level programmes in Technical Education, Teacher training, Nursing, Management etc.

3.2.5. Functions of the Higher Education System

Economic development of a country is directly related with the availability and quality of education specifically higher education system prevalent in that country. In the development process, higher education system has to perform the following functions:

1. Generation and promulgation of knowledge.
2. Make positive changes in the attitude of the learners.
3. Supply of workforce with sufficient knowledge and skill.
4. Improve the quality of individuals and thereby the social life.
5. Contribute to the nation building process.
6. Improve the employability of the citizens.

A healthy higher education system is significantly contributing to the development of the country. Health of the higher education system is measured with the level of sustained autonomy, achievement of pre determined academic standard and availability and accessibility of the system to the weaker sections of the society.

3.2.6. Regulatory Bodies in Higher Education

The governments are very particular in ensuring quality and standard of higher education because of its significant role in the development process. In order to facilitate proper controlling and monitoring of the system, various statutory bodies and authorities were incorporated in the country. The major bodies incorporated in the country in this regard are as follows:

1. University Grants Commission(UGC)

The standards in colleges and universities shall be determined and maintained by University Grants Commission, which is a statutory body constituted by an Act in the parliament in 1956. UGC is entitled to prescribe rules and regulations regarding the quality of teaching and learning in the higher education sphere. In order to assess the quality of higher education periodically, UGC has constituted a separate statutory body namely National Accreditation and Assessment Council (NAAC).

2. All India Council of Technical Education(AICTE)

All India Council of Technical Education is a governing body incorporated under the AICTE Act 1987. The council is responsible to ensure quality and

standard in the technical education imparted by the various institutions in the country

3. Medical Council of India(MCI)

Medical Council of India is established under the Indian Medical Council Act 1956. The council is entrusted to prescribe quality and standard for medical education in India.

4. National Council for Teacher Education (NCTE)

National Council for Teacher Education is the governing body established in 1993 by the National Council for Teacher Education Act. The council is responsible for planned and co ordinated development of teacher education in India. Recognition of institutions for teacher education is also entrusted with the NCTE.

5. Pharmacy Council of India (PCI)

The Pharmacy Council of India was incorporated in 1948. The council is responsible for monitoring the pharmacy education up to graduate level.

6. Indian Council for Agricultural Research (ICAR)

Indian Council for Agricultural Research is entrusted to promote research and related activities in the field of Agricultural Science.

7. Dentists Council of India (DCI)

Dentists Council of India was established in 1948 with a view to regulate the dental education in the country. The council is authorized to recognize the programmes awarded by various institutions in the subject concerned.

8. Bar Council of India (BCI)

Bar Council of India is entrusted to frame code of conduct and ethics of the profession of Law.

9. Indian Nursing Council (INC)

Indian Nursing Council was incorporated in 1947 by Indian Nursing Council Act 1947. The council is responsible for prescribing regulations and standards for training to the nurses, midwives etc.

10. Central Council of Homoeopathy (CCH)

Central Council of Homoeopathy is a body set up under the Homoeopathy Central Council Act 1973. The council is entrusted to prescribe standard and qualities related to education in homoeopathy medicine.

11. Distance Education Council (DEC)

Distance Education Council was incorporated under the Indira Gandhi National Open University Act 1985. Students can get higher education under distance education mode in Open University system. The distance education system is controlled and monitored by the Distance Education Council.

The University Education Commission rightly opined that education is a great instrument of social emancipation by which a democracy establishes, maintains and protects the spirit of equity among its members. In creating skilled human resources, higher education system prevailing in the country has a crucial role to play. Swami Vivekananda said that we want that education by which character is formed, strength of mind is increased, intellect is expanded and by which one can stand on one's own feet. Higher education offers suitable and skilled human resources required by the industry. A sound system of higher education is essential for the development of Science and Technology as well. Further, for better social and administrative governance also, qualitative higher education is essential. Higher education ensures the intellectual independence and helps to create and update knowledge of the people. It helps to educate and train responsible and enlightened citizen which is one of the pre determinants for the economic progress of a country (UGC). That is why higher education is considered as a tool for the developmental needs of a country.

According to a report of World Bank in 1994, higher education offers benefits both to the state and society in various ways. Higher education helps to increase the productivity of the individual, improves the wage level and thereby enriches the individuals and society.

3.2.7. Cost of Higher Education as an Investment

In the education space, higher education plays a crucial role because it directly affects the knowledge creation. For the development of a qualitative human capital also, a sound system of higher education is needed. In order to ensure a sound and efficient higher education system, access and equity should be there in higher education scenario. Everyone who prefers to get it should have a chance to get it. Higher education improves the efficiency and earning capacity of the individual. Consequently, his productivity and thereby the earnings shall be increased. While income increases, his ability to pay tax for the common good of the society also increases. In such a way, the investment in higher education can be reimbursed by the government in future. That is why cost of higher education borne by the government is treated as an investment. Past experiences depict that the privatization and introduction of foreign universities in India is not a panacea for improving access and equity. Strong and healthy education system can be build up only by the Government with the use of public investment. Even in the case of developed countries, the privatization of higher education had seriously affected the opportunities of the marginalized sections. The public good nature of higher education, the capacity of the system to produce dynamic externalities and the role of the system in achieving the equity specify the need for public funded higher education system.

3.2.8. Growth of Higher Education in India

The number of institutions and enrollment in higher education was not satisfactory during the post independence periods. The table 3.1 depicts a picture of the higher education scenario in India during 1950 – 51, immediately after the independence and the present scenario.

Table 3.1
Institutional Capacity Expansion in Higher Education

SI No	Institutional Capacity Indicator	Number in 1950	Number in 2016
1	No of University Level Institutions including 11 Private Universities	32	799
2	No of Colleges	695	39071
3	No of Teachers	15000	15,18,813
4	No of Students Enrolled	100000	3,45,84,781

Source: UGC Data, 2008 and All India Survey on Higher Education 2015-16, MHRD.

In 1950-51, there were only 32 universities in India. The number of colleges was 695. The total number of students enrolled was 1 lakh. If together with these disappointing figures we consider the question of quality at each stage of education, the picture becomes almost appalling. Primary schools which were left to the care of local bodies presented the most depressing sights. Secondary schools were as bankrupt of the educative programmes as the primary schools. The time honored examination system with the sole aim of testing rote memory persisted. Universities continued to remain degree awarding factories turning out service seeking graduates without initiative, without self reliance and without that critical, awakened mind which should be the hallmark of an educated individual. There was thus a host of problems – quantitative as well as qualitative which the government of free India had to address.

3.2.9. From Darkness to the Light

By destroying the British colonial trap, India's independence brought about a radical transformation of education in the country. A number of educational institutions including colleges, universities and other institutes of higher research were established all over the country. The then leaders of political parties and administrative departments made heroic attempts to expand the education system and thereby bring about an era of enlightenment. Instead of about 22 universities,

which the British rulers had established in about 200 years, India could establish about 200 universities and research institutes in less than half a century of freedom (Sankhdher, 1999).

The table 3.2 indicates the increase in the rate of literacy achieved as a result of the combined efforts over the years:

Table 3.2
Literacy Rate in India over the Years (in Percentage)

Census Year	Total	Male	Female
1951	18.3	27.2	8.9
1961	28.3	40.4	15.4
1971	34.5	46	22
1981	43.6	56.4	29.8
1991	52.2	64.1	39.3
2001	64.8	75.3	53.7
2011	73	80.9	64.6

1951-1971: Aged 5+, 1981-2011: Aged 7+

Source: Educational Statistics at a Glance 2014, MHRD

In 1951, the overall literacy rate in India was only 18.3 per cent. According to the table 3.2, it has been increased to 80.9 in 2011 as per the last census. The literacy rate shows a regular and steady increase over the years. In the case of gender wise data as well, the rate of literacy has been increasing both in the case of male and female segment of the population.

The collective efforts by the policy makers and administrators over the years helped to improve the literacy rate to a great extent.

Having attained freedom from British Rule, the Indian people framed the Constitution of their new state which was inaugurated on the 26th January 1950. By the new constitution, India became a Sovereign Democratic Republic. The aim of the constitution is to secure for all its citizens Justice, Social, Economic and

Political; Liberty of thought, expression, belief, faith and worship; Equality of status and of opportunity; and to promote among them all Fraternity assuring the dignity of the individual and the unity of the nation.

To forestall all future trends towards autocracy and totalitarianism, certain directive principles of state policy are enshrined in the constitution which though not enforceable will nevertheless serve as guide posts for all future governments of the country. These principles ensure the continuity of broad aims and policies despite changes of government and parties. They lay down that the State shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice – social, economic and political – shall inform at the institutions of the national life. Constitution guarantees a democratic and equalitarian social order. It is with a view to promoting that broad aim that Article 45, a part of the directive principles, commits the government of the country to endeavor to provide for free and compulsory education for all children until they complete the age of fourteen years. The era of educational reconstruction inevitably followed in the wake of social and economic reconstructions initiated by the National Government after 1947, education being the chief instrument for reconstruction and transformation of society. The first steps taken in the direction of educational reconstruction were the appointment of a series of commissions to survey, study, review and recommend improvements in the different sectors of education. (Ministry of Education Education, 1965)

As a result of these collective efforts, the number of institutions and students enrolment in higher education sphere has been increased enormously. The table 3.3 shows a steady increase in the number of institutions in India in Higher education sector after Independence.

Table 3.3
Growth in the Number of Higher Education Institutions

Year	Number of Institutions			Growth rate %		
	Universities/ University Level Institutions	Colleges	Total	Universities/ University Level Institutions	Colleges	Total
1950-51	32	695	727			
1960-61	56	1542	1598	5.8	8.3	8.2
1970-71	102	3604	3706	6.2	8.9	8.8
1980-81	133	4722	4855	2.7	2.7	2.7
1990-91	190	7346	7536	3.6	4.5	4.5
2000-01	256	12806	13062	3	5.7	5.7
2004-05	343	17625	17968	7.6	8.3	8.3
2014-15	711	40760	41471	24	14.69	-
2015-16	799	39071	39870			

Source: UGC Data, 2008 and All India Survey on Higher Education 2015-16, MHRD.

As in the case of institutions at university level, in the case of number of recognized institutions like colleges etc affiliated to universities as well, there is a regular and positive improvement over the years.

Table 3.4
No of Recognized Educational Institutions in Higher Education

Year	No of Colleges	No of Universities
1950-51	578	27
1960-61	1819	45
1970-71	3277	82
1980-81	6963	110
1990-91	5748	184
2000-01	10152	254
2005-06	16982	350
2006-07	19812	371
2007-08	23099	406
2008-09	27882	440
2009-10	25938	436
2010-11	32974	621
2011-12	34852	642
2012-13*	35829	665
2013-14*	36671	712
2014-15*	40760	711
2015-16*	39071	799

*Provisional

Source: Educational Statistics at a Glance 2014, MHRD, UGC Annual Report 2015-16.

Colleges and universities are the centers for higher learning and increase in the number of such institutions indicates the increase in the opportunities available to the public for pursuing higher education. The table 3.4 obviously shows the increase in the number of both colleges and universities over the years. In 1950-51, there were only 578 recognized colleges in India. The number of universities under this segment was 27. The table 3.4 shows a gradual increase in the number of these institutions during the post independence period.

World Bank states that if education is the electricity of the new international economy, then institutions of higher education are the power sources on which new development process must rely (World Bank, 1993). In its volume and diversity, India occupies third rank in higher education system in the world while China and the United States occupy first and second positions respectively. While USA produces about 60,000 engineers a year, it comes to about 400,000 in the case of India (Business Today, 2015) . Now, India is able to produce the world's most merited scientists, economists, the technologists and philosophers.

Universities are the apex bodies in the higher education sphere. In 1950, there were only 27 universities in India. The number of universities has increased noticeably and the state wise number of universities in India during 2014 – 15 has been depicted in the table 3.5.

Table 3.5**State wise Number of Universities during 2015-16**

Sl No	State/Union Territory	No of Universities					
		Total	Central	State	Private	Deemed	Others*
1	Andhra Pradesh	28		22		5	1
2	Arunachal Pradesh	9	1	1	6	1	
3	Assam	21	2	14	4		1
4	Bihar	22	2	19		1	
5	Chhattisgarh	22	1	14	7		
6	Goa	2		2			
7	Gujarat	57	1	31	22	2	1
8	Haryana	39	1	15	17	5	1
9	Himachal Pradesh	25	1	6	17		1
10	Jammu & Kashmir	11	2	9			
11	Jharkhand	14	1	8	3	2	
12	Karnataka	52	1	27	8	15	1
13	Kerala	20	1	16		2	1
14	Madhya Pradesh	43	2	26	14	1	
15	Maharashtra	45	1	23		21	
16	Manipur	4	2	2			
17	Meghalaya	10	1	1	8		
18	Mizoram	3	1	1	1		
19	Nagaland	4	1	1	1		
20	Odisha	21	1	15	3	2	
21	Punjab	26	1	13	10	2	
22	Rajasthan	70	1	26	34	8	1
23	Sikkim	7	1	6			
24	Tamil Nadu	58	2	27		28	1
25	Telangana	21	3	16		2	
26	Tripura	3	1	1	1		
27	Uttar Pradesh	67	4	31	23	9	
28	Uttarakhand	28	1	13	11	3	
29	West Bengal	34	1	30	2	1	
30	NCT of Delhi	26	5	10		10	1
31	UT of Chandigarh	3	2			1	
32	Puducherry	4	1	2		1	
	Total	799	46 (6%)	428 (54%)	193 (24%)	122 (15%)	10 (1%)

*Institutions established under State Legislature Act.

Source: Annual report of UGC for 2014-15 & All India Survey on Higher Education 2015-16, MHRD.

The number of Universities and University level institutions has increased considerably over the years in the case of all the states. In the case of number of colleges affiliated to these Universities as well, the situation is like this. Table 3.5 shows that there are altogether 779 universities in India. Of these, 6 per cent is central universities, 54 per cent coming under the head state universities and 24 per cent is private universities. 15 per cent coming under deemed universities. The credit for having more number of universities goes to the state Rajasthan (70 Universities), followed by Uttar Pradesh (67).

Table 3.6
State wise Number of Colleges during 2014-15 and Increase in
Number from 2010-11 to 2014-15

No.	State/Union Territory	2010-11	2011-12	2012-13	2013-14	2014-15**	Increase during 2010-11 to 2014-15
1	Andhra Pradesh	4066	4550	4881	4907	2594	932*
2	Arunachal Pradesh	16	17	17	26	26	10
3	Assam	507	507	571	571	548	41
4	Bihar	653	706	695	695	730	77
5	Chhattisgarh	641	681	696	696	717	76
6	Goa	54	60	60	66	69	15
7	Gujarat	1836	1849	2020	2060	2210	374
8	Haryana	902	976	992	1066	1123	221
9	Himachal Pradesh	344	348	349	344	344	-
10	Jammu & Kashmir	322	314	362	379	360	38
11	Jharkhand	231	231	239	279	286	55
12	Karnataka	3078	3370	3454	3674	3624	546
13	Kerala	1063	1063	1250	1259	1212	149
14	Madhya Pradesh	2236	2364	2406	3294	3367	1131

No.	State/Union Territory	2010-11	2011-12	2012-13	2013-14	2014-15**	Increase during 2010-11 to 2014-15
15	Maharashtra	4631	4836	4862	5326	5347	716
16	Manipur	76	80	85	89	86	10
17	Meghalaya	64	69	69	69	67	3
18	Mizoram	28	28	28	29	29	1
19	Nagaland	55	58	60	60	66	11
20	Odisha	1100	1117	1134	1134	1140	40
21	Punjab	852	978	1004	1004	1060	208
22	Rajasthan	2412	2753	2791	2791	2851	439
23	Sikkim	15	15	15	39	21	6
24	Tamil Nadu	2267	2410	2605	2760	2638	371
25	Telangana					2404	
26	Tripura	39	40	47	47	52	13
27	Uttar Pradesh	3859	4440	4787	5094	5907	2048
28	Uttarakhand	360	413	413	424	429	69
29	West Bengal	889	896	942	1057	1061	172
30	A & N Islands	6	6	6	7	8	2
31	Chandigarh	25	27	27	27	28	3
32	Lakshdweep	3	3	3	3	3	0
33	Daman & diu	4	4	4	4	7	3
34	Delhi	240	240	240	242	242	2
35	D & N Haveli	4	4	4	4	10	6
36	Puducherry	86	86	86	87	94	8
	Total	32964	35539	37204	39613	40760	7796

*Andhra Pradesh & Telengana combined increase

**Provisional

Source: Annual report of UGC for 2014-15

While the universities focused mostly on offering post graduate programmes, structuring and restructuring of the curriculum of various programmes, affiliation and approval of colleges etc, colleges are supposed to offer higher education to the

students directly. In the case of number of colleges as well, there is a significant increase during the reference period. The total number of colleges in the country in all the states was 32964 in 2010-11. In 2014-15, it became 40760. 7796 new colleges are commenced in the country by a period of 5 years.

The table 3.6 obviously depicts the increase in the number of colleges during the period. The increase in the number of institutions in higher education sector helped to increase the number of enrollment as well. Table 3.7 shows the Gross Enrolment Ratio in Higher Education from 2001-02 to 2015-16.

Table 3.7
Gross Enrolment Ratio in Higher Education (Between 18 – 23 Years) from 2001-02 to 2015-2016.

Year	Boys	Girls	Total
2001-02	9.3	6.7	8.1
2002-03	10.3	7.5	9
2003-04	10.6	7.7	9.2
2004-05	11.6	8.2	10.00
2005-06	13.5	9.4	11.6
2006-07	14.5	10.00	12.4
2007-08	15.2	10.7	13.1
2008-09	15.8	11.4	13.7
2009-10	17.1	12.7	15.00
2010-11	20.8	17.9	19.4
2011-12	22.1	19.4	20.8
2012-13	22.3	19.8	21.1
2013-14	23.9	22	23
2014-15	25.3	23.2	24.3
2015-16	25.4	23.5	24.5

Source: Educational Statistics at a Glance 2014, MHRD & All India Survey on Higher Education Reports for various years, MHRD.

According to the table 3.7, the Gross Enrollment Ratio in respect of Higher Education was 8.1 in 2001-02. The table shows a steady increase in the ratio over the years. In 2015-16, the ratio became 24.5. The increasing trend in the Gross Enrollment Ratio can be seen in gender wise classification as well. The Gross Enrollment Ratio for boys was 9.3 and for girls, it was 6.7 in 2000-2002. It became 25.4 and 23.5 respectively in 2015-2016. The table 3.7 shows the enrollment status in respect of higher education sphere only. The overall enrolment status during the period concerned is given in the table.

Table 3.8
All India Growth of Student Enrolment 2000 -01 to 2015-16

Year	Total Enrolment	Increase over the Previous Year	Percentage
2000-01	8399443	348836	4.3
2001-02	8964680	565237	6.7
2002-03	9516773	552093	6.2
2003-.04	10201981	685208	7.2
2004-05	11038543	836562	8.2
2005-06	12043050	1004507	9
2006-07	13163054	1120004	9.3
2007-08	14400381	1237327	9.4
2008-09	15768417	1368036	9.5
2009-10	17243352	1474935	9.4
2010-11	18670050	1426698	8.3
2011-12	20327478	1657428*	8.9
2012-13	22302938	1975460*	9.7
2013-14	23764960	1462022*	6.6
2014-15	26585437	2820477*	11.87*
2015-16	NA		

*Provisional

Source: Annual report of UGC for 2015-16

The yearly increase in the overall enrollment was 4.1 in 2000-01. In 2014 - 15, it is 11.87 per cent. It indicates the increasing trend in the enrollment.

Both the overall enrolment and enrolment exclusively in respect of higher education tend to increase over the years.

On the basis of the level, higher education system in India can be categorized as Under Graduate Level, Post graduate Level, Research including M Phil and PhD, Diploma or Certificate Level, and Integrated Level. The table 3.9 shows a level wise status of enrolment during the year 2015-16

Table 3.9
Level wise Student Enrollment: 2015-2016*

Sl No	Level	University Departments	Affiliated Colleges	Total	% in Affiliated Colleges
1	Under Graduate	1345639	23247682	24593321 (86.33%)	94.53
2	Post Graduate	679243	2085643	2764886 (9.71%)	75.43
3	Ph D	161495	19462	180957 (0.64%)	10.76
4	M Phil	18522	18157	36679 (0.13%)	49.50
5	PG Diploma	49725	82710	132435 (0.46%)	62.4
6	Diploma	117976	437137	555113 (1.95%)	78.75
7	Certificate	13358	47950	61308 (0.22%)	78.21
8	Integrated Courses	89297	70750	160047 (0.56%)	44.21
	Grand Total	2475255	26009491	28484746 (100%)	91.31

Source: Annual report of UGC for 2015-16

*Provisional

The table 3.9 depicts the level wise enrollment of students in Universities and affiliated colleges for the year 2015-16. In the case of Under Graduate programmes, 94.53 per cent of the enrollment was in affiliated colleges and only 5.47 per cent of the students enrolled in universities. In the case of Post Graduate level programmes, 24.57 percent were enrolled in Universities and the share of affiliated colleges in this regard is 75.43 per cent only. Since the universities are giving emphasis to post graduate level programmes and research related works, the enrolment in these programmes shall be naturally high in the case of universities. The table 3.9 further shows that of the total enrollment in higher education, 86 per cent is at graduate level. The enrollment to post graduate level programme is 9.71 per cent only. The enrollment to research programmes, certificate/diploma programmes and integrated level programmes is very low.

Faculty wise Students' Enrolment 2015-16

On the basis of the subject of the programme, higher education system can be classified to the faculties as Arts, Science, Commerce/Management, Education, Engineering/Technology, Medicine, Agriculture, Veterinary Science, Law and others. Table 3.10 indicates faculty wise status of enrolment for the year 2015-16.

Table 3.10
Faculty wise Students' Enrolment 2015-16*

Sl No	Faculty	Total Enrolment	% to Total
1	Arts	10271296	36.06
2	Science	5417464	19.02
3	Commerce/Management	4637317	16.28
4	Education	1085876	3.81
5	Engineering/Technology	4885134	17.15
6	Medicine	1118178	3.93
7	Agriculture	240090	0.84
8	Veterinary Science	31332	0.11
9	Law	474423	1.67
10	Others	323636	1.14
	Total	28484746	100

Source: Annual report of UGC for 2015-16

*provisional

According to table 3.10, majority ((36.06%) of the students are enrolled to Arts Programmes, which is followed by Science (19.02%) and Commerce and Management (16.28%).

All the statistics related to the number of universities and colleges, enrollment of the students in higher education space etc show that the opportunities for higher education have been increasing in India over the years.

The higher education system in the country has an inevitable role to play in addressing the economic and political prospects of the country. It contributes to the development of knowledge and skill, for the generation of wealth, growth of employment, improvement in productivity and enhancement of global competitive advantages. When try to expand and improve the higher education system in the country, due consideration should be given to the increased access to the system. The cost of higher education should be affordable to all those who desires the same (Ananadakrishnan, 2010)

3.2.10. Increase in Demand for Higher Education

The data regarding sector wise and level wise enrolment show that the demand for higher education has been increasing in India. The reasons for increase in demand for higher education can be categorized as follows:

1. The economic growth of the population, especially the middle class, has increased their urge to study more.
2. The new economic policies facilitated a borderless growth of job market which emphasized the need of skilled work force.
3. The unprecedented growth of young population between the age group of 18-24.
4. The pay packages of certain specific sectors like IT and management have been registered a significant hike which attracts the youth.
5. Change in the awareness level of the households towards higher education.

3.2.11. Problems in Higher Education

The contemporary higher education system in India is facing many problems in connection with equity, access, size, relevance, quality etc. Exclusion of a vast majority of the population from the process of higher education system is a most disturbing aspect. While expansion is coined with excellence and inclusion, disparities are much higher. The share earmarked for higher education in the Union Budgets has been decreasing. The fund earmarked for Education in the first five year plan was 7.2 per cent of the total outlay but it was came down to 2.9 per cent by the tenth five year plan. The Government of India had constituted many committees from time to time in order to study the various means for mobilization of additional funds for Higher education. Almost all the committees have emphasized the necessity for commitment by the government to finance the higher education system (Rasool Saheb and Masthan, 2010)

The table 3.11 shows the public funding towards the education from 1951-52 to 2012-13

Table 3.11**Public Expenditure on Education and Gross Domestic Product****₹ in Crores**

Year	GDP at Current Price(at factor cost) (₹in crore)	Total Expenditure on Education by Education and other Departments (₹in crore)	Expenditure on Education by Education and other Departments as % of GDP
1951-52	10080	64.46	0.64
1960-61	16220	239.56	1.48
1970-71	42222	892.36	2.11
1980-81	130178	3884.2	2.98
1990-91	510964	19615.85	3.84
2000-01	1925017	82486.48	4.28
2005-06	3390503	113228.71	3.34
2007-08	4582086	155797.27	3.40
2008-09	5303567	189068.84	3.56
2009-10	6108903	241256.01	3.95
2010-11	7248860	293478.23	4.05
2011-12*	8736039	333930.38	3.82
2012-13(RE)*	9951344	408421.71	4.1
2013-14(BE)*	11272764	465142.80	4.13
2014-15	Not available		
2015-16	Not available		

*Revised Estimate

**Budget Estimate

Source: Educational Statistics at a Glance 2016, MHRD

The table 3.11 shows the public expenditure to the whole education system in India from 1951-52 to 2013-14. In 1951-52, 0.64 per cent of Gross Domestic Product is spent on education. In 2013-14, it became 4.13. Even if there is an increase in the per cent of GDP spent on education, when compared to the increased enrollment, this increase is not justifiable.

In every year, while presenting the Union Budget, our finance ministers concerned used to say that we have to make every attempt to raise the national budget outlay for education to 6 per cent of the GDP. Kothari Commission had recommended it in 1966 itself. The NPE of 1986 also had set a goal of 6 per cent of the GDP for expenditure on education. But still, long years after independence, we failed to earmark such a portion of GDP for education.

The education system in India consists of various sectors as elementary education, secondary education, adult education, language development education, university education etc and the public funding towards these sectors during the year 2012-13 is shown in the table 3.12.

Table 3.12

**Sector wise Expenditure (Plan & Non Plan) on Education by Education Dept
(Revenue Account) with Percentage – Centre & State/UTs 2012-13**

₹ in Crore

	Plan Expenditure	Plan % Share	Non plan Exp	Non plan % Share	Total Exp	Total % share
Elementary Education	76059.87	60.59	109555.05	45.57	185614.92	50.72
Secondary Education	24574.62	19.58	85418.01	35.53	109992.63	30.06
Adult Education	1027.55	0.82	296.52	0.12	1324.07	0.36
Language Development	405.50	0.32	960.47	0.40	1365.97	0.37
University & Higher Education	11668.58	9.29	35791.94	14.89	47460.52	12.97
Technical Education	10197.14	8.12	7325.79	3.05	17522.93	4.79
General Education	1604.77	1.28	1077.95	0.45	2682.72	0.73
Total Education	125538.03	100	240425.73	100	365963.76	100

Source: Analysis of Budgeted Expenditure on Education 2011-12 to 2013-14, MHRD

According to the table 3.12, elementary education accounted for 50.72 per cent of the total expenditure on education in 2012-13 followed by Secondary Education, which was 30.06 per cent. The share of University and Higher Education and Technical Education was 12.97 per cent and 4.79 per cent respectively. Even if the authentic data for the years 2013-14, 2014-15 and 2015-16 are not available, the available literature says that the funding to the education is not improved to the expected mark.

A number of commissions and committees have been appointed in India after the independence in order to study the problems and prospects of education at various levels in the country. Various policies were also introduced by the governments in order to improve the quality and efficiency of the education system. All these commissions and policies invariably argued that right to education is very important and education has a pivotal role in ensuring human rights. According to Article 26(2) of the Universal declaration of Human Rights, education shall be directed for the full development of the human personality and to the strengthening of respect for human rights and fundamental freedom. In its eighteenth session in Paris in 1974, UNESCO suggested that education should be directed for the full development of the human rights and fundamental freedom. It shall encourage understanding, tolerance and friendship among all countries. The national policy on education 1986 rightly stated that education is the highway to the goal of economic and technical development of the country. Even if formal education is only a segment of the education, it provides a specialized content for development, unfolding of potential and experience. The ultimate aim of a nation is to build an enlightened and humane society and this aim can be achieved only through universalization of education. According to the educational planners and thinkers, leveling of the socio economic difference between the various strata of the society is possible only through democratization of education. That is why the founders of the constitution of India gave due consideration to education. Article 45 of the Constitution of India states that “the state shall endeavor to provide, within a period of ten years from the commencement of this Constitution, for free and compulsory education for all children until they reach the age of fourteen years. Further, Article 29 of the

constitution emphasizes that no citizen shall be denied admission to any educational institution run by the state or receiving aid out of government funds on grounds only of religion, race, caste, language or any of them. The founders of constitution believed that education is a powerful tool which shall help an individual to counter the limitations posed by social and economic factors on him. The Kothari Commission rightly stated in 1964 that the future of India is being moulded in her class rooms. While primary level education paves foundation for the future development of a person, the stage of secondary and higher education is a terminal stage for some bodies and transition stage for some others. Once, higher education was accessible to only elite class in India. So many socio economic barriers were there in higher education sphere. Caste and cash dominated the criteria to get higher education. Before independence, the enrolment to higher education was less than one million. There were only 500 colleges and 20 universities in the country. But after independence, things have changed considerably. Accessibility has improved impressively. Now, in higher education sphere, one third to 40 per cent of enrolment is from poor socio economic background. (Thilak, 2004). According to Punnayya Committee (1993), the role of higher education can be summarized in three ways:

- i. As a critical factor for meeting the human resource requirements of vital and critical sectors of national development and in order to integrate the efforts to improve human resources.
- ii. As an essential factor to ensure access and equity by offering upward mobility and access to upper levels of economic and social activities especially for the students from poor socio economic background.
- iii. As an important tool for enhancing the quality of life.

Equity and liberty are two important prerequisites for democracy. Absence of either of them shall be detrimental to the smooth functioning of democracy. In a democratic situation, equality means equality in the eyes of law, equality in the enjoyment of rights, equality of opportunity so that to every person may be secured conditions for the execution of his rights and expression of his personality. It is obvious that opportunity is useless without capacity. Hence, equality demands the

establishment of a social system which provides educational facilities for all and eliminates the disabling economic conditions which may prevent an individual from full participation in the social life (Chand, 1999)

3.2.12. Higher Education in India – The Present Scenario

In view of the crucial role of higher education, governments give due consideration and importance to the sector. One of the important reasons for the increased opportunities and increased enrollment ratio is the timely and careful interferences of the state in the sector. A lot of schemes and policies were introduced by the government in order to boost up the growth of higher education. The latest scheme introduced by the central government in this regard is Rashtriya Uchchar Shiksha Abhiyan (RUSA).

Rashtriya Uchchar Shiksha Abhiyan (RUSA).

It is a newly introduced scheme initiated by the central government during the 12th five year plan period. The scheme aims at ensuring access to and improving the quality of higher education through funding to state level higher education institutions. The scheme is designed as an umbrella scheme to be implemented in a mission mode which aims at improving the overall quality of existing higher educational institutions in the state. The funding through the scheme is limited to government and government aided institutions (Economic Review, 2016-17).

The government intends that the well implemented central schemes like Sarva Shiksha Abhiyan (SSA) and Rashtriya Madhyamik Shiksha Abhiyan (RMSA) would help to improve the state of primary and secondary education in the country to a great extent. However, the state of higher education sphere in the country has not improved up to the expectations. The International Labor Organization has predicted that by 2020, India will have 116 million workers in the age bracket of 20 to 24 years as compared to China's 94 million. In such a situation, development of higher education is essential and government hopes that the schemes like RUSA shall be helpful to improve the state of higher education in the country.

With the advent of neo classical economic policies which give importance to liberalization, privatization and globalization, Governments all over the world are compelled to cut the subsidies in almost all spheres. It affected the education sector especially higher education sector severely. Irrespective of the level of development, countries strive to withdraw gradually from funding to higher education. However, the pace of such withdrawal is very high in the case of developing countries. Now, only 6 per cent of the students who pass their secondary level opt for higher education in India. There was a noticeable increase in the allocation of funds by the Government to the higher education sector during tenth five year plan. Even if the higher education sector has progressed a lot, the progress is not up to the need of the country. One of the foremost advantages enjoyed by India is that more than 54 per cent of its population lies in the segment of below 25 years age. But we could not utilize these resources effectively for nation building purpose. Only 6 to 7 per cent of the students in the age group of 17 – 23 has got a chance to have higher education. But that was not sufficient to meet the developmental requirements of the sector. In order to attain targeted 15 per cent general enrolment ratio, there was a resource gap of about Rs. 2.52 lakh crore. One of the remedies in the hands of the state in order to bridge this gap was to introduce private – public partnership in higher education investment. Government had appointed a two member committee on higher Education. The members of the committee were two leading industrialists of India – Mr Kumaramangalam Birla and Mr. Mukesh Ambani. This committee strongly recommended that government should withdraw from higher education sector. Government's role in education should be confined to elementary and secondary sector. As a result of all these, the higher education sector in India has been opened to the private sector. As of now, more than 50 per cent of higher education is imparted through unaided institutions in private sector. The increase in demand for higher education and decrease in funding by the government to higher education sector is a grave dilemma that the higher education sphere in the country faces today.

Knowledge Economy

The policy reforms ushered in India in the beginning of 1990s brought many changes in the higher education system of the country as well. The concept of knowledge economy has emerged in which the teachers became knowledge workers. Economy has been crucially attached to the gains of educational system particularly higher education system.

In economic development, knowledge is a key force in the new liberalized economic scenario. The development of a society highly depends upon its ability to create, choose, adapt and put to use the knowledge. Technological development is possible only through a well versed system of research and development. Quality of research and development of a country is directly related to the opportunities of higher education facilities. The Government of India had classified social and economic services in to public goods, merit goods and non merit goods. According to this classification, education up to elementary level is treated as a merit good. Secondary and higher education is considered as non merit goods. The Government viewed that the subsidies in the case of non merit goods are highly enjoyed by the middle and high income group of the population who do not deserve the same. Hence, subsidy to these sectors should be reduced or withdrawn.

In India, higher education has been imparted by Government, Private Aided and Private Unaided Institutions. Once, the higher education sphere was dominated by the Government and Government aided institutions in India. However, now, the role of government institutions in higher education sector has been decreasing. The table 3.13 indicates the state wise number of public, private aided and private unaided colleges in India during 2015-16.

Table 3.13
Sate wise and Ownership wise Classification of Colleges in India
during 2015-16

Sl. No	State/Union Territory	Private Un-Aided	Private Aided	Total Private	Government	Total
1	Andaman & Nicobar Islands				7	7
2	Andhra Pradesh	1948	181	2129	295	2424
3	Arunachal Pradesh	5	1	6	13	19
4	Assam	47	15	62	411	473
5	Bihar	83	80	163	489	652
6	Chandigarh	2	7	9	16	25
7	Chhatisgarh	305	65	370	329	699
8	Dadra & Nagar Haveli	4		4	3	7
9	Daman & Diu	3	1	4	4	8
10	Delhi	59	16	75	92	167
11	Goa	12	20	32	23	55
12	Gujarat	1226	519	1745	258	2003
13	Haryana	589	112	701	169	870
14	Himachal Pradesh	134	19	153	147	300
15	Jammu and Kashmir	145	17	162	142	304
16	Jharkhand	106	28	134	147	281
17	Karnataka	2206	422	2628	636	3264
18	Kerala	800	201	1001	215	1216
19	Lakshadweep					
20	Madhya Pradesh	1208	203	1411	639	2050
21	Maharashtra	2649	950	3599	830	4429
22	Manipur	21	14	35	48	83
23	Meghalaya	12	16	28	20	48
24	Mizoram	1		1	28	29
25	Nagaland	13	31	44	21	65
26	Odisha	303	410	713	353	1066

Sl. No	State/Union Territory	Private Un-Aided	Private Aided	Total Private	Government	Total
27	Puducherry	48	2	50	27	77
28	Punjab	585	177	762	198	960
29	Rajasthan	1758	150	1908	484	2392
30	Sikkim	4	1	5	9	14
31	Tamil Nadu	1781	248	2029	315	2344
2	Telangana	1693	121	1814	218	2032
33	Tripura	6	2	8	42	50
34	Uttar Pradesh	4435	613	5048	794	5842
35	Uttarakhand	153	61	214	119	333
36	West Bengal	411	221	632	447	1079
	All India	22755 (64%)	4924 (14%)	27679 (78%)	7988 (22%)	35667

Source: All India Survey on Higher Education 2015-16, MHRD

Table 3.13 depicts the ownership wise distribution of higher education institutions in each state. It invariably shows the role of private sector institutions in the higher education sphere.

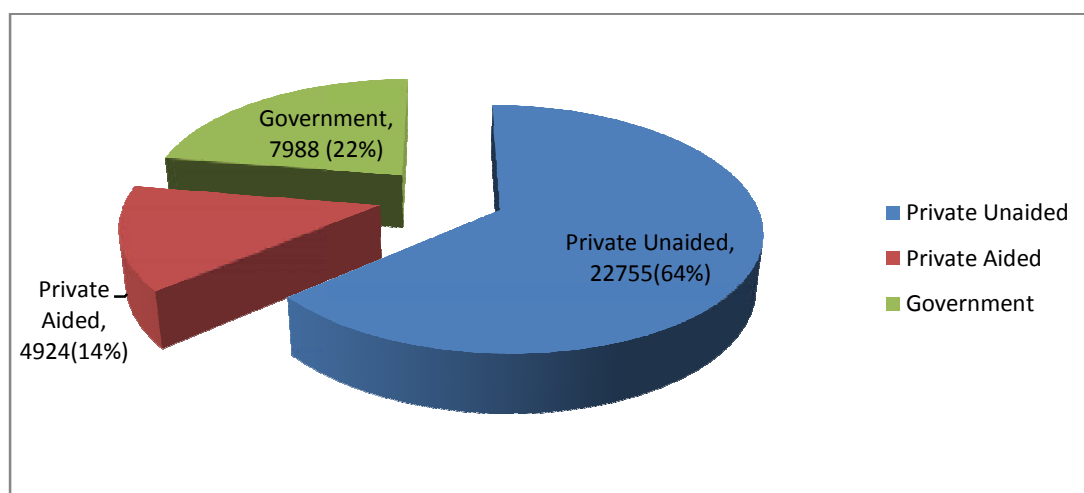


Figure 3.1
Ownership wise Classification of Colleges in India

According to the table 3.17, there are in total 35,667 colleges in India during 2015-16. The figure 3.1 indicates the dominant role of private sector in the higher education scenario. 64 per cent of the institutions in higher education are in private unaided sector. The share of private aided sector in this regard is 14 per cent. Only 22 per cent of the institutions are in Government sector. Since profit is the ultimate aim in the private sector, the price for education in these institutions shall be a costly one. It shall affect the accessibility.

The privatization of higher education helped to widen the avenues of higher education. More job oriented and industry needed programmes were introduced. Number of seats and institutions has been increased considerably. According to a study conducted by National Sample Survey on participation in education, 63 percent of the students in graduate and above programmes enrolled in privately managed institutions owing to non availability of programs in government sector and poor quality in government institutions. However, the following evil impacts of the privatization of higher education cannot be ignored:

1. Social protection in the sphere of higher education is defeated.
2. Social and political chaos.
3. Irrational competition by the private entrepreneurs.
4. Education became a saleable and profitable product.
5. Un sustained development of the society
6. Cost of higher education became unaffordable to the bottom of the pyramid.
7. Increase in access has deteriorated the quality.
8. In respect of minimum requirements of infrastructure and other facilities, availability of qualified and experienced full time faculties etc, most of the private institutions are far behind the public sector institutions.
9. The disparities with regard to regions, disciplines etc are so wide in the case of private institutions.

The twenty first century has created a new environment for education in general and higher education in particular. The revolutions in the field of information, broadcasting and communication technologies have opened new arenas

for higher education. In such a scenario, people are talking of borderless education. The GATS agreement also has brought a new dimension to higher education. All this leads to demand for quality higher education in India.

However, access to higher education is a grave concern in India. In 1950 – 51, immediately after the independence, the Gross Enrolment Ratio in respect of higher education was only 0.70 per cent. It has been improved to 1.4 per cent in 1960 – 60. In early 2000, it was 8 per cent. It was very low while compare with the Gross Enrolment Ratio of world average i.e. 23.2 per cent. In the case of developed countries, the ratio is more than 54 per cent. While majority of the people who have to be included in the group are beyond the reach of higher education avenues, access is really a grave concern.

In addition to access, equity is also a concern. The chance of being included in the higher education scenario has been forbidden to a majority due to various factors like gender, geographical differences, economic status etc.

Even if the Government's aim was genuine, the consequences of the policy led to the commercialization of higher education sphere. Private entrepreneurs in higher education sector began to see education as a saleable and profitable product. Even if government's aim was to ensure inclusion in higher education, the policy excluded the meritorious students from the purview of higher education arena for want of money. The impact of globalization on education is also to be mentioned here. According to the WTO Secretariat in 1998, rapid changes are occurring in higher education scenario and hence, education also exists as a private consumption good with a price determined independently by the institutions which offer the same.

In this era of globalization, as a responsible democracy, Government has certainly to reinvent its role. In addition to arranging facilities for social change, Government has to strengthen its social infrastructure to ensure equitable development. In the emerging knowledge dominating economy, building a strong human capital platform to complement the natural resource endowment and to exploit the human resource potentials is crucial to India.

Statistics state that India will soon have the largest youth population in the world with immense capabilities to contribute to wealth generation. The National Knowledge Commission has noted that our ability to use and create knowledge determines our capacity to empower and enable citizens. Investing in higher education and its quality is vital for sustaining high rate of economic growth. The global competitiveness of India and its human resource potential is highly correlated with the availability and quality of specialized human resource.

The influence of education on poverty, income distribution, health care, demographic changes etc have all proved to be crucial and significant. Earnings of workers with high education shall certainly rise remarkably. This rising premium on higher education reflects the growing demand for skills, driven in large part by the spread of new technologies. Researchers suggest that the increase in the number of skilled workers may have boosted the value of further education and made it more important for growth, unveiling the virtuous cycle of skills, growth and demand for more skills. Thus, building a work force with higher level skills is becoming an increasingly important component in improving the climate for investment, acquiring a competitive edge and generally maintaining an engine of growth (World Development Report 2007).

3.2.13. Higher Education in Kerala

Kerala, a small southern state of India, ever since its formation, has been making incredible advancements in the sphere of education. The state holds highest percentage of literacy among the Indian states. Kerala has always remained at the forefront of education.

History testifies that education was confined to the upper class in Kerala. The Maharajas of Travancore were patrons of Sanskrit learning. It attracted many learned Brahmins to the state from the east. A number of schools were started in the localities where such Brahmins had lived. In such schools, the instruction was in Vedas, Vyakaranas, Tharka, Mimmamsa law etc. But this system of learning did not reach to the lower segment of the society (Remadevi, 2008) . Education became a popular matter of discussion to the common people of Kerala only in 1817 during

the reign of Rani Gowri Parvathi Bai. She considered education as a concern of the state, she proclaimed that the state should defray the entire cost of education of its people in order that there might be no backwardness in the spread of enlightenment among them, that by diffusion of education they might become better subjects and public servants and that the reputation of the state might be advanced thereby. As a result of this, many government schools have been established in the state. The credit for popularizing English education in the state goes to the Christian Missionaries.

However, the organized efforts to expand the education throughout the state was started only in 1860s by the then Divan of Travancore Sri TM Madhava Rao. He formed a vernacular education department for promoting education especially Malayalam education. A regular system of grant in aid to vernacular education came into force only in 1869. Later, it was extended to the private English schools as well in 1888.

Kerala is well known even globally for the developments it achieved in many spheres like health, education etc. It is the most literate state in India. In the case of indicators of human development also, Kerala ranks fairly well. Universalisation of primary and secondary education is a reality in the state. It is one of the states in India which offers elementary education to all the children deserving the same. That is why “Kerala Model” became a popular slogan at once.

Table 3.14 shows the literacy rate of Kerala from 1951 to 2016.

Table 3.14
Literacy Rate in Kerala from 1951 to 2016

Year	Total	Male	Female
1951	47.18	58.35	36.43
1961	55.08	64.89	45.56
1971	69.75	77.13	62.53
1981	78.85	84.56	73.36
1991	89.81	93.62	86.17
2001	90.92	94.2	87.86
2011	93.91	96.02	91.61
2012	93.95	96.21	91.99
2013	94.01	96.41	92.09
2014	94.36	96.67	92.65
2015	94.47	96.52	92.41
2016	94.57	96.61	92.52

Source: Economic Review 2016

According to the table 3.14, the overall literacy rate of the state in 1951 was 47.18 per cent. In respect of male, it was 58.35 per cent and in the case of female, it was 36.43 per cent. Afterwards, in each year, there was a significant increase in the rate of literacy. In 2016, the overall rate of literacy is 94.57 which is highest in the country. The literacy rate in respect of male has increased to 96.61 per cent. The literacy rate in the case of female shows a significant increase. In 1951, the rate was only 36.43. It has been increased to 92.52 per cent in 2016.

The literacy status of the state has increased considerably. However, as far as higher education sphere is concerned, the picture is not so desirous. Most of the

critics on ‘Kerala Model Development’ argue that while Kerala gives more emphasis to primary and secondary levels of education, higher education sector does not receive such an attention and consideration. Even if Kerala is in the forefront in most of the development indices, it fails to become a model for all other states in the country. It is a state which has high literacy rate, high enrollment ratio, gives elementary education to all the eligible children and high health care indices. But still, Kerala is not at all an economically developed state. In terms of economic development, Kerala ranks a lower position. One of the major reasons for the failure of the state in economic development is the low level achievement of the state in higher education sphere.

3.2.14. Expenditure on Education

During the first year of the XII Plan, the amount earmarked for education sector was ₹ 590.24 crores. The per cent share of higher education has increased during the period significantly. But in the case of technical education, there is only slight increase. General education has obtained more than 80 per cent of the total allocation during the period.

Table 3.15

Average plan Outlay and Expenditure during the First 4 years of XII Plan
₹ in Crores

Sectors	Annual Plan 2012-13			Annual Plan 2013-14			Annual Plan 2014-15			Annual Plan 2015-16		
	Outlay	Exp	% of Exp	Outlay	Exp	% of Exp	Outlay	Exp	of Exp	Outlay	Exp up to Nov 2015	% of Exp
School Education	287.15	286.54	99.79	333.5	220.2	66.1	636.81	226.63	67.29	349.75	78.37	22.41
Higher Education	202	154.15	76.31	247.99	154.15	62.16	367.97	207.29	56.34	510.42	98.15	19.23
General Education (Total)	489.15	440.69	90.09	581.14	374.35	64.41	704.78	433.93	61.57	860.17	176.52	20.52
Technical Education	101.09	142.33	140.95	117.86	96.95	82.33	143.22	106.44	74.32	184.45	48.75	26.43
Total	590.24	583.02	98.78	699	471.3	67.42	848	540.37	63.72	1044.62	225.27	21.56

Source: Economic Review 2016

The table 3.15 shows the outlay and per cent of actual expenditure in respect of the each sector of the education. The table 3.16 shows the per cent of fund available to each sector in the years concerned.

Table 3.16
Expenditure on Education during the First 3 years of XII Plan

₹ in Crores

Sector	2013-14		2014-15		2015-16	
	Expenditure	Percent	Expenditure	Percent	Expenditure	Percent
School Education	220.2	47	226.63	42	223.11	25
Higher Education	154.15	33	207.29	38	439.1	48
General Education	374.35	80	433.93	80	662.21	73
Technical Education	96.95	20	106.44	20	246	27
Total	471.3	100	540.37	100	908.21	100

Source: Economic Review 2016

The table 3.16 shows the proportionate investment by the state in various sectors of education during the first three years of XII Plan. The table indicates an increase in the funds spent on higher education. During the year 2013-14, of the total spending on education, 33 per cent was the share earmarked for higher education. It was increased to 38 per cent in 2014-15 and then to 48 per cent in 2015-16. Even if the amount is less than that which is earmarked for school education, the proportion to higher education has been increasing. But due to the high demand and increased enrollment in higher education, the fund earmarked for higher education sector is insufficient to meet the requirements.

Table 3.17**Total Sector wise Expenditure on Education during the year 2015-16***₹ in Crores*

Sector	Expenditure up to November 2015	Percent
School Education	78.37	35
Higher Education	98.15	44
General Education Total	176.52	79
Technical Education	48.75	21
Total	225.27	100

Source: GOK, State Planning Board, Economic Review 2016

For the year 2015-16, data are available only up to the November 2015. Up to the said period, the total expenditure incurred by the Government in education sector is ₹225.27 crores. Of this, 79 per cent is spent on general education and 21 per cent on technical education. The fund spent on higher education is 44 per cent while in the case of school education, it is 35 per cent. While comparing with the data for previous years, amount spent on higher education is more than school education only in the year 2015-16. Since the data for the year 2015-16 is incomplete, it cannot be concluded that the expenditure by the Government on higher education has increased in the year 2015-16.

While primary and secondary education is available to almost all at a free or low cost, higher education is a costly product in the state. It is due to the fact that in the case of primary and secondary education, majority of the institutions are either in government or government aided private sector, majority of the institutions in higher education space is in private unaided sector. The table 3.18 shows the management wise distribution of schools in Kerala.

Table 3.18**Management wise/Stage wise Number of Schools in Kerala: 2015-16**

Stage	Government	Private Aided	Private Unaided	Total
High Schools	1162	1406	453	3021
UP Schools	865	1848	266	2979
LP Schools	2592	3886	404	6882
Total	4619 (36%)	7140 (55%)	1123 (9%)	12882 (100%)

Source: GOK, State Planning Board, Economic Review 2016

In the case of school education, of the total 12882 institutions, 37 per cent is in Government sector, 55 per cent is in private aided sector and the private unaided sector's share is only 9 per cent. It can be concluded that in the case of school education, more than 90 per cent of the institutions are in Government and Government Aided sector. A meager portion of the sector is held by the private unaided sector. But in the case of higher education sphere, the situation is just reverse. Particularly in the case of technical and professional education, major portion of the sector is held by private unaided agencies.

Recently, many new institutions and programmes have emerged in the higher education sector. But almost all these institutions and programmes are in private unaided sector. The unprecedented growth of private sector affects the higher education system in two ways. Firstly, these private sector institutions give more importance to certain courses only. Secondly, the cost of courses offered by these institutions is very high which is unaffordable to the students from middle class families. The institutions of higher education are expected to function as centers for value based transformation. But as of now, unfortunately, this has not been achieved by these institutions to a great extent. The table 3.19 indicates the management wise distribution of colleges in Kerala.

Table 3.19
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 3.19 obviously indicates that unlike the school education, the lion share of higher education institutions is under the ownership of private unaided managements.

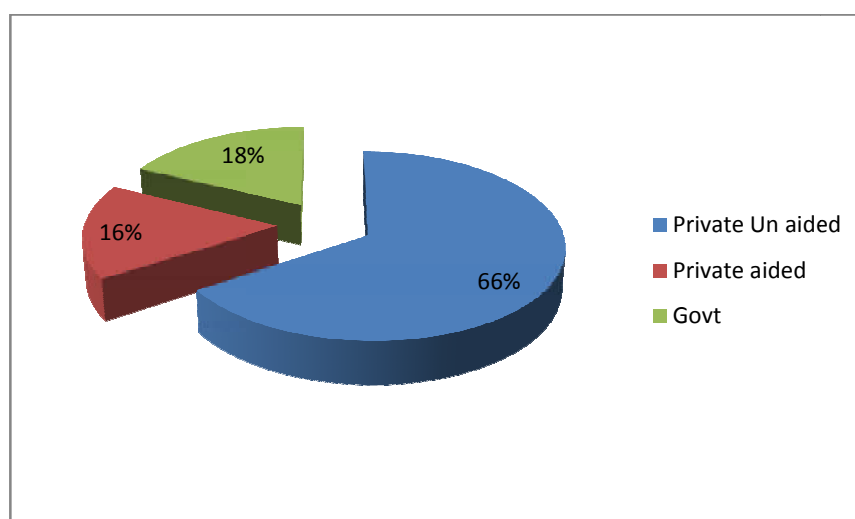


Figure 3.2
Ownership wise Distribution of Colleges in Kerala during 2015-16

In 2014-15, 64.9 per cent of the colleges were in private unaided sector. The role of private aided and government institutions was 17.6 per cent and 17.4 per cent respectively. In 2015-16, these became 65.81, 16.5 and 17.69 per cent respectively. The private unaided sector held a dominant share in the case of higher education institutions.

3.2.15. Enrolment in Private and Government Colleges

In terms of number of institutions in higher education sector, private sector holds dominant role. Accordingly, in the case of enrolment also one can see this dominance of private players.

Table 3.20
Enrolment in Private and Government Colleges

Sl No	Type of Institution	2014-15		2015-16	
		Enrolment	Percentage	Enrolment	Percentage
1	Private Un aided	265906	46.4	303561	47.87
2	Private aided	215026	37.5	230533	36.36
3	Total private	480932	83.9	534094	84.23
4	Government	92710	16.1	99935	15.77
	Grand Total	573642	100	634029	100

Source: GOI, All India Survey on Higher Education 2014-2015 and 2015-16, MHRD.

The table 3.20 testifies that majority of the students in Kerala are pursuing their higher education in private unaided institutions. In 2014-15, more than 83 per cent of the enrolment was in private sector. Of this, 46.4 per cent was in private unaided sector and 37.5 per cent is in private aided sector. The role of government in this regard was only 16.2 per cent. In 2015-16, the enrolment in private unaided institutions was increased to 47.87 per cent. In the case of aided and government sector, the ratio is reduced to 36.36 per cent and 15.77 per cent respectively. As in

the case of number of institutions, in respect of enrollment as well, private unaided sector holds a dominant share.

In the case of some professional programmes like Management and Engineering, almost all the institutions are in private unaided sector. The role of government and aided sector in this sphere is very scanty. For instance, in the case of Engineering Education, of the total 164 Engineering Colleges in the state, 152 are in private unaided sector.

Table 3.21
Management wise Details of Engineering Colleges in Kerala during 2015 and 2016

Sl No	Type of Management	2015		2016	
		No of Colleges	Sanctioned Intake	No of Colleges	Sanctioned Intake
1	Govt	9 (5%)	3343 (6%)	9(5%)	3283(5%)
2	Aided	3 (2%)	1700 (3%)	3(2%)	1850 (3%)
3	Unaided	152 (93%)	53194 (91%)	171(93%)	55243 (92%)
	Total	164 (100%)	58237	183	60376

Source: GOK, State Planning Board, Economic Review 2016

In the case of Engineering education, 93 per cent of the institutions are in private unaided sector. 92 per cent of the intake is also in private unaided sector. It indicates that in Engineering education in Kerala, a massive share of the segment is handled by private players. The fee charged by these institutions in unaided sector is very high which is unaffordable to the common people. In 2016, 19 new engineering colleges were newly started in the state and all these are in the private unaided sector.

In the case of medical and paramedical programmes like Nursing etc, the situation is not different.

Table 3.22

Institutions Affiliated to the Kerala University of Health and Allied Sciences

Sl No	Type of Management	No of Colleges	Sanctioned Intake
1	Government	36 (13%)	3528 (18%)
2	Aided	5 (2%)	276 (1.5%)
3	Unaided	241 (85%)	15654 (80..5)
	Total	282 (100%)	19458 (100%)

Source: GOK, State Planning Board, Economic Review 2016

As in the case of Engineering, Medical education is also controlled largely by private players. The government and aided sector together holds only 19.5 per cent of the total enrolment and the balance 80.5 per cent is hold by private entrepreneurs. 85 per cent of the institutions under this sector are in private unaided sector. It invariably shows that the role of Government institutions in offering programmes in these sectors is extremely low. A significant share of the sector is in the hands of private unaided sector.

Most of the aided educational institutions are running self financing courses apart from conventional programmes. Exclusive self financing colleges are also there which offer modern and job oriented programmes. Under the self financing system, government does not give any fund to the institutions. The institution has to find out funds for its running. Similarly, the institution does not pay any share of profit to the government. Fee charged by these institutions are much higher than the fee for conventional programmes.

According to the report of the Kerala Education Commission, the excellence in education cannot be achieved without equity. In order to ensure excellence, accessibility to a large part of the population is essential. In the liberalized economic scenario, the states intend to withdraw from funding to education and gives greater freedom to private entrepreneurs. It is obvious that such private agencies are mainly

interested in investment with assured returns. Invariably, the cost of such education shall be unaffordable to the common people (Parishad, 1999) .

Since the future return is absolutely uncertain in the case of investment in higher education, students and parents fear to borrow from money market in order to meet the cost of higher education. Further, the lenders shall also have apprehensions regarding repayment of the loan due to the specific nature of risk. It is in this background that the government has introduced a special type of loan exclusively for financing the cost of higher education.

Section B

3.3. Education Loan Scheme

When compared to school education, higher education is a costly affair all over the world. In order to ensure access in higher education, most of the countries have introduced education loan schemes suitable to the specific needs of the countries concerned. The present section tries to understand the theoretical and conceptual framework of Education Loan Scheme.

3.3.1. Need for Investment in Human Capital

Economists believe that human resource is an important part of the wealth of nations. In this sense, all of the acquired and useful abilities of all of the inhabitants of a country is to be treated as a part of the capital. According to Schultz, investment in human capital has a dominant role in the economic development. He exemplifies that when people from an agrarian sphere take nonfarm jobs, they earn substantially less than industrial workers of the same race, age and sex. Likewise, non white urban males earn much less than white males even after allowance is made for the effects of differences in unemployment, age, city, size and religion. All these are because the differentials in earnings correspond closely to corresponding differentials in education. The large differences in earnings seem rather to reflect mainly the differences in health and education. The curve relating income to age tends to be steeper for skilled than for unskilled persons (Schultz,1961).

The investment in human beings yields a return over a long period. Schultz suggested an alternative method for estimating human investment by its yield rather than by its cost. While any capability produced by human investment becomes a part of the human agent and hence cannot be sold, it is nevertheless in touch with the market place by affecting the wages and salaries the human agent can earn. The resulting increase in earnings is the yield on the investment. According to Schultz, knowledge and skill is highly required in order to increase return on investment. The short supply of human capital having superior techniques of production shall result in under production, wastage and thereby decrease in yields. According to him, some growth certainly can be had from the increase in more conventional capital even though the human resources available lacks both in skill and knowledge. But the rate of growth will be seriously limited. It simply is not possible to have the fruits of a modern agriculture and the abundance of modern industry without making large investments in human resources.

Schultz pointed out that in the case of developed and developing countries, the increase in national output have been large compared with the increase of land, man hours and physical reproducible capital. Investment in human capital is probably the major explanation for this difference. The Westerners identified the importance of investment in human resources decades back and they support the higher education aspirants by giving financial assistance as educational loans. (Schultz, 1961)

In India, the need for investment in human resources has been identified by the policy makers during the initial stage of the independence itself. But the share of public money to higher education sector is considerably low. Proper agencies were not there in order to give financial assistance to the higher education aspirants.

While India has been emerging as an economic power, to utilize the untapped human resource is very crucial. For this, the young blood which is one of the most important blessings of the country should be equipped with sufficient knowledge and skill. In order to achieve this, investment in higher education is inevitable. It is possible only through qualitative education at cheaper cost.

According to Fu X Dietzenbacher E and Los B, one per cent increase in the average level of human capital in the secondary sector yields direct output growth of 0.076 percent in this sector. 0.076 per cent direct output growth in the secondary sector yields 0.143 per cent growth in the entire economy. (Dietzenbacher & Los, 2002)

3.3.2. Need a Rethink regarding Investment in Education

Education, especially higher education along with land, labour and physical capital has been significantly contributing to the economic development. Hence, higher education is to be considered as the engine of development in the modern world economy. Labour is the main asset of the poor and hence making it more productive is the best way to reduce poverty. This indicates the need for enhancing the opportunity to earn money and developing the human capital to take advantage of those opportunities. (World Development Report 2007). In such a juncture, to tap the benefits from this demographic potential, we have to formulate appropriate policies for higher education in a way which helps us to capitalize opportunities while upholding both equity and quality. Now, India is the third largest higher education system in the world after China and the USA in terms of number of enrolment. In terms of the number of institutions, India is the largest higher education system in the world. The financial outlay on higher education is now more than ten times of what it was in 1950s. But still the amount spent on higher education is less than one per cent of the GDP.

According to Economists, China is getting richer but older while India is becoming richer and younger. APJ Abdul Kalam, our former President and Missile man of India advised the youth of India to dream and transform dreams into vision, vision into plan of action and plan of action into achievement. He had a vision that the creative energies of the more than 500 million young people of India would transform the country into a great power of the 21st century. In order to realize this, we have to propose a system of education having excellence to meet the knowledge challenges of this country (Reddy, 2010)

In order to realize this objective, the Government of India, in association with Indian Bankers Association (IBA), introduced the Education loan Scheme through commercial banks.

3.3.3. Financing of Higher Education

Expenditure on education was an important element to both the state and central governments due to its paramount importance. The statistics indicate that the governments' expenditure for investment in higher education had been increasing year by year. But due to the advent of neo liberal economic policies ushered in the country during the early stages of 1990, Government's role in spending for education has reduced. Due to the privatization of higher education sector, cost of higher education increased enormously. In such a juncture, search for alternative sources for financing higher education was the need of the hour. Many alternatives were there in order to tackle the problem like increase the fee of the programmes, privatization of the programmes etc. Introduction of education loan was one of the important alternatives in this regard. The scheme of Education Loan was experimented in India decades back.

3.3.4. The National Loan Scholarship Scheme

The Central Government had recognized the need for financial assistance to the higher education aspirants in the country even in 1960s. In order to tackle the problem, the government had launched a National loan Scholarship scheme in 1963. The objective of this scheme was to ensure the financial assistance to the higher education aspirants in the country. It was a scheme in which the Government directly gives financial assistance to the students. The scheme was a great success in the sense that it could extend financial assistance to students from poor socio economic background in order to pursue higher education. However, the repayment of the loans sanctioned under this scheme was not satisfactory. Hence, due to the financial constraints, the Government was compelled to withdraw the scheme in 1991.

3.3.5. Introduction of Education Loan Scheme

On the withdrawal of the state from financing higher education, alternative sources of finance had to be identified. Introduction of more scholarships and fellowships, increase in the tuition fee of the programmes, introduction of education loan scheme etc were the major alternatives before the policy makers in this regard. Of these, education loan scheme holds paramount importance due to its liberal terms and conditions and hassle free availability.

In the changing scenario, fully public funded higher education system is a mirage. Governments severely experience fund crunch and hence tend to withdraw from funding to higher education. At the same time, a dominant role of private sector in higher education also has its own socio economic handicaps. In such a context, what is viable is the presence of both private and public institutions with some mediating forces. Education loan scheme through commercial banks can be considered as one of such mediating forces.

Indian Bankers Association had appointed a study group for analyzing the need for education loan scheme in India. On the basis of the recommendations of this group, IBA drafted a model education loan scheme in 2001. In accordance with the scheme, Reserve Bank of India directed the commercial banks to implement the scheme of education loan vide the circular number RPCD.PLNFS. BC. No 83/06.12.05/2000-01 dated 26.04.2001. With reference to the circular, most of the banks in India have drafted their own education loan schemes.

3.3.6. Objectives of the Education Loan Scheme

In the neo liberalized economic scenario, cost of higher education has increased enormously. Even the students from middle class families face difficulties to find finance for higher education. Hence, the education loan scheme aims at ensuring financial assistance to meritorious students through commercial banks in order to finance their higher education cost in India and abroad.

3.3.7. Need for Education Loan Scheme

The review of past studies related with education loans helped to realize that the education loan scheme is a powerful tool to ensure the development of human capital in India. Availability of loans for meeting the cost of higher education is the only resort to the students in a country like India where the largest portion of the population belongs to young people but the enrolment ratio to higher education is very poor. The meager contribution of the Government through budgetary allocation to the higher education also increases the importance of education loan scheme. The increase in number and amount of education loans sanctioned over the years emphasis the need of education loan scheme in India. Following specific reasons point towards the need for education loan scheme:

1. Largest population of young people below 30 years increases the demand for higher education.
2. Expansion of privatization in higher education.
3. Poor budgetary support.
4. Limited access of poor to higher education for want of funds.

3.3.8. Education Loan Scheme in Foreign Countries

When compared to school education, higher education is a costly affair all over the world. In order to ensure access in higher education, most of the countries have introduced education loan schemes suitable to the specific needs of the countries concerned. In order to have an overview regarding education loan schemes all over the world, the features of education loan schemes which persist in some of the foreign countries have been outlined here:

Student Loan Scheme in United States

In the United States, 60 per cent of students used to borrow funds for meeting expenses related to higher education. Mainly, three types of students' loan schemes prevail in America:

- a. Federal Students' Loan Scheme (Stanford and Perkins Loans).
- b. Federal students' Loan to parents.
- c. Private Student loans.

Federal Students' Loan Scheme (Stanford and Perkins Loans).

Under this scheme, loans are granted to deserving students with liberal terms and conditions. Government subsidy is available for these types of loans.

Federal students' Loan to parents.

Under this scheme, student loan is granted to the parents based on the creditworthiness of the parents.

Private Student Loans.

Under this scheme, government subsidy is not available. Repayment of loan along interest shall commence once the programme is completed. In the United States, both the subsidised and unsubsidised loans are guaranteed by the Government.

Student Loan Scheme in United Kingdom

In UK, loans for educational purposes are given by the Government through the Student Loan Companies (SLCs). Students from low income families are entitled to maintenance grant as well which need not be repaid.

Education Loans in China

In China, the school education is totally funded by the state. As far as higher education is concerned, in the case of deserving students, low interest loans are given through China Industrial and Commercial Bank. The loan with concessional rate of interest is available to three types of students:

- a. Top students encouraged to attain all-round excellence.
- b. Students specialising in programmes like education, agriculture, forestry etc.

- c. Students willing to work in poor, remote and border regions or under harsh conditions.

Students Loans in Canada

In Canada, student loan scheme functions under the aegis of Canada Student Loan Programme (CSLP) which receives fund directly from the Federal Government. The individual states concerned are permitted to design their own education loan schemes as well. In addition to these, banks are lending commercial loans in order to pursue professional programmes.

Student Loans in France

A means tested higher education grant scheme is prevalent in France through which meritorious students from the low income families can avail assistance for higher education. The amount of the grant is determined in accordance with the means based weightage. The students who are not eligible for the grant are liable to pay fees in government institutions as well.

In addition to the grant, student loan scheme also exists in which the commercial banks sanction loans for educational purposes. 70 per cent of such loans are guaranteed by the Government.

Denmark

In Denmark, the grants and student loans are managed by the Ministry of Science, Innovation and higher education. Financial assistance is available to the students at secondary and tertiary level.

Secondary school grants are free grants sanctioned based on the income level of the parents. University students are also eligible for grant which is to be repaid. In addition to the grants, student loans are also available.

New Zealand

The student loan scheme is prevalent in New Zealand since 1992. Subject to the conditions, loans are given to meet the compulsory fees, course related costs and

living costs of the borrower. No interest is charged to the borrowers who are residents of New Zealand and the scheme offers a repayment holiday of one year.

Income Contingent Loan (ICL) in Australia

Under the Income Contingent loan scheme, the cost incurred in respect of higher education by the government is deferred until the debtors' (students) income reach beyond a predetermined threshold. The repayment is determined at a maximum of between 4 and 8 percent of annual income of the beneficiaries. The scheme envisages that the amount shall be collected by the employer from the salary of the employee and remitted to the government in due course. The scheme emphasizes that the repayment of the debt (cost incurred for the studies) commenced only when the debtor i.e. the student attains a placement and receives an income which is above the predetermined threshold.

3.3.9. Education Loan Scheme in India

The education loan scheme in India was introduced following the announcement in the budget 2000-01. Based on recommendations made by a Study Group, IBA had prepared a Model Educational Loan Scheme in the year 2001. The Educational Loan Scheme outlined by the IBA aims at providing financial support from the banking system to deserving/ meritorious students for pursuing higher education in India and abroad.

The detailed rules and regulations of the Education Loan Scheme in India have been shown as Appendix 2.

3.3.10. Role of Education Loan Scheme

The education loan scheme through commercial banks is advantageous both to the students and government. Following specific advantages of education loan scheme indicate the role of the scheme in the higher education sphere of the state.

1. Considerable amount of money required for education can be arranged in a short time with minimum efforts.
2. Government can gradually withdraw from funding to higher education.

3. A major portion of the higher education sector can be converted into self financing mode.
4. Government can channelize more funds to primary education sector which actually paves way to higher education.
5. Education loan makes the students more responsible and diligent on their studies which shall improve their internal efficiency.

The entry of private agencies to higher education space caused for steep increase in the cost of higher education specifically in the case of some of the most-sought-after programmes like Management, Engineering, Medicine, Nursing etc. The education loan scheme helps a large number of students in order to face this challenge to a great extent.

3.3.11. Challenges of Education loan Scheme

As a priority sector lending scheme, the shortcomings of all other schemes under this sector hold good in the case of education loan scheme as well. Unlike the other schemes, the future cash inflow under this scheme is completely uncertain. Following are the major challenges faced by the education loan scheme in Kerala.

1. The education loan schemes almost all over the world shows a poor repayment ratio. In many countries, the repayment rate is below 40 percent. (Thilak 1999). In Kerala as well, repayment of education loan is not satisfactory.
2. The uncertainties and risks associated with the employment after the completion of programme discourage the parents and students from borrowing.
3. At least in some cases, the feeling of borrowing funds for higher studies makes the students frustrated instead of making them diligent. The burden of repayment of loan and interest shall deteriorate their morale and it shall affect their studies.

4. The fundamental principle of education loan scheme is that one has to be paid for having higher education. In a country like India, which has been progressing with the welfare state concept as mentioned in the constitution, to shift the burden of higher education from the Government to the students and households shall certainly be detrimental to the common interest. It ignores the social investment dimension of higher education.
5. The increasing trend in the Non Performing Assets in respect of the education loan scheme is a head ache to the banks. It affects the profitability and creditworthiness of the banks.
6. Complaints related to rejection of application for loans by banks. Some of the bankers and managers hold an indifferent attitude towards the scheme. Due to the fear of default in repayment, they discourage the applicants.
7. Insufficient amount is also a problem. The students and parents are required to mobilize a huge amount in addition to education loan in order to get admission to professional programmes. Some amounts charged by the institutions like donations, building fund etc do not come under the purview of education loan scheme.
8. Most of the rules and regulations related to education loan scheme are ambiguous.
9. Absence of merit cum means option. Often banks give priority to economic back ground of the borrower rather than merit and need.
10. Uncertainty regarding completion of course. Sometimes, students are compelled to select a particular programme either due to the preferences of the parents or just because of the reason that education loan is available to study the programme. In such cases, due to the lack of sincere commitment on the part of the students, chances for discontinuation of the programme are high and it shall affect the repayment of the loan.

11. Even if the programme is professional, modern and job oriented, if the student does not have the capacity to cope with the programme, employability will not materialize.
12. The employability of the programme may change over time. Sometimes, at the time of admission, the programme may be most wanted and attractive in terms of job opportunities. But, due to various reasons like changes in the economic and political policies, the demand for the programme may decrease at the time of completion of the programme. It shall affect the job opportunities of the students and thereby the repayment.

3.3.12. The Education Loan Repayment Support Scheme 2017

The Government of Kerala has announced a 900 crore support scheme to assist the students availed education loans. The scheme is applicable to the education loans up to ₹9,00,000 and it has retrospective effect from 1.4.2016. The scheme intends to support the repayment of education loan during the four years after the repayment holiday. According to the scheme, the government will share 90 per cent of the repayment liability in the first year, 75 per cent in the second year, 50 per cent in the third year and 25 per cent in the fourth year for loans up to ₹9,00,000 for which repayment started before 1.4.2016 and had not become non performing advance. The benefits of the scheme would be available only to those having an annual income up to ₹6,00,000. As per the scheme, in the case of loans up to ₹4,00,000, that became non performing on or before 31.3.2016, the government will share 60 per cent if the borrower settled 40 per cent of the amount and the bank waived the interest. For loans above ₹4,00,000 and up to ₹9,00,000, the Government will share 50 per cent of the principal amount up to a maximum of ₹2,40,000.

The detailed modalities of the scheme are not yet finalized. However, the scheme shall be helpful to a large number of students and their families in the State in order to relieve from the trap of debt.

3.4. Conclusion

India has an outstanding tradition in the higher education space. After independence, the education system in the country witnessed gigantic changes. Literacy rate has increased to a great extent. In the case of higher education also, the achievements are unimaginable. The number of institutions and programmes has increased considerably. The enrollment ratio has also increased noticeably. However, most of the newly started programmes and institutions are in private unaided sector. Statistics shows that about 64 per cent of the institutions in higher education system are in private unaided sector. The increased cost in the private sector affects the accessibility. Equity is also a problem in the case of private unaided sector. A majority of the population faces difficulty to mobilize funds for meeting higher education expenses.

The second section of the chapter discusses the higher education scenario in the case of Kerala. The situation is not different in Kerala too. Most of the institutions and programmes in higher education are in private unaided sector in the state. It compels the parents and students to depend on others in order to find finance for education purposes.

The Government of India has introduced the Education loan scheme in the country in order to ensure access and equity in the higher education sphere. Education loan scheme aims at providing financial support from the banking system to deserving/ meritorious students for pursuing higher education in India and abroad.

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Chapter 4

Trend and Pattern of Distribution of Education Loan in Kerala

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4. 1. Introduction

Commercial banks play a pivotal role in the socio economic development of the state. In the case of fund mobilisation through deposits and lending of the funds to the needy people, the role of banks in the financial system is so crucial. One of the important segments of loan portfolio of the banks is priority sector lending. Banks advance funds to the most deserving sectors of the economy under this category. Agriculture is the first and foremost component of the priority sector lending scheme. Housing, MSMEs etc are other important items coming under the priority sector head. One of the most important components of the priority sector lending scheme of the banks in Kerala is the Education Loan Scheme. In the changing socio economic scenario, education loan scheme plays a significant role in the development of the community and thereby the country. In view of this, government liberalises the terms and conditions related to education loan scheme. It encourages the students and parents to borrow funds in order to pursue higher education. Education loan in its present form has been introduced in India in 2000-2001 and since the inception of the scheme, Kerala is one of the leading states in sanctioning education loans. As on 31.03.2016, there are in total 3,69,829 loan accounts outstanding under the education loan scheme in Kerala. Total amount outstanding under this head is ₹9,69,182.58 lakhs.

In such a juncture, this chapter attempts to identify the role of commercial banks in education loan scheme and analyses the trend, pattern and repayment status of education loan scheme in the state.

4.2. Role of Commercial Banks in Lending

Commercial banks are expected to extend market oriented banking facilities and be present in areas of high growth. Commercial banks function for profit making and aims at commercial success. The concept of commercial banking emerged in India in 1786 with the formation of the Bank of Bengal in Calcutta. The Government of India established three presidency banks: the Bank of Bengal, the Bank of Bombay and the Bank of Madras. These three presidency banks were merged in 1921 in order to incorporate Imperial Bank of India. The limited liability

feature was introduced in the year 1860 in Indian banking which resulted in the incorporation of joint stock banks. The major source of fund for operation of a commercial bank comes from the funds accepted from depositors. The commercial banks have traditionally been meeting the financial needs of industry, trade and agriculture. On account of the increasing sophistication and diversification of the economy of India, the range of services offered by commercial banks has increased considerably.

One of the primary functions of the commercial banks is lending money. This activity is taken up by the commercial banks with the objective of making profits. Although commercial banks are governed by statutes, it can be considered as one of the business organizations. Commercial banks primarily collect money from the public as deposits with the objective of lending and thereby making profits. But the banker does not have a free hand in employing the funds. It has to do the job of lending well within the framework of statutes governing the banking business, the Government policy and guidelines issued by the monetary authorities of the country. The employment of funds is not an easy task for the bank. They have to strike a balance between profitability and the accepted social objectives. The basic aim of nationalization of commercial banks was to provide the funds to hitherto neglected sectors like agriculture, MSMEs and other weaker sections of the society. Now, nearly 40 per cent of the total commercial banks advances is directed to the priority sector. It is a social obligation on the part of the Government to develop the economy in every front and hence it is an inevitable lending to be made to these sectors. But still, it cannot ignore the profitability concept as the organization has to survive for long, as major source of bank funds is the public deposit and they have to be paid the agreed interest on their money deposited with the bank.

Majority of commercial bank funds are employed in the form of loans and advances. Loans bring good funds to the bank in the form of profit by charging interest. Lending activity of a commercial bank is a reciprocal activity in the sense that bank gets profit and the borrower gets the benefit of money required for their activities. Usually banks shall assess the condition of the borrower while making advances.

The general banking principles include safety, profitability, liquidity, secrecy and quality of service. Usually, banks draft their loan policies in accordance with these principles. The loan policy of a bank is prepared by the Credit Policy Committee of the bank concerned and Board of Directors shall approve this policy. This loan policy outlines the guidelines and establishes operating procedures in all aspects of credit management.

When a commercial bank mobilizes deposits, it invests the funds in profitable opportunities and makes advances to its customers. Banks in India have statutory requirements like Cash Reserve Ratio and Statutory Liquidity ratio that make up the first commitment of banks. After meeting statutory requirements, banks make advances after committing 40 per cent of their lending to priority sector.

Lending is one of the most important services rendered by commercial banks. Loans are the most important assets held by these banks. Invariably, bank lending provides the bulk of bank income. The quantum of bank loans has increased considerably over the years. Loans of all insured banks doubled from 1950 to 1960 and more than tripled since then. The composition of loans in the asset portfolio of the banks also increased considerably.

The structure of commercial banking in India consists of

- a. Scheduled Commercial Banks.
- b. Unscheduled Banks

Scheduled banks constitute the banks which have been included in the second schedule of RBI Act 1934. RBI includes only those banks in the said schedule which satisfy the conditions laid down as per section 42(6)(a) of the Act.

Scheduled commercial banks in India are categorized into five different groups according to their ownership or nature of activity. These are:

1. State Bank of India and its associate banks.
2. Nationalized Banks.
3. Regional Rural Banks.

4. Foreign Banks.
5. Private Sector Banks.

A Nonscheduled bank means a banking company as defined in clause (c) of section 5 of the Banking Regulation Act 1949, which is not a scheduled bank. These banks are mainly engaged in lending money, discounting and collecting bills and other agency functions. These banks do not get any financial assistance from RBI. From May 1997, non scheduled commercial banks do not exist in India except for Nonscheduled Urban Co operative Banks.

4.3. Public Sector Banks

The first two types of banks in the Scheduled Banks category are collectively known as public sector banks. Public sector banks are those in which the Government of India holds a majority of the stake. Public sector banks together make up the largest category in the Indian Banking system. At present, there are 27 public sector banks in India. Public sector banks account for bulk of the branches in India. In the rural areas, the presence of the public sector banks is overshadows other banks. About 94 per cent of the rural bank branches belonged to the public sector. The private sector banks and foreign banks have limited presence and performance in rural India.

4.4. Private Sector Banks

In private sector banks, the majority of share capital is held by private individuals and companies. The private banks which were not nationalized are collectively known as the private sector banks. Entry of private sector banks was prohibited during the post nationalization period. However, in July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, RBI permitted the private sector to enter into the banking system (Mishra, 2012)

Commercial banks stand in the forefront of the banking system in India. Mobilization of savings and distribution of these funds to the most deserving hands is the major function of the commercial banks.

4.5. Credit analysis

The numerous and varied risks in lending stem from the many factors that can lead to the non-payment of obligations when they become due. Losses sometimes result from acts of God such as natural calamities like storms, droughts, fire etc. Changes in demand or in the technology of an industry may alter drastically the fortunes of a business firm and place a once profitable business in a loss position. As far as loan repayment is concerned, some risks arise from personal factors that are in many instances difficult to explain. In the process of lending, commercial banks must investigate the factors that may lead to default in the repayment of a loan. This investigation is referred to as credit analysis.

The principal purpose of credit analysis is to determine the ability and willingness of a borrower to repay a requested loan in accordance with the terms of the loan contract. If a loan is to be made, it is necessary to determine the conditions and terms under which it will be granted (Reed, Cotter, Gill, & Smith, 1976).

The major assets of a commercial bank consist of loans and advances given by the banks. While advancing a loan, banks expect to generate income in the form of interest while the borrower pays back the loan in instalments. A loan advanced by a bank turns into a Non Performing Asset when it ceases to generate regular income to the bank. In other words, when a loan does not get back its principal and interest on time, the loan is said to be Non Performing Asset. Although a certain percentage of nonperforming assets are natural and unavoidable in the case of banking business, high levels of nonperforming assets shall gravely erode the bank's profits, its capital and ultimately its ability to lend further funds. The funds used by the banks for advances are actually the funds mobilized by the bank from the general public as deposits. While a loan turns into nonperforming assets, it shall affect the credibility of the bank as well. Further, at the macro level, a high level of nonperforming assets blocks the funds which had to be channelized to the productive investments and capital formation.

4.6. Need for credit

A developing economy always lacks sufficient resources for its social and economic activities. Of the resources, capital is the most important and scarce resource. Since own funds available in the hands of the individuals for investment and other economic activities are inadequate, the need for funds from external sources arise. Funds from external sources indicate credit. Hence, in an emerging economy like India, the need for credit has paramount importance.

4.7. Sources of credit

Sources of credit can be broadly classified into two – formal and informal sources. Informal sources consist of local money lenders and indigenous bankers. They had an important role in meeting the financial needs of the rural folk in olden times. These money lenders were the last resort for the people who were in need of credit. But, most often, the interest rate charged by these bankers and money lenders was exorbitant. Further, the facilities under this unorganized system were insufficient to meet the credit requirements of the society. That is why the formal agencies came into the scene. The first in this kind of formal institutions were the co operative institutions. The motto of the co operative movement was “one to all and all to one”. The emergence of co operative movement was a great boon in this regard. The interest rate charged by the co operative institutions was affordable and the functioning of these institutions were more transparent and borrower friendly. But, gradually, the facilities offered by co operative institutions also became insufficient to meet the increased demand for the credit. Accordingly, institutions having more resource base and operating networks have come into the field. The institutions under this category include commercial banks and other formal financial institutions like development banks etc.

4.8. Role of Bank Credit

Bank credit plays an important and inevitable role in driving the national economy to the forefront of development. It provides leverage to the borrower to undertake a project or endeavour in a better way than what he could have undertaken

without availability of credit. The fundamental idea behind the credit is that it enables individuals to create assets and repay the loan from their future earnings. Further, credit enables borrowers to spend more than what he would have otherwise spent. The adequate and cheap availability of credit propels the economy to higher growth avenues.

Private money lenders had played a pivotal role in meeting the credit requirements of the people. Most often this indigenous money lending led to many socio economic problems like rural indebtedness, high rate of interest etc. With the growth of popularity of banking services, this issue has been solved to a great extent. The nationalization of 14 large commercial banks in 1969 accelerated the availability of bank credit to the needy people. After nationalization, RBI had stringent control on the banks and has been ensuring that more credit flow to the hitherto neglected segments of the economy.

4.9. Fundamentals of bank credit

Over a period of time, bankers have evolved certain fundamental principles for their lending activities. The loan policies and other aspects of credit management of a bank are highly influenced by these unwritten principles which are noted below:

1. Safety of funds
2. Purpose of the credit
3. Profitability
4. Liquidity
5. Security
6. Risk spread

4.10. Banker's Loan policy

Each bank formulates its own loan policy and sanction of any credit proposal has to be within the framework of this policy. The framing of loan policy is affected by various factors like market conditions, competitor's policy, bank's own feasibility analysis, RBI guidelines etc. (Advanced Bank Management, 2010)

4.11. Priority Sector Lending Scheme

Despite all these schemes and initiatives, a large group of people belong to the bottom of the pyramid was beyond the reach of banking facilities and financial services. Banks were reluctant to grant loans to these sectors due to many reasons. According to bankers, this group tends to become defaulters in most of the cases. It used to increase the non performing assets of the banks and thereby caused for erosion of liquidity. Because of these, the lending of the banks to these marginalized groups was not up to the mark. In order to overcome this bottleneck and to ensure adequate and timely credit to these groups, a new scheme i.e. Priority Sector lending Scheme was initiated by the Government.

Reserve Bank of India had identified the need to channelize the bank credit to some specific needy areas. RBI's credit policy for 1967 – 68 states that there are some areas to which bank credit is very essential but they are either wilfully or un wilfully excluded by the banks. In view of these findings, social control over banks was imposed during the year 1967 – 68. According to the Gadgil Study Group 1969, a large gap was there in the key areas where bank credit is highly needed. According to this study group, 75 per cent of the bank credit went to the industrial and large scale trade sectors while agriculture and other allied sectors were almost neglected by the banks. The study group found out that the bank credit to the agricultural sector was less than 2 per cent of the total credit disbursed by the banks. Due to the recovery fears, banks were reluctant to give sufficient credit to agriculture and other sensitive sectors. In the case of an under developed country like India, that was a grave concern. Policy makers felt that this situation shall affect the development of the economy adversely. Accordingly, RBI was compelled to set certain targets for disbursing credit to some sectors having priority. This was the beginning of Priority Sector Lending Scheme in India.

The Priority sector indicates those sectors which have national importance. At the beginning, priority sector was defined to include agriculture, small scale industries and exports. Later, in July 1968, in the second meeting of the National Credit Council, it is decided to confine the scope of priority sector to agriculture and small scale industry only.

In a meeting of the representatives of major banks and Governor of RBI, in October 1968, the targets to be achieved by the banks in priority sectors have been stipulated and the then Governor of RBI, Mr. LK Jha advised the banks to lend 15 per cent and 31 per cent respectively of their deposits to agriculture and small scale industries.

Priority sector lending scheme aims at ensuring continuous assistance from the banking system to the hitherto neglected sectors. In 1972, the description of priority sectors was formalized on the basis of the recommendations of a Committee, deputed by the RBI for this purpose. According to this description, priority sector included different segments like agriculture, small scale industries, industrial estates, small road and water transport operators, retail trade, small business, professions and self employed persons and education. Later, home loans and lending to government sponsored organizations for the development of Scheduled Castes/ Scheduled Tribes/ Weaker sections etc were added to the list. In 1992, lending to export was included in the list of priority sector only for foreign banks. From 1998, credit to software industries was also included in the priority list.

Education loan has been included in the list of priority since its beginning itself due to the importance of the scheme.

Unlike other loans, education loan need not be repaid immediately after borrowing. According to the guidelines of IBA, repayment of education loan starts one year after the completion of course or six months after securing the job, whichever is earlier.

Even if education loan is a priority sector lending, commercial banks lend funds under this category with a view to earn profit as in the case of other types of loans. While introducing such a scheme, the objective was to ensure funds to the needy people in order to meet the cost of higher education and a desired rate of return to the banks. That is why banks take initiative to lend funds under this segment. When a student or parent borrows funds for meeting the cost of higher education, it is presumed that he shall repay the loan after getting a fair job once he completes the course successfully. In the case of most of the professional courses,

after completing the course, students could get a job based on the course they studied with adequate salary and they can repay the loan easily. However if he/she fails to get a job which gives adequate salary, it shall affect the repayment of the loan as well. It shall affect the creditworthiness of the borrower and profitability of the bank simultaneously.

4.12. Non Performing Assets (NPA): A Threat to the Commercial Banks

To replace the earlier health code based system for classification of loans and advances, Reserve Bank of India introduced the prudential norms for income recognition, asset classification and provisioning for the advances portfolio of the banks in a phased manner in line with the international best practices and as per the recommendations of the Narasimham Committee. The ultimate aim of the new norms is to move towards greater consistency and transparency in the published accounts.

According to these norms, the policy of income recognition is required to be objective and based on record of recovery rather than on any subjective considerations. Similarly, the classification of assets of banks has to be done on the basis of objective criteria which would ensure a uniform and consistent application of the norms. The provisions are required to be made on the basis of the classification of assets based on the period for which the asset has remained nonperforming and the availability of security and the realizable value thereof (Appannaiah, Reddy, & Vijayendra, 2009).

4.13. Impacts of Accounts becoming NPA

1. Banks cannot credit income to their profit or Loss Account to the debit of loan account unless recovery thereof takes place.
2. Interest or other charges already debited but not recovered have to be provided for.
3. All loan accounts of the borrower would be treated as NPA.

All the loans are sanctioned by the banks under the presumption of regular repayment. Likewise, customers borrow money from the bank under the assumption

that the loan can be repaid regularly out of the income generated from the project for which the loan is taken. If this mechanism functioned properly, loan shall be the source of revenue to both parties. The policy makers devised the education loan scheme as well based on such a theory. But as far as education loan scheme is concerned, this theory is not working properly in most cases. The delay in getting job after study and inadequacy of salary affects the regular repayment of the loan. The default in repayment of loan shall turn the advance to NPA.

In this context, the present study is an attempt to identify the state of affairs of education loan scheme in Kerala.

4.14. Region wise Performance of Education Loans Scheme

The Reserve Bank of India divided the whole of India into six regions on the basis of geographical features as Northern Region, North Eastern Region, Central Region, Eastern Region, Western Region and Southern Region.

Northern Region consists of following 7 states/union territories

1. Chandigarh
2. Delhi
3. Haryana
4. Himachal Pradesh
5. Jammu and Kashmir
6. Punjab
7. Rajasthan

North Eastern Region consists of following 7 states/union territories

1. Arunachal Pradesh
2. Assam
3. Manipur
4. Meghalaya
5. Mizoram
6. Nagaland
7. Tripura

Following four states/union territories constitute Central Region

1. Chhattisgarh
2. Madhya Pradesh
3. Uttar Khand
4. Uttar Pradesh

Eastern Region constitute the following 6 states/union territories

1. Andaman Nichobar Islands
2. Bihar
3. Jharkhand
4. Orissa
5. Sikkim
6. West Bengal

Following 5 states/union territories are included in Western Region

1. Dadra Nagar Haveli
2. Damen and Diu
3. Goa
4. Gujarat
5. Maharashtra

Southern Region constitute the following 7 states/union territories

1. Andhra Pradesh
2. Karnataka
3. Kerala
4. Laksha dweep
5. Puducherry
6. Tamil Nadu
7. Telengana

According to Rohini Sahni and Sumita Kale, the four southern states and Maharashtra account for about 32 per cent of India's population but in terms of

higher education institutions, 46 per cent of total general education colleges and about 60 per cent of professional colleges are situated here. At the same time, the states of Uttar Pradesh, Madhya Pradesh and Bihar account for 34 per cent of the population but 23 per cent of general education colleges and only 14 per cent of professional colleges are situated there (Sahni & Kale, 2004) . The table 4.1 shows the region wise distribution of education loans.

Table 4.1
Region wise Education Loan Outstanding in India as on 31.03.2016
Amount in Million

SI No	Region	No of Accounts	Amount Outstanding
1	Northern Region	185407 (7%)	52615 (8.5%)
2	North Eastern Region	49272 (2%)	6738 (1.5%)
3	Central Region	252700 (10%)	64354 (10%)
4	Eastern Region	285431 (11%)	77082 (12%)
5	Western Region	257790 (10%)	64131 (10%)
6	Southern Region	1606024 (61%)	353391 (58%)
	All India Total	2636624	618310

Source: RBI Data 2016

According to the table 4.1, 61 per cent of the education loan accounts are in Southern states. Of the total amount outstanding under education loan scheme in the country, 58 per cent is in Southern states. Northern region holds the minimum number of accounts and amount of loan outstanding. It invariably indicates the high demand for education loan in southern states.

4.15. State wise Distribution of Education Loans

Of the southern states, Kerala and Tamil Nadu rank top in disbursing education loan. These two states jointly have accounted for about 40 per cent of education loan advanced in India so far. Banks in Tamil Nadu disbursed ₹ 16,380

crores and banks in Kerala disbursed ₹ 10,487 crores under the education loan segment. It accounts for more than 38 per cent of the total loan disbursed in the country under the education loan port folio. As of 31.12.2014, outstanding amount of education loan in the country comes to ₹ 70,475 crore. Of these, 54 per cent has been disbursed in South India.

Table 4.2
State wise Distribution of Education Loan

Amount in Million

Sl No	State	31.03.2015		31.03.2016	
		No of Accounts	Amount Outstanding	No of Accounts	Amount Outstanding
1	Chandigarh	4633	1667	4306	1553
2	Delhi	31990	14116	31223	10614
3	Haryana	36401	9538	35552	9916
4	Himachal Pradesh	14929	3537	14263	3410
5	Jammu & Kashmir	11306	2484	11486	2735
6	Punjab	32438	10214	31682	10268
7	Rajasthan	57940	13550	56895	14118
8	Arunachal Pradesh	685	152	573	147
9	Assam	16467	5221	23806	4327
10	Manipur	1338	374	1099	352
11	Meghalaya	2184	523	2278	627
12	Missoram	685	206	583	198
13	Nagaland	444	129	389	102
14	Tripura	3271	761	20544	986
15	Andaman Nicobar	590	164	447	141
16	Bihar	102426	29496	101703	30863
17	Jharkand	48423	13688	46209	14394
18	Odisha	65016	17372	61086	15818
19	Sikkim	444	123	845	132
20	West Bengal	64957	9833	75141	15734
21	Chattisgarh	18010	4062	18152	4375
22	Madhya Pradesh	81372	18135	79448	18544

Sl No	State	31.03.2015		31.03.2016	
		No of Accounts	Amount Outstanding	No of Accounts	Amount Outstanding
23	Uttaranchal	33811	8781	31519	8432
24	Uttar Pradesh	127478	31307	123581	77082
25	Goa	3211	949	3028	1009
26	Gujarat	45911	11607	46367	13686
27	Maharashtra	188673	45327	207946	49283
28	Andhra Pradesh	170678	54433	104358	34612
29	Karnataka	198709	41595	203474	46103
30	Kerala	331663	77885	323433	83856
31	Lakshadweep	31	8	36	9
32	Puducherry	14598	2884	13801	2827
33	Tamil Nadu	960202	163131	891532	152975
34	Telangana			69390	33009
	All India Total	2671316	593360	2636624	618310

Source: RBI Data 2016

As on 31.03.2015, 9.6 lakhs students have taken education loan in Tamil Nadu and in the case of Kerala, it comes to 3.31 lakhs . On 31.03.2016, it comes to 8.9 lakhs and 3.2 lakhs respectively. In terms of the amount outstanding as well, Tamil Nadu and Kerala have a dominant role. Total amount outstanding under education loan segment is ₹1,52,975 million in Tamil Nadu as on 31.03.2016. In the case of Kerala, it is ₹ 83,856 million. According to the table 4.2, of the total education loans distributed in India, 36 per cent is in Tamil Nadu and 12 percent is in Kerala. According to banking officials, the high literacy rate and increased demand for higher education in these states might be the reason for this high demand for education loan in these states. (Mathew, 2015)

According to M Narendra, former chairman and Managing Director of Indian Overseas Bank, the people in these states are highly aware about the banking services and they have information regarding the education loan scheme.

4.16. Education Loans by Commercial banks in Kerala

The Government of India has introduced the scheme of education loan through banking system with a view to ensure adequate finance to meritorious students in order to pursue higher education in India and abroad. Kerala is one of the leading states in sanctioning education loan since the introduction of the scheme. Kerala has always remained at the forefront of education. It is therefore no wonder when the state remains at the forefront of sanctioning education loan as well. The leading position of the state in literacy and subsequently the high demand for higher education might be the reason for the increased demand for education loan in the state.

As stated earlier, the demand for higher education is high in Kerala. Increased cost of higher education compels the students and parents to identify other alternative sources for financing higher education. As the people in Kerala are more aware about the banking services and financial system, they are highly depend on the banks in order to borrow funds for meeting the expenses of higher education. Commitment to social responsibilities compels the banks to sanction education loan extensively. Heavy pressure from the government is also there in addition to pressure from other external corners like political, social etc. Government has liberalized the rules and regulations related to the scheme in order to help the genuine and deserving students. But, most often, these softening of rules and regulations are helpful to some of the scrupulous educational institutions as well. As of now, no collateral security is needed for a loan up to ₹ 4 Lakhs. So, these institutions charge huge amount as fee for their programmes. Latest news from the various corners of the state proves that these types of malpractices are very common in some nursing colleges functioning outside the state. Bankers complain that they are compelled to sanction loans to the students without any collateral security. The trap of these lobbies shall be realized by the students and parents only after completion of the course. To get a fairly paid job will be very difficult with the help of the certificates issued by these institutions. The students shall be compelled to work for meager salaries. It will not be sufficient to meet even their expenses.

Naturally, loan repayment shall be defaulted. It shall make them debtors forever. Bankers shall proceed with revenue recovery actions. This will affect the self esteem of the borrowers and the family as well. Bank officials say that they are unable to find out the genuineness of the institution while the students apply for the loan. Some institutions shall charge huge amount as fees in order to collect money from the students. They know well that students can have loans up to ₹4 lakhs without any collateral security. Even though their fee is less than ₹4 lakhs, they shall convince the students and parents that they have to remit about ₹4 lakhs as fee of the programme. Middle men are also very active in this field in order to ‘help’ the students and parents in this regard. Institutions offer high commission to these agents as well.

The banking system in Kerala mainly consists of public sector commercial banks, private sector commercial banks, co operative banks and new generation banks. The number and amount of education loan distributed by the new generation banks and co operative banks in the state is very few and hence the present study focuses only on the education loans distributed by the commercial banks in the state. For the purpose of comparison, the commercial banks in the state have been classified as public sector and private sector banks.

4.17. Performance of Banks under Education Loan Scheme in Kerala

According to the statistics of State Level Bankers Committee (SLBC), in Kerala, Education loan is disbursed by public, private, new generation and co operative sector banks. However, public and private sector commercial banks are in the forefront of sanctioning education loans in the state. The role of new generation and co operative banks in this regard is trivial.

Table 4.3
Performance of Banks under Education Loan Scheme in Kerala as at
31.03.2016

(Amount in Lakhs)

SI No	Type of Bank	Loan Outstanding	
		No	Amount
1	Public Sector Banks	317169 (86%)	845397.03 (87%)
2	Private Sector banks	47422 (13%)	113184.06 (12%)
3	Co Operative Banks	5238 (1%)	10601.48 (1%)
	Total	369829	969182.58

Source: SLBC Report 2016

The table 4.3 shows that more than 86 per cent of the total education loans distributed in Kerala both in terms of number of accounts and amount is by the public sector banks. The share of private sector is confined to 13 per cent in the case of number of accounts and 12 per cent in the case of amount outstanding. The co operative sector banks hold only one per cent both in terms of number of accounts outstanding and amount of loans outstanding.

4.17.1. Performance under Education Loan Scheme by Public Sector Banks

Public sector banks consist of State Bank of India and its Associate Banks and other nationalised banks. The table 4.4 shows the performance of Public sector banks in Kerala under Education Loan scheme.

Table 4.4**Performance under Education Loan Scheme by Public Sector Banks***(Amount in Lakhs)*

SI No	Bank	Loan Outstanding as on 31.03.2016	
		No	Amount
1	State Bank Group	111574 (35%)	310230.13 (37%)
2	Other Nationalised Banks	171409 (54%)	450632.90 (53%)
3	Kerala Gramin bank	34186 (11%)	84534 (10%)
	Total Public Sector Banks	317169	845397.03

Source: SLBC Report 2016

The public sector banks in Kerala consist of State Bank of India and its Associates banks along with other nationalised banks and Kerala Gramin Bank. The table 4.4 shows that the State bank of India and its Associate banks together hold more than 35 per cent of the number of accounts and amount of loan outstanding in respect of education loan scheme. All other nationalised banks together hold 54 per cent of accounts and 53 per cent of amount of loan outstanding. The share of Kerala Gramin Bank in this case is 11 per cent and 10 per cent respectively.

4.17.2. Performance under Education Loan Scheme by Private Sector Banks

The private sector banks in Kerala consist of 16 banks including old banks and new generation banks. The performance of private sector banks under education loan scheme is depicted in the table 4.5.

Table 4.5**Performance under Education Loan Scheme by Private Sector Banks**
(Amount in Lakhs)

SI No	Bank	Loan Outstanding	
		No	Amount
1	Federal Bank	26399	63662.78
2	South Indian Bank	8767	20818.36
3	Catholic Syrian Bank	6301	15795.89
4	Dhanalaxmi Bank	2979	6066.93
5	HDFC Bank	1455	2753.89
6	ICICI Bank	577	981
7	Karnataka Bank	321	851.95
8	Axis Bank	147	441.16
9	Kotak Mahindra Bank	140	413.71
10	Karur Vysya Bank	117	361.71
11	TN Mercantile Bank	105	462.73
12	Indus Ind Bank	49	116.89
13	City Union Bank	46	418
14	Lakshmi Vilas Bank	16	34.39
15	Jammu & Kashmir Bank	3	4.68
16	YES Bank	0	0
	Total	47422	113184.06

Source: SLBC Report 2016

The table 4.5 testifies that only two banks i.e. Federal Bank and South Indian Bank are in the forefront of private sector banks in sanctioning education loans in Kerala. Of the total education loan outstanding in private sector banks in Kerala, Federal bank holds 55.7 per cent of the accounts and in the case of amount, it comes to 56 per cent. South Indian Bank's share in this regard is 18.5 per cent and 18.4 per cent respectively. The role of other banks including new generation banks is negligible in this regard.

4.18. 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 all banks in Kerala from 2008 to 2016.

Table 4.6
Amount of Education Loan Outstanding in Kerala from 2008- 2016

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

Source: SLBC Data for the years concerned

According to the table 4.6, the amount of education loan outstanding in the state was ₹2,97,053.35 lakhs in 2008. In 2016 it became ₹9,69,182.58 lakhs. The outstanding amount shows a steady increase over the years.

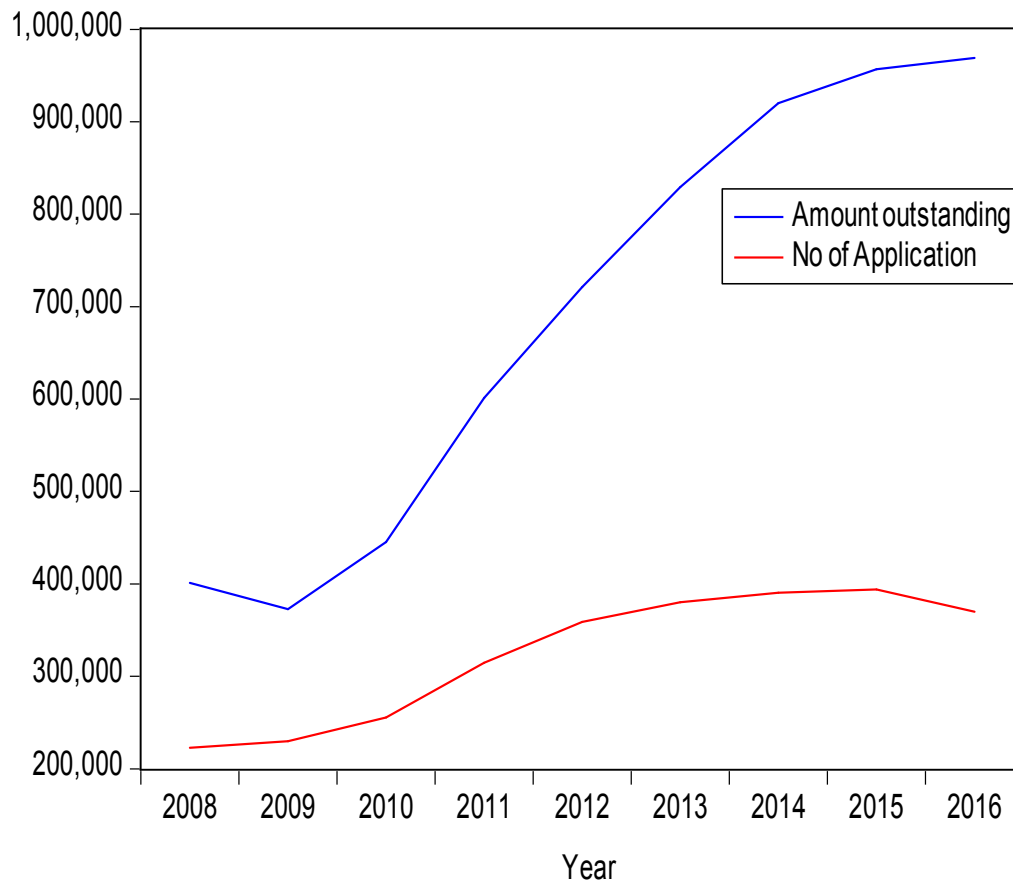


Figure 4.1

The Trend of Amount Outstanding under Education Loan Scheme from 2008 - 2016

The figure 4.1 also indicates the increase both in the number of accounts and amount outstanding under the education loan segment over the years.

4.18.1. Trend Analysis of Amount Outstanding under Education Loan Scheme

The table 4.6 and figure 4.1 show an increasing trend in the amount of education loan outstanding in Kerala from 2008 to 2016. In order to evaluate if the increase in

the amount of loan outstanding in year to year is significant, trend analysis is used and result of the analysis given in table 4.7.

Table 4.7

Trend Analysis of Amount of Education Loan Outstanding from 2008 – 2016

Variable	Trend
Amount of Loan Out standing	0.1355 (0.000)*

Figures in brackets show *p* value
 * indicates significance at 5% level
 Source: SLBC Data

The figure 4.1 and table 4.7 indicate an increasing trend on the amount of loan outstanding under the Education Loan Scheme over the years. The trend analysis also indicates a 13.55 percent average annual increase on the amount outstanding. The *p* value (0.000) 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 number and amount of education loan has been increasing in Kerala. 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.

4.19. Education Loan by Public Sector Banks

Public sector banks are in the forefront of distributing education loans in the state. Public sector banks are supposed to have more commitment to the society. Because of this, students and parents depend highly on this type of banks for loans under priority sector lending scheme. In the case of education loans as well, general public gives priority to public sector banks while applying for the loan. It is under the assumption that the public sector banks shall have a positive attitude towards sanction of priority sector loans. The details regarding the distribution of education loans for various years have been classified under the following four heads:

1. Application Received
2. Loans Sanctioned
3. Loans Distributed
4. Loans Outstanding

Table 4.8
Details of Education Loan in respect of Public Sector Banks
Amount in Lakhs

Year	Application Received	Loans Sanctioned		Loans disbursed		Outstanding on March 31	
	No	No	Amount	No	Amount	No	Amount
2007-08	3736	3584	8102.08	4963	4990.66	131378	184551.71
2008-09	7756	7392	23530.89	25787	28800.66	227056	448925
2009-10	48660	41531	95593.04	80060	99466.79	255268	445327.66
2010-11	12529	11297	25215.57	23744	36722.1	285829	550083.79
2011-12	54710	52664	112105	81327	101988	324704	657930
2012-13	39178	38105	108450	73682	120242	336367	748715
2013-14	45583	47488	103655.6	107998	175097.6	338473	818494
2014-15	41823	40231	96408.58	59067	88694.14	339149	841254.73
2015-16	36195	40531	133879.2	79902	98408.11	317169	845397.03

Source: SLBC Data for the years concerned

The table 4.8 depicts the details regarding the number of applications received and number and amount of education loan sanctioned, disbursed and outstanding in respect of public sector banks for the period from 2007 -08 to 2015 - 16. Even if there are disparities in the number of applications received in certain years, the amount and number of accounts outstanding shows a steady increase over the years except in the last year i.e. 2015-16.

4.20. Education Loan by Private Sector Banks

The above analysis obviously shows the dominant role of public sector commercial banks in disbursing education loans in the state. Commercial banks in the private sector have a crucial role in the financial system of the state. In accepting deposits and lending advances to the various sectors of the economy, this type of

banks holds an inevitable role. In the case of lending for educational purposes also, private sector commercial banks play an important role. The table 4.9 depicts the details regarding the application received, loans sanctioned, loans disbursed and loans outstanding in respect of education loan scheme by the private sector commercial banks in the state.

Table 4.9
Details of Education Loan in respect of Private Sector Banks

Amount in Lakhs

Year	Application Received	Loans Sanctioned		Loans disbursed		Outstanding on March 31	
	No	No	Amount	No	Amount	No	Amount
2007-08	441	404	907.11	161	287.89	11663	15125.85
2008-09	1099	861	2926.69	799	2464.52	16455	24977.83
2009-10	4268	4166	13049.75	4157	12841.17	18586	30551.22
2010-11	1670	1222	2966.98	1308	2940.84	23358	41286.89
2011-12	8901	9954	25663	15958	15332	29091	47858
2012-13	11877	12083	31966	24588	20010	37999	65173
2013-14	10482	9754	22249.02	29398	22314.83	44844	86770
2014-15	8251	7036	19213.62	23405	18614.68	49011	104931.26
2015-16	6575	6409	19087	20180	18659.98	47422	113184.06

Source: SLBC Data for the years concerned

When compared to the performance of public sector banks, the volume and amount in respect of all the variables i.e. application received, loans sanctioned, loans disbursed and loans outstanding, is less in the case of private sector banks. However, as in the case of public sector banks, all the data in respect of all the variables under study show a steady increase over the years in respect of private sector banks as well. In the case of private sector banks also, in the last year i.e. 2015-16, there is a decrease in the application received, loans sanctioned, and loans disbursed. However, in the case of amount of loan outstanding, the private sector banks also show an increasing trend throughout the period.

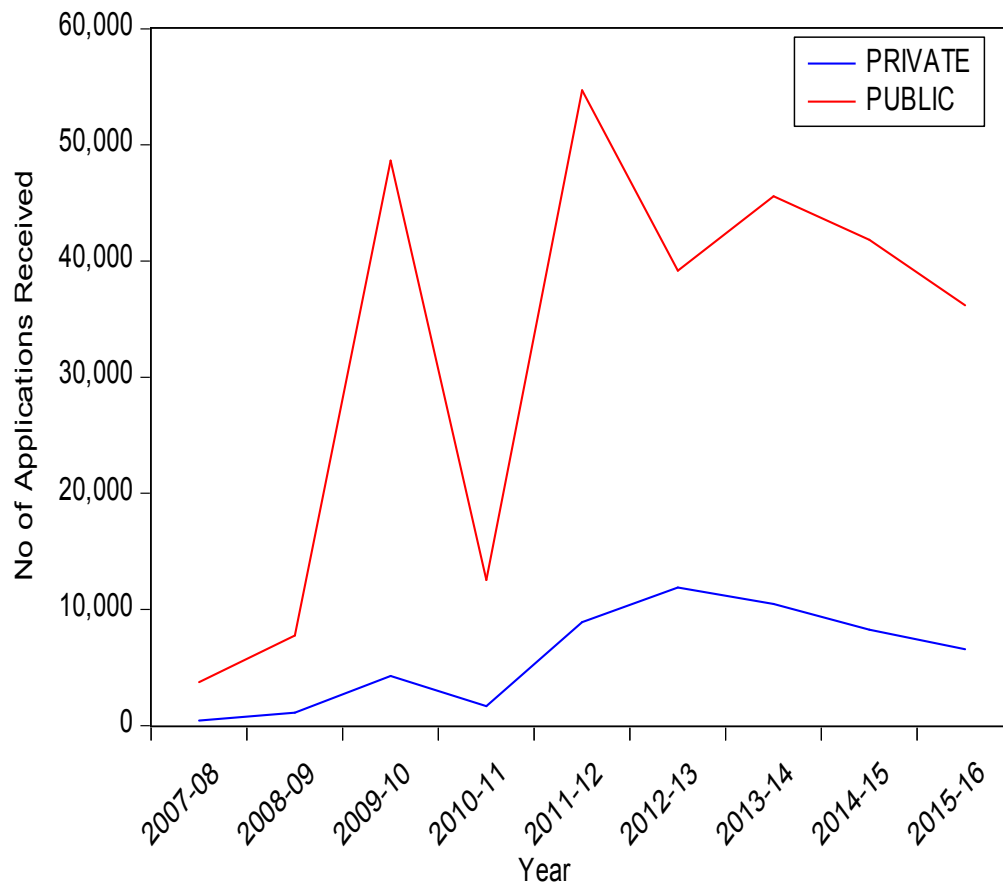


Figure 4.2
Application Received by Public and Private Sector Banks from 2007-08 to 2015-16

The figure 4.2 shows that the volume of applications received is less in the case of private sector banks. However the pattern of change is same in the case of both public and private sector banks.

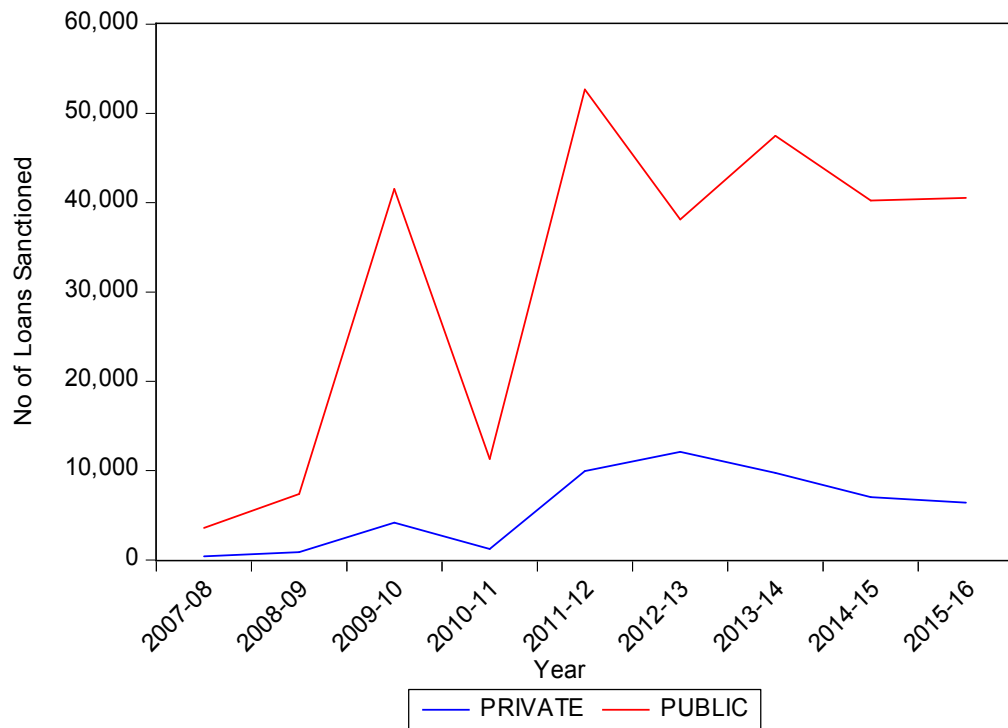


Figure 4.3
Number of Loans Sanctioned by Public and Private Sector Banks

In the case of number of account sanctioned also, there is a significant difference in the volume but here also the pattern of change is almost similar both in the case of private and public sector banks.

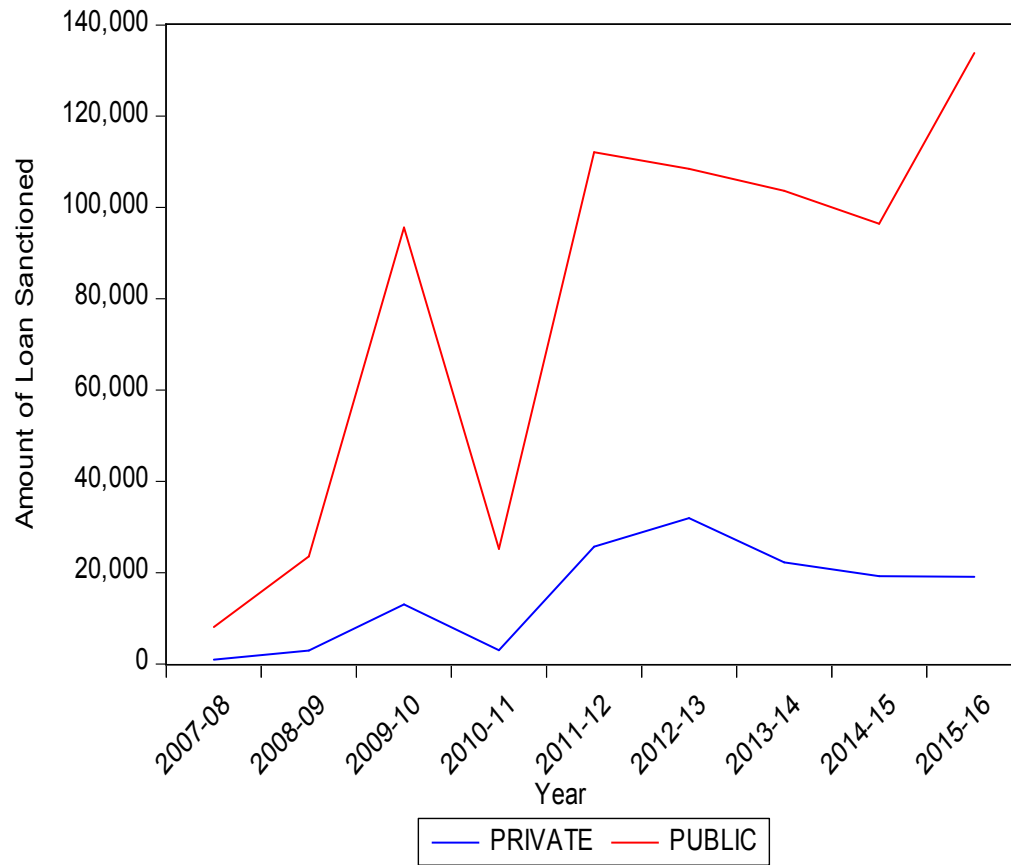


Figure 4.4
Amount of Loans Sanctioned by Public and Private Sector Banks

In the year 2010-11, there is a high decrease in the amount of loans sanctioned by both private and public sector banks. In all other years, the amount sanctioned by both private and public sector banks show an increasing trend.

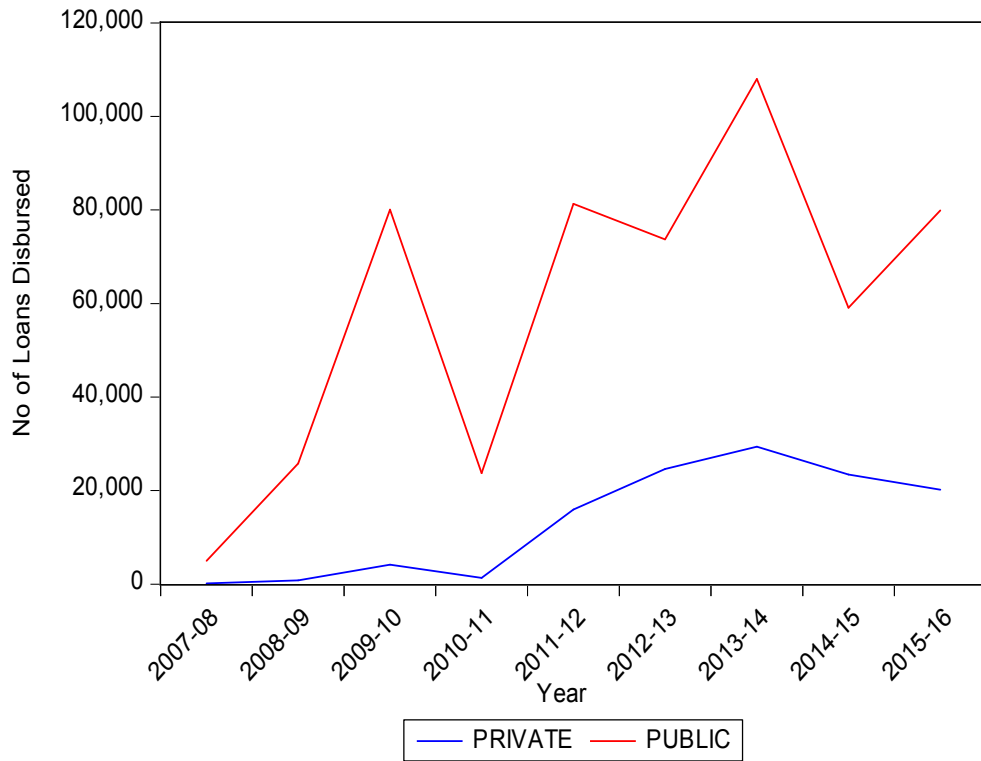


Figure 4.5
No of Loans Disbursed by Private and Public Sector Banks

All the sanctioned loans may not be disbursed in the year due to many reasons. The number of loans disbursed shows the actual number of education loans disbursed by the banks in the particular year concerned. The figure shows a high decrease in the number of accounts disbursed in the year 2010-11. The decrease is visible both in the case of private and public sector banks. Another decrease which is not so high as in the case of 2010 -11 has occurred in 2012-13. In all other years, the number of loans disbursed show a steady increase.

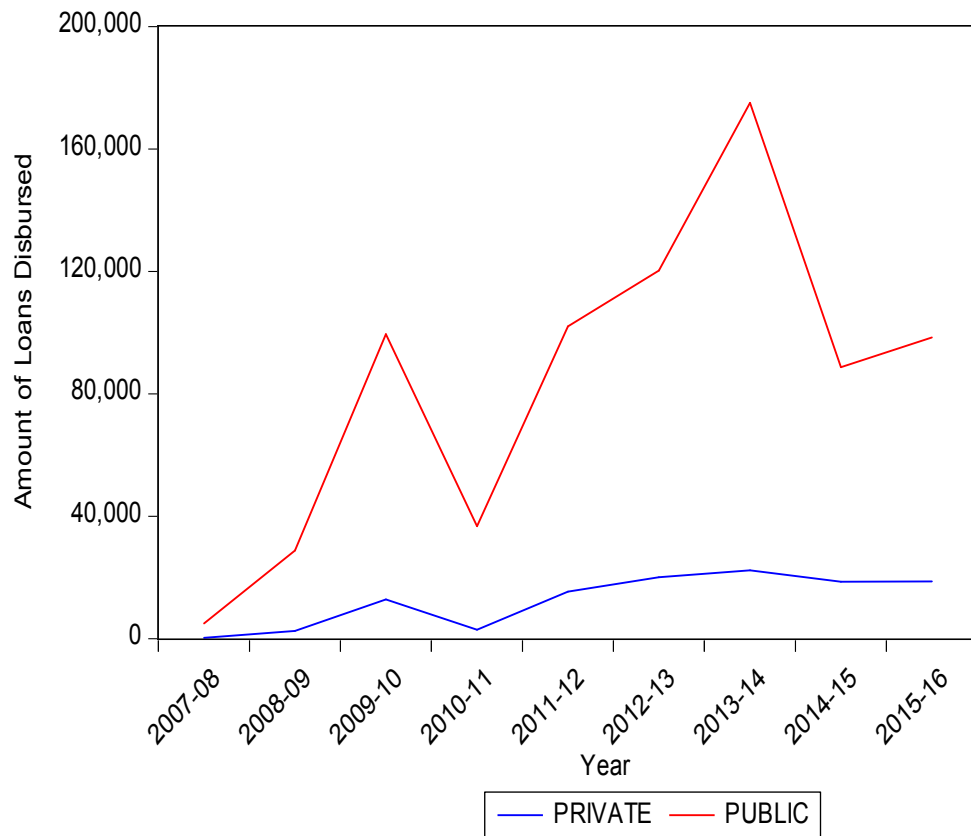


Figure 4.6

Amount of Loan Disbursed by Private and Public Sector Banks

The figure 4.6 indicates the fluctuations in the amount of education loans disbursed by the public and private sector banks from 2007-08 to 2015-16. Here also, even if there is a huge difference in the amount of loan disbursed, the pattern of ups and downs is almost same in the case of both public and private sector banks.

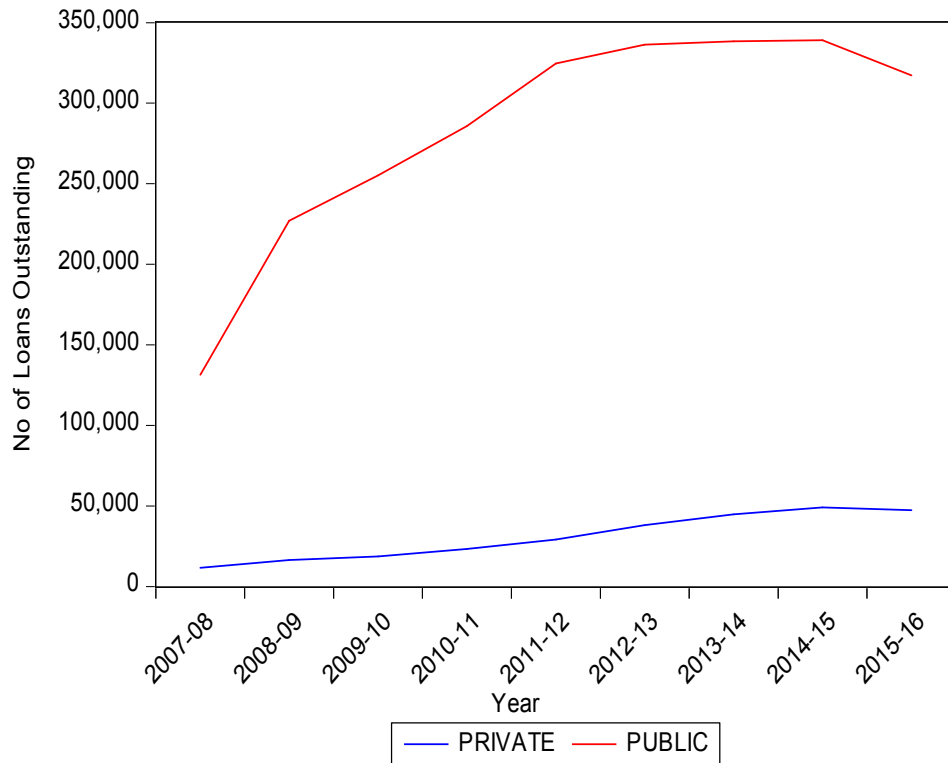


Figure 4.7

Number of Accounts Outstanding in Public and Private Sector Banks

The number of loans outstanding in the education loan segment also indicates a steady increase over the years both in the case of private and public sector banks. The slight decrease in the last year might be due to the decreased demand for professional programmes during the year.

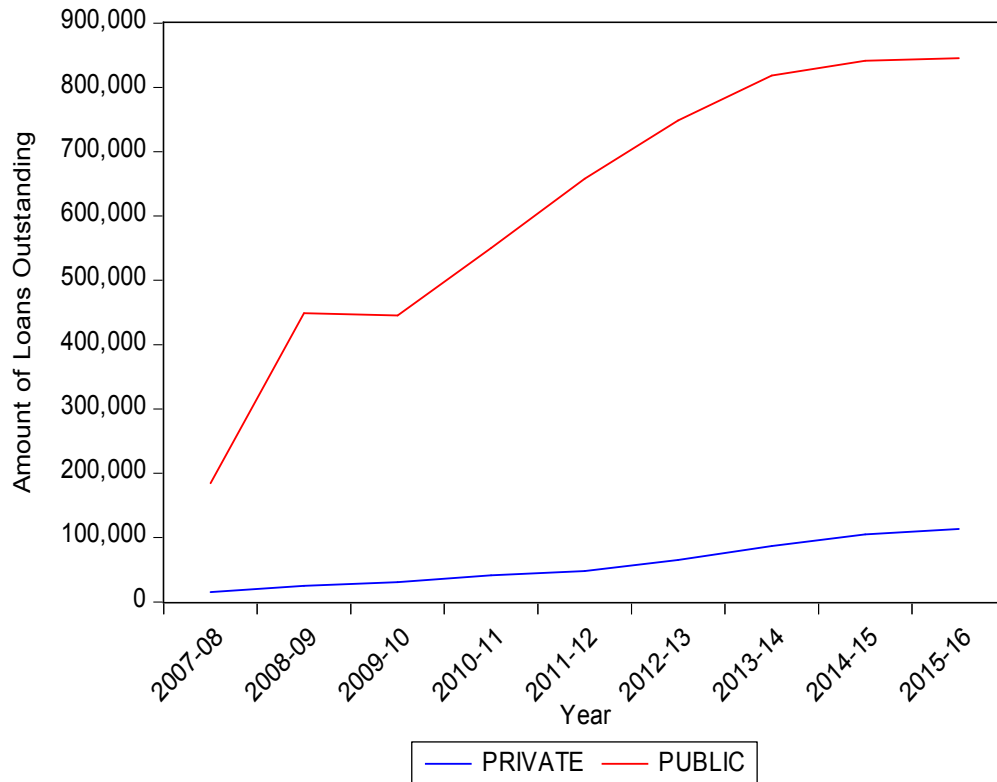


Figure 4.8
Amount of Loan Outstanding in Public Sector Banks

The figure 4.8 indicates that the amount of education loan outstanding in public and private sector banks in Kerala is also showing an increasing trend over the years.

All the variables related with the education loan scheme i.e. application received, loans sanctioned, loans disbursed and loans outstanding, both in the case of number and amount, show an increasing trend in the case of public and private sector banks in Kerala. All these testify the increased demand for education loans in the state.

4.21. Trend analysis of Application Received, Loan Sanctioned and Loan Outstanding

Trend analysis is used to study the rate of growth of application received, loan sanctioned and loan outstanding in respect of the education loans by public sector and private sector commercial banks in Kerala. The functional form used for the analysis is:

$$\text{Log}(y) = \beta_1 + \beta_2 t + ut$$

Where y = the variable concerned

T = time trend

β_1 & β_2 = the parameters with β_2 representing trend in the variable.

ut = the stochastic error term.

The result of the trend analysis has been summarised in the following table:

Table 4.10
Trend analysis of Application Received, Loan Sanctioned and Loan Outstanding

Variable	Trend in percent	
	Public Sector Banks	Private Sector Banks
Application Received	25.24 (0.000)*	34.35 (0.000)*
Number of Loan Sanctioned	27.11 (0.000)*	35.58 (0.000)*
Amount of Loan Sanctioned	28.45 (0.000)*	35.45 (0.000)*
Number of Loan Outstanding	9.09 (0.000)*	18.55 (0.000)*
Amount of Loan Outstanding	15.82 (0.000)*	24.83 (0.000)*

Figures in the brackets indicates p values

* indicates significance at 5% level

Source: SLBC Data

Application Received

The data regarding application received for the period from 2007-08 to 2015-16 shows an average annual growth rate of 25.24 per cent in the case of public sector banks and a 34.35 per cent in the case of private sector banks. Further, the growth rate over the years is significant in the case of both private and public sector banks.

Number of Loan Sanctioned

A 27.11 per cent annual average growth rate is there in the case of number of loan sanctioned by the public sector banks during this period. In the case of private sector banks, it is 35.58 per cent. Since the p value is less than 0.05, the growth rate over the years is significant in the case of both private and public sector banks.

Amount of Loan Sanctioned

In the case of amount of loans sanctioned also there is a 28.45 per cent average annual growth rate in the case of public sector banks. It is 35.45 per cent in the case of private sector banks. Further, the growth rate over the years is significant in the case of both private and public sector banks.

Number of Loans Outstanding

The annual average growth rate of number of loans outstanding is 9.09 per cent in the case of public sector banks and 18.55 per cent in the case of private sector banks. Here also, the p value is less than 0.05 and hence the growth rate over the years is significant in the case of both private and public sector banks.

Amount of Loan Outstanding

Amount of loan outstanding under the education loan scheme shows 15.82 per cent average annual growth rate in the case of public sector banks and 24.83 per cent in the case of private sector banks. The growth rate over the years is significant in the case of both public and private sector banks.

Trend analysis shows growth in respect of almost all variables related to the education loan viz application received, number of loans sanctioned, amount of

loans sanctioned, number of loans outstanding and amount of loans outstanding. Further, it indicates that the growth rate of all these variables is significant at 5 per cent level. The trend analysis indicates a high growth rate in respect of all variables in the case of private sector commercial banks. While considering the actual amounts sanctioned, disbursed and outstanding, public sector banks have a dominant role. However, the growth rate of private sector banks is higher than the growth rate of public sector banks. Hence it can be concluded that despite small degree of decrease in certain years in respect of some variables, over all, there is a significant growth rate in the variables related with the education loans viz application received, number of loans sanctioned, amount of loans sanctioned, number of loans outstanding and amount of loans outstanding in respect of education loans distributed by both public and private sector banks in Kerala. Both private and public sector banks occupy a significant role in sanctioning education loans in Kerala. It also testifies that the demand for education loan in the state has been increasing.

4.22. Pattern of Education Loans Distributed in Kerala

Indian Bankers Association had appointed a study group for analyzing the need for education loan scheme in India. On the basis of the recommendations of this group, IBA drafted a model education loan scheme in 2001. In accordance with the scheme, Reserve Bank of India directed the commercial banks to implement the scheme of education loan vide the circular number RPCD.PLNFS.BC.No 83/06.12.05/2000-01 dated 26.04.2001. With reference to the circular, most of the banks in India have drafted their own education loan schemes.

The data regarding programme wise disbursement of education loans over the years are not available and hence pattern regarding distribution of education loan to various programmes cannot be identified. Considering this, attempt is made to analyse the share of education loan in the priority sector lending over the years.

Table 4.11
Share of Various Components of Priority Sector Lending

Figures in percent

Year	Agriculture	MSME	Education Loan	Others
2008	34	16	4	46
2009	33	17	7	43
2010	47	5	9	39
2011	39	31	8	22
2012	42	30	8	20
2013	49	5	11	35
2014	48	9	10	33
2015	42	25	6	27
2016	39	26	6	29

Source: SLBC Data

Fluctuations are there in the share of each components of priority sector lending over the years. In 2008, 4 per cent of the priority sector lending was education loans. It has been increased steadily up to 2013. In 2014, the share of education loan has been reduced by one percent and it became 10 per cent. In the subsequent years, the share of education loans has been reduced further. In 2015 and 2016, of the total priority sector loans distributed in the state, the share of education loans is 6 per cent.

4.22.1. Growth Rate of each Components of Priority Sector Lending

The pattern of the distribution of priority sector lending on each components is different in each year. The fluctuation in the amount of loan in each segment may be due to the special features like demand for the loan, priority etc. The table 4.12

indicates the yearly growth rate of each components of priority sector lending over the years.

Table 4.12
Growth Rate of each Components of Priority Sector Lending

Figures in percent

Year	Agriculture	MSME	Education Loan	Others
2009	1.5	11	87	-2
2010	46	-70	30	-1
2011	14	179	24	-21
2012	32	15	20	8
2013	4	-85	15	61
2014	14	114	11	9
2015	49	37	4	35
2016	-4	10	1	15

Source: SLBC Data

The fluctuations can be identified in the yearly growth rate of each components of the priority sector lending. The table 4.12 indicates the year wise growth rate of each item of loans under priority sector lending. While all other segments shows negative growth rate in some years, the education loan shows a positive growth in all years. However, in the last year, the growth rate is only one per cent.

4.22.2. Average Annual Growth Rate in the items of Priority Sector Lending

In order to find out the average yearly increase in the items of priority sector lending from 2008 -09 to 2015 - 16, trend analysis is used and the result of the analysis is given in table 4.13.

Table 4.13**Trend Analysis of Item wise Growth of Priority Sector Lending**

SI No	Items	P Value	Trend in Percent
1	Agriculture	0.000	18
2	MSME	0.141	19
3	Education Loan	0.004	18
4	Others	0.0168	10

Source: SLBC Data

As per the table 4.13, loans under Agriculture and education segments show 18 per cent average annual increase. In the case of MSME, the annual average increase is 19 per cent and in the case of other items, it is 10 per cent. It indicates that the demand for education loans is increasing in the state.

In order to find out the data regarding the distribution of education loan to various programmes and to obtain the demographic profile of the borrowers, a survey has been conducted among the selected borrowers of education loan. The data obtained in the survey depicts the demographic profile of the selected borrowers which can be summarised as follows:

Table 4.14**Demographic Profile of the Respondents**

SI No	Demographic Variables	Frequency	Percent
1	Gender		
	Male	225	52
	Female	207	48
	Total	432	
2	Religion		
	Hindu	114	27
	Muslim	53	12

SI No	Demographic Variables	Frequency	Percent
	Christian	265	61
	Total	432	
3	Caste		
	Forward Caste	299	69
	SC/ST	4	1
	OBC	129	30
	Total	432	
4	Area of Residence		
	Rural	144	33
	Urban	288	67
	Total	432	
5	Status of Household		
	BPL	85	20
	APL	347	80
	Total	432	
6	Occupation of Parents		
	Salaried	25	6
	Self Employed	36	8
	Agriculture	233	54
	Retired	11	2
	Coolie	119	28

SI No	Demographic Variables	Frequency	Percent
	Others	8	2
	Total	432	
7	Monthly Gross Income of Parents		
	Below ₹5000	188	43.5
	₹ 5000 – ₹10000	156	36.1
	₹ 10000 - ₹ 20000	56	13
	Above ₹ 20000	32	7.4
	Total	432	100

Source: Field Survey

The table 4.14 shows that 52 per cent of the respondents are male and 42 per cent female. Religion wise classification shows that majority (61%) of the respondents is Christians which is followed by Hindus (27%) and Muslims (12%). 69 per cent of the respondents belong to forward caste. The number of SC/ST students is very low (4%) and 30 per cent of the respondents belongs to OBC category.

Majority of the borrowers are from urban area (67%) and 80 per cent belongs to APL category. Most of the borrowers are dependents of farmers (54%) followed by Coolie workers (28%). The dependents of salaried people and self employed are very few in number. 43.5 per cent of the borrowers hail from poor economic background because their monthly income is below ₹5000. Even if majority belongs to APL category, the income wise distribution says that majority of the respondents hail from low income families. It supports the argument that education loan scheme is highly utilised by low income students in order to pursue higher education.

4.22.3. Programme wise Distribution of Education Loans

According to the norms issued by the IBA and MHRD, education loan is to be sanctioned by a bank to any course mentioned in the list issued by the authorities. An elaborated list of courses is appended with the circular issued by IBA.

As per the rules, banks are required to sanction education loans to any recognised programme. However, the data collected during the survey indicate that the distribution of loans to various programmes is not even.

Table 4.15
Programme wise Distribution of Education Loan

Name of Programme	Frequency	Percent	Value of χ^2
Medical	24	5.6	$\chi^2 = 168.61$ $P = 0.000$
Engineering	112	25.9	
Nursing	211	48.5	
Mgt	85	19.7	
Total	432	100.0	

Source: Primary data

The table 4.15 shows that about 49 per cent of the loans are given to studying the Nursing course which is followed by Engineering (24.8%) and Management (18.1%). The result of χ^2 test of association also indicates that there is significant difference in sanctioning of education loan to various programmes in Kerala.

Since the ' p ' value is less than 0.05 (0.000), the difference between the loans issued to various programmes is statistically significant. It implies that the majority of loans are issued to certain courses. According to the table, 49 per cent of respondents borrowed for studying Nursing Programme. In other words, according to the primary data, about half of the education loans disbursed in Kerala is advanced to study the nursing programme.

Once, nursing course was a glamorous course in view of employability. Ample opportunities were there for nurses in India and abroad. The pay packages offered to nurses in foreign countries were so attractive and alluring. It attracted the parents and students and thereby the demand for nursing course increased abnormally. Subsequently, in order to meet the high demand for the course, large number of institutions offering nursing course emerged both in Kerala and in neighbouring states like Karnataka and Tamil Nadu. However, most of the newly established nursing colleges were in private sector under self financing mode. These institutions charged heavy fees for the course.

The fee charged by the private nursing colleges in the state and outside the state is unaffordable to the middle class families. It compels them to borrow funds from financial institutions for the study.

The secondary data related to programme wise distribution of education loans in Kerala is not available. However, the primary data shows that most of the education loans distributed in Kerala are for studying the Nursing programme. According to the Indian Nursing Council, 20 lakhs registered nurses are there in India and of these, 18 lakh nurses are from Kerala. It will not be exaggeration to say that 75 per cent of all Keralites have at least one nurse in their household.

Table 4.16
Gender and Programme wise Distribution of Respondents

Subject of the Programme	Gender		Chi Square Value
	Male	Female	
Medical	13 (5.8%)	11 (5.31%)	13.96 (0.000)**
Engineering	94 (41.7%)	18 (8.69)	
Nursing	50 (22.22%)	161 (77.77%)	
Management	68 (30.22%)	17 (8.23%)	
Total	225	207	

Figures in brackets are *p* values

** indicates significance at 5% confidence level

Source: Primary Data

The chi square test of association shows that there is a significant difference in the distribution of loans for various programmes among male and female. The table 4.16 invariably shows that majority of the loans are issued to study Nursing Programme. Of these, majority of the loans are issued to females. 212(49%) loans are issued to study Nursing. Of these, 76 per cent of the borrowers are females. It implies that a good number of education loans sanctioned in Kerala is to study nursing and of these, majority of the borrowers are females. Even if there is no significant difference between male and female in taking education loans, the programme and gender wise distribution shows that there is significant difference between male and female in borrowing loan for various programmes. Most of the male students have availed loan for studying Engineering and Management programmes. About 78 per cent of the female students have availed loan for nursing course. It makes the situation more vulnerable. During the survey, many parents shared their apprehension regarding the debt burden of their daughters. The females who studied Nursing by borrowing education loans are unable to go for other jobs and job opportunities in the Nursing sector are so scanty. The loan burden affects their credit worthiness, esteem and social status. It is one of the grave concerns, the education loan borrowers are facing in the state.

Table 4.17
Programme and District wise Distribution of Borrowers

Programme	District			Chi Square Value
	Kozhikode	Malappuram	Idukki	
Medical	7	17	0	68.18 (0.000)**
Engineering	32	60	20	
Nursing	71	42	98	
Management	34	25	26	

Figures in brackets are *p* values

** indicates significance at 5% confidence level

Source: Primary Data

The table 4.17 shows that in each district, the demand for loan for various programmes is not even. The number of students who have availed loan for Medical and Engineering courses in Idukki district is very few as compared to other districts. In Idukki, of the 144 borrowers, 99 have taken loan for studying Nursing Programme. It implies that about 70 per cent of the borrowers are taken loan for Nursing. In the case of Kozhikode district as well, majority of the students (62%) have availed loan for pursuing Nursing Programme. In the case of both of these districts, majority of the population belongs to migrant farmers. The demand for nursing course is very high in the areas where such migrant farmers are dominant in the population. Various untoward incidents related with education loan scheme are also reported from these areas. The demand for education loan in Kerala is also high in the case of these districts. The Times of India had reported that most of the applicants for education loan to study nursing course were from the districts of Pathanamthitta, Kollam, Kottayam, Alappuzha and Kozhikode. Of the nursing students, about 30 per cent to 40 per cent students opted institutions outside the Kerala (Times of India, 2013).

In Malappuram district, the distribution of loan to various programmes is moderately even. Comparatively engineering has the dominance. The Chi Square test of association also indicates that the difference between the loans distributed in Kozhikode, Malappuram and Idukki districts to various programmes is statistically significant. Malappuram is the district which has minimum amount of education loans sanctioned in the state.

While reading these together, one can infer that the demand for education loans is high in areas where demand for nursing course is high. Majority of the people are availing education loan in Kerala for studying nursing programme. They are availing the loan under the assumption that once the programme is completed, they can have better job opportunities in India and abroad. They expect good salary and hence education loan can be repaid easily. But they realise the situation only after completion of the programme. It is very difficult to meet even the daily family expenses by the salary received from this job. In the case of programmes like

Engineering and Management also, the situation is almost same like this. Only a few students who studied in reputed institutions get better jobs and salary in the case of Engineering and Management. Most of the borrowers of education loans have borrowed funds for studying in private unaided sector. They face difficulty to have better job after the study. It affects the repayment of the loan.

Table 4.18
Programme and Bank wise Distribution of Education Loans

Programme	Type of Bank		Chi Squire Value
	Public Sector Banks	Private Sector Banks	
Medical	12	12	3.94 (0.5576)
Engineering	50	62	
Nursing	114	97	
Management	40	45	

Figures in brackets are *p* values

Source: Primary Data

Since the *p* value is greater than 0.05, there is no significant difference between public and private sector banks in sanctioning loans to various programmes. Often, students and parents are complaining that private sector banks are reluctant to sanction loans to certain courses owing to the fear of default in repayment. But the present study counters this argument. Education loan related issues are often related with sanctioning loan to nursing courses. The suicide attempt of a nursing student for want of sanctioning education loan and arrest of a parent for default in repayment of education loan became news recently. In both of these cases, the loan was related with nursing course. Parents complain that private sector and new generation banks have a negative attitude to sanctioning loans to nursing programme. But the table 4.18 indicates that even if there is a difference between public and private sector banks in sanctioning loans to nursing programme, the difference is statistically not significant.

Table 4.19
Subject of the Programme and Religion of the Respondents

Subject of the Programme	Religion of Respondents			Chi Square Value
	Hindu	Muslim	Christian	
Medical	12	8	4	89.07 (0.000)**
Engineering	34	29	49	
Nursing	49	0	162	
Management	19	16	50	
Total	114	53	265	

Figures in brackets are *p* values

** indicates significance at 5% confidence level

Source: Primary Data

The table 4.19 indicates that the distribution of education loan among various religions in Kerala is not even. Of the total borrowers, 61 per cent are Christians, 26 per cent are Hindus and 12 per cent are Muslims. The analysis of programme wise distribution of education loans among various religions also indicates that the distribution is not even. Some religions borrow funds for studying certain programmes. In the case of nursing programme, 78 per cent of the borrowers are Christians and remaining 22 per cent belongs to Hindu religion. No Muslim student has borrowed funds for studying nursing.

Table 4.20
Subject of the Programme and Locality of the Institution

Subject of the programme	Locality of Institution		Chi Square Value
	In Kerala	Outside Kerala but in India	
Medical	13	11	$\chi^2 = 68.26$ (0.000)**
Engineering	56	56	
Nursing	27	184	
Management	26	59	
Total	122	310	

Figures in brackets are *p* values

** indicates significance at 5% confidence level

Source: Primary Data

According to the Table 4.20, in the case of Management and Nursing Programmes, most of the students have availed loans to study outside the state. In the case of Management, of the total 78 borrowers, about 73 per cent have studied the course outside the state. In the case of nursing, 87 per cent of the borrowers have studied outside the state. The chi square test of association also testifies that the difference between the type of programme and location of the institutions is statistically significant.

In view of social responsibilities, banks are compelled to sanction education loan extensively. Heavy pressure from the government is also there in addition to pressure from other external corners like political, social etc. Government has liberalized the rules and regulations related with the scheme in order to help the genuine and deserving students. But, most often, these softening of the rules and regulations are helpful to some of the scrupulous educational institutions as well. As of now, no collateral security is needed for a loan up to ₹ 4 Lakhs. So, these institutions charge heavy fees for their programmes.

4.23. Conclusion

The number of applications received, number of loans sanctioned, amount of loans sanctioned, number of loans outstanding and amount of loans outstanding under the head education loan show an increasing trend in the state. It invariably shows the high demand for education loans in the state. The education loan segment has an important role in the priority sector lending scheme in the state. It shows an 18 percent average annual increase in the priority sector lending. The pattern of distribution of education loan to various programmes in the state is not even. Majority of the loans are issued to the nursing programme. Even if there is no significant difference in the distribution of loans among males and females, programme and gender wise classification shows that majority of the loans to nursing programme is given to females. Similarly, religion wise classification shows that majority of the loans for nursing programme is taken by Christians.

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Chapter 5

Factors affecting the Amount of Education Loan and its Repayment

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5.1. Introduction

The trend, pattern and repayment status of education loan scheme in Kerala have been explained in detail in the previous chapter. Generally, the amount of education loan to be borrowed by a student for pursuing a particular programme is affected by various factors such as type of the programme, income level of the family, occupation of the parents etc. Similarly, after completion of the programme, some of the borrowers shall repay the loan regularly and others shall commit default. The primary data shows that only 62 per cent of the respondents are repaying the loan regularly. In such a context, the present chapter attempts to identify the factors affecting the amount of education loan borrowed by a student, the repayment status of the scheme in Kerala, the factors contributing to the regular repayment of the loan and what are the factors responsible for default in repayment.

Education is treated as one of the basic requirements and the most effective instrument of social improvement and can contribute to the social and economic development by endowing citizens with the means of improving their health, skill, knowledge and caliber for productive work (Kalia, 2010). Kerala is considered as one of the most aware and literate states in India. The state has been ahead in many aspects especially in the human development indicators and universal primary education. In the case of women literacy, gender ratio, enrollment of school and higher education as well Kerala is a model to other states. 21st century will be known as the knowledge driven century. Higher education is a powerful tool to build a knowledge based society of the 21st century.

The cost of higher education has increased considerably in the changed socio economic scenario. Due to this, students from poor socio economic background face difficulty in order to arrange required funds for pursuing higher education. The government of India has introduced the education loan scheme as a panacea to overcome the financial problems of higher education aspirants. Kerala is one of the leading states in sanctioning education loans in the country due to the increased demand for higher education in the state.

5.2. Demand for Higher Education in Kerala

Kerala has always stood in the forefront of literacy rate and education. In the case of higher education also, the scenario is not different. In order to meet the increased demand for higher education, a number of new institutions have come to the field. But unfortunately, most of the newly incorporated institutions offering higher education in the state are in private unaided sector.

Table 5.1
Number of Private and Government Colleges in Kerala

Year	Private Unaided Colleges	Private Aided Colleges	Total Private	Government	Total
2010-2011	298 (54%)	133 (24%)	431	125 (22%)	556
2011-2012	455 (57%)	186 (23%)	641	152 (20%)	793
2012-2013	486 (58%)	188 (23%)	674	159 (19%)	833
2013-2014	497 (58%)	191 (22%)	688	162 (19%)	850
2014-2015	720 (65%)	196 (18%)	916	193 (17%)	1109
2015-16	800 (66%)	201(16%)	1001	215(18%)	1216

Source: MHRD Data for various years

The table 5.1 invariably shows a significant increase in the number of institutions in higher education sector in Kerala. The total number of institutions in higher education sphere was 556 in 2010 – 2011 academic year. In the academic year 2015 – 16, it became 1216. By the period of five years, the number of institutions has doubled. However, it is to be noted here that of the total 1216 institutions, 66 per cent of the institutions are in private unaided sector. In accordance with the number of institutions, the number of students enrolled in the higher education programmes also has increased.

Table 5.2**Details of Enrolment in Private and Government Colleges in Kerala**

Year	Private Unaided Colleges	Private Aided Colleges	Total Private	Government	Total
2010-2011	115737 (37%)	134459 (43%)	250196	59638 (19%)	309834
2011-2012	165443 (39%)	183179 (43%)	348622	78070 (18%)	426692
2012-2013	191095 (41%)	189919 (41%)	381014	81663 (18%)	462677
2013-2014	215967 (43%)	198824 (40%)	414791	82577 (17%)	497368
2014-2015	265906 (46%)	215026 (37%)	480932	92710 (16%)	573642
2015-2016	303561 (48%)	230533 (36%)	534094	99935 (16%)	634029

Source: MHRD Data for various years

According to the table 5.2, in higher education sphere, 48 per cent of students are studying in private unaided sector. The contribution of fully government owned institutions in this regard is only 16 per cent. In the Academic year 2015 – 16, 38 higher education institutions were newly established in Kerala. Only 10 per cent of this was in government sector. All others were in private sector.

Table 5.3**Number of Colleges Established in 2015 -16 in Kerala and their Enrolment**

Sl No	Type of Institution	Number	Enrolment
1	Private Unaided	32 (84%)	1800 (81%)
2	Private Aided	2 (6%)	284 (13%)
3	Government	4 (10%)	141 (6%)
	Total	38	2225

Source: MHRD AISHE 2015-16.

The tables 5.1,5.2 and 5.3 obviously depict the dominant role of private unaided institutions in the higher education scenario in the state. The number of institutions in the higher education sector has been increasing in accordance with the demand for the same. Certainly it shall enhance the chances for higher education to the aspirants. But unfortunately, majority of the newly began institutions and programmes were under private unaided sector. 84 per cent of the newly started colleges are in private unaided sector, 6 per cent is in private aided sector and 10 percent is in government sector. In terms of enrollment, 81 per cent of the enrollment is in private unaided sector. The government's share in this regard is only 6 percent. It means that majority of the students in the state are compelled to pursue higher education in private unaided sector. In this sector, equity is an issue. The fee charged by these institutions is unaffordable to middle and low class families. Naturally, in order to get admission to these institutions, they have to seek external financial support. This situation drags them to the commercial banks in order to avail educational loans.

During the last few years, the number of higher education institutions in private unaided sector shows an abnormal increase. The enrolment of the student to higher education programmes has also increased significantly. Since most of these students are enrolled in private unaided institutions, they had to identify source of funds in order to meet the high amount of fee charged by these institutions for the programmes in higher education. Naturally, they were compelled to borrow funds from financial institutions as education loans. As a result of this, the application received, loans sanctioned, loan disbursed and outstanding in respect of education loan segment by the banks in Kerala have also increased. As per the trend analysis in Chapter 4, there is a 13.55 percent average annual increase in the amount of education loan outstanding in the state from 2007-08 to 2015-16.

5.3. Amount of Education Loan

The increase in the number and amount of loans indicates that the demand for education loans has been increasing in the state. Irrespective of the income of family, type of the programme, locality of the institution, occupation of the parents

etc, students borrow funds for meeting the cost of higher education. The amount borrowed by the students depends upon various factors. According to the rules of IBA, a student can borrow up to ₹10 lakhs as education loan for studies in India. If the student intends to study abroad, up to ₹20 lakhs can be borrowed. However, the amount of loan shall be determined by the banks by considering the nature of programme, family income, repayment capacity etc. For the loans up to ₹4 lakhs, no further collateral security is required and hence, most of the loans sanctioned in Kerala come under this segment.

5.3.1. Factors Affecting the Amount of Education Loan

The secondary data related to the sanction of education loan shows that the amount and number of loans has been increasing in the state. It indicates that more people come forward to avail education loans in Kerala. In this context, to analyze the factors affecting the amount of education loan in Kerala shall be meaningful. Analysis of the previous studies related with the topic indicates that the following are the major factors affecting the amount of education loan:

1. Income of the family.
2. Programme for which the loan is taken
3. District of residence of the borrower
4. Area of residence
5. Occupation of the parents

Income of the Family

Usually, the cost of education is met from the income of the family. The increased cost of higher education made the family income insufficient to meet the expenses. That is why the students and parents tend to approach financial institutions in order to borrow funds as education loan. However, the previous studies testify that if the borrower is hailing from a family having sound financial background, he tends to borrow less because a part of the cost of higher education can be met from the family income.

Programme for which the Loan is Taken

The amount of loan is highly related with the programme for which the loan is taken. The fee of some professional programmes like Medical, Engineering etc is extremely high in private self financing colleges. The students who got admission to these programmes tend to borrow more funds from banks as education loan. Similarly, some colleges outside the state charge high fees to their programmes like Nursing, Management etc.

District of Residence of the Borrower

The secondary data shows that the distribution of education loan in the districts in Kerala is not even. Maximum amount of education loans are disbursed in Idukki and the number and amount of loan issued is least in Malappuram district. In certain districts, the demand for certain programmes is high and hence in such districts, the demand for education loan is also high.

Area of Residence

The demand for various programmes is different in the case of students in urban and rural areas. The income level of the families shall also be different in rural and urban areas. This difference in demand for higher education programmes and level of incomes affects the demand for education loans as well.

Occupation of the Parents

Analysis of primary data testifies that one of the important reasons for borrowing education loans is lack of adequate funds for meeting the increased cost of higher education. Occupation has a close correlation with income and thereby it is a criterion which determines the amount of loan to be borrowed for pursuing education. In order to assess the role of each factors mentioned above in determining the amount of loan to be borrowed, a Multiple Regression Model has been used in the present study.

5.4. Multiple Regression Model

The amount of loan taken for educational purposes depends on a number of factors such as family income, nature of the course, place of residence etc. To test the significance of the various determinants of amount of education loan, a multiple regression model of the following form has been used:

$$Y_i = \beta_1 + \beta_2 X_i + \beta_3 D_{3i} + \dots + \beta_{12} D_{12i} + u_i$$

Where,

Y_i = the amount of loan taken

X_i = Family income.

$D_3 \dots D_{12}$ = the dummy variables representing the determinants of amount of education loan.

The significance of each coefficient is tested by the usual 't' test procedure.

5.4.1. Explanation of the dummy variables

$D_3 = 1$, if the loan is taken for studying Medical and otherwise 0.

$D_4 = 1$, if the loan is taken for studying Engineering and otherwise 0.

$D_5 = 1$, if the loan is taken for studying Management and otherwise 0.

$D_6 = 1$, if the respondent belongs to Malappuram district and otherwise 0.

$D_7 = 1$, if the respondent belongs to Idukki district and otherwise 0.

$D_8 = 1$, if the respondent reside in urban area and otherwise 0.

$D_9 = 1$, if the parent of the borrower is a salaried person and otherwise 0.

$D_{10} = 1$, if the parent of the borrower is a retired person and otherwise 0.

$D_{11} = 1$, if the parent of the borrower is a self employed person and otherwise 0.

$D_{12} = 1$, if the parent of the borrower is a coolie worker and otherwise 0.

Of the programmes, nursing is taken as the base variable for comparison. In the case of districts, Kozhikode is taken as basis. Rural is taken as the base for comparing the variable area of residence. In the case of occupations of parents, agriculture is treated as base for comparison.

5.4.2. The result of Multiple Regression analysis is as follows

Dependent Variable: Amount of loan borrowed for pursuing higher education.

Method: Least Squares

Sample: 1, 432

Included observations : 432

Table 5.4
Result of Multiple Regression Analysis

Variable	Co efficient	Std Error	t - statistic	Probability
C	164519.6	12818.95	12.83409	0.0000
INC	1.375451	0.728798	1.887287	0.0450**
D ₃	67143.32	23521.21	2.854586	0.0045**
D ₄	56945.46	12125.62	4.696291	0.0000**
D ₅	84020.68	13029.58	6.448459	0.0000**
D ₆	52103.11	12049.87	4.323957	0.0000**
D ₇	17278.20	11814.33	1.462478	0.1444
D ₈	22714.91	9750.865	2.329528	0.0203**
D ₉	28541.85	26007.76	1.097436	0.2731
D ₁₀	-58678.10	28856.88	-2.033418	0.0426**
D ₁₁	-30108.50	17477.81	-1.722671	0.0857
D ₁₂	-9911.895	10862.70	-0.912471	0.3620

**indicates significance at 5 percent level

R – squared: 0.230102

Source: Primary Data

The Role of Family Income

The coefficient of income is positive and the ' p ' value is statistically significant as it is 0.0450. It implies that the role of the income of the family in determining the amount of education loan is significant. The positive sign of coefficient indicates that while amount of family income increases, the amount of education loan tends to increase. In other words, high income families borrow more as education loans when compared to low income families. Usually, high income groups prefer to study most modern professional programmes. It needs huge amount as fee. It might be the reason for borrowing more as education loan by high income families.

Role of the Programme for which the loan is taken

Since the coefficient of D_3 is positive and ' p ' value is less than 0.05, the amount of loan taken for medical programme is significantly higher than the amount of loan taken for nursing programme. As stated above, medical programmes in private unaided colleges in and outside the state need huge amount as fee and it compels the students to borrow more.

The coefficient of D_4 is positive and ' p ' value is less than 0.05(0.000). It means that the students borrow more funds as education loan for studying engineering as compared with nursing programme.

The coefficient of D_5 is positive and ' p ' value is less than 0.05(0.000) which means when compared to nursing, students borrow more funds for studying Management.

In the case of D_6 as well, the coefficient is positive and ' p ' value is significant (0.000). It means that the amount of loan borrowed by students in Malappuram district is more when compared to the students in Kozhikode district. In fact, Malappuram is the district having least amount of education sanctioned in the state. But as per Multiple Regression analysis, when compared to Kozhikode district, the students in Malappuram district tend to borrow more funds. It implies that even if the total amount of education loan distributed in Malappuram is least in

the state, while considering individually, students borrow huge amount as education loan in Malappuram district. The programme wise distribution indicates that in Malappuram district, most of the students have availed education loan in order to study the programmes like Medical, Engineering, Management etc. In all the other two districts, i.e. Kozhikode and Idukki, majority of the students is taken the loan for pursuing nursing programme. The result of multiple regression analysis testifies that in Malappuram, even if a few number of students only have availed the education loan, they have borrowed comparatively large amount in order to pursue the programmes like Medical, Management and Engineering.

The coefficient of D_7 is positive but the ' p ' value is 0.1444, which is greater than 0.05. It indicates that there is no significant difference in the amount of loan borrowed by the students in Idukki district when compared to the students in Kozhikode district. In other words, there is no significant difference in the amount of education loan borrowed in Kozhikode and Idukki Districts. In Idukki district, majority of the borrowers have availed the loan for studying nursing programme. As per the secondary data, in Kerala, maximum amount of education loan is distributed in Idukki district. However, the amount borrowed by individual borrowers is same when compared to the Kozhikode district. It might be due to the lesser cost of nursing programme when compared to other programmes like Management, Engineering etc.

The coefficient of D_8 is positive and ' p ' value is less than 0.05 (.0203). It means that the area of residence 'urban' is a significant factor influencing the amount of education loan. In other words, the students in urban area borrow more than the students in rural areas.

The coefficient of D_9 is positive and ' p ' value is 0.2731. Since the p value is more than 0.05, it indicates that when compared to the children of farmers, there is no significant difference in the amount borrowed by the children of salaried people. It implies that both the salaried people and agriculturists borrow on an average the same amount as education loan. In other words, the study reveals that the

assumption that the salaried people borrow fewer amounts as education loan is not true.

The coefficient of D_{10} is negative and ' p ' value is significant (0.0426). It implies that the retired hands borrow fewer amounts as compared with farmers.

In the case of D_{11} and D_{12} as well, the coefficients are negative and ' p ' values are not significant (0.0857 and 0.3620 respectively). It means that the self employed people and coolie workers take less amount as education loan when compared to farmers. However, since the ' p ' value is more than 0.05, the difference in amount borrowed by these people is statistically not significant.

The result of Multiple Regression Analysis can be summarized as follows:

Income of the family is a significant factor affecting the amount of education loan to be borrowed.

When compared to nursing programme, students borrow more funds as education loan for pursuing Medical programmes.

For pursuing the programmes Engineering and Management as well students borrow more funds when compared to nursing programme.

When compared to the borrowers in Kozhikode district, students in Malappuram district tend to borrow more for educational purposes and there is no significant difference in amount of loan borrowed by the students in Kozhikode district and Idukki District.

The students in urban area tend to borrow more than the students in rural areas.

The occupations of parents like salaried, self employment and coolie are not significant factors in determining the amount of loan. However, the retired hands borrow less when compared to the farmers.

5.5.Repayment of Education Loan

The repayment of education loan is highly related with the job and salary that the student shall get after completion of his/her programme. Usually, education loans are sanctioned by the commercial banks to pursue higher education in professional programmes. The logic behind this policy is to ensure repayment of the loan in time. In the case of professional programmes, the probability to get better job is high and therefore the borrowers can easily repay the loan out of their salary. In the case of almost all professional programmes the job possibilities are high. It is the reason which motivates the students and parents to borrow money. Banks are also willing to make advances to these students because of the job opportunities of their programmes. Due to the economic reforms ushered in the country during 1990s, many domestic and multinational corporates have emerged in different sectors and pay packages to various jobs especially jobs in managerial and marketing fields have been hiked to a great extent. There were ample opportunities for job in the nursing sector as well. The hospitals in some foreign countries offered good pay packages to the nurses. It has attracted many students and parents and there was an enormous demand for the nursing course in India. In the case of management and engineering fields as well, it was a boom period. There was a flow of students to such professional programmes. Due to the high demand, new institutions have also come into the scene in order to impart higher education in these disciplines. The number of institutions in the sectors like Management, Nursing and Engineering has increased significantly during the recent past. However, due to the world wide economic down turn, the job opportunities have decreased to a great extent. The salary packages also have been trimmed by the companies all over the world. This affected the repayment of education loans as well. Borrowers face difficulties in order to repay the loan in time for want of money. It increased the default in repayment of education loans. Gradually, the defaulted loan accounts become Non Performing Assets. The secondary data shows an abnormal increase in the Non Performing Assets in respect of education loans in the state.

5.6. Non Performing Assets in respect of Education Loan Scheme

The commercial banks lend loans to the public with a view to earn income by means of interest. While increasing the loan amounts, it shall be favorable to the banks as their income shall also be increased. However, in order to increase the income of the banks, regular repayment should be there. But as far as education loan scheme is concerned, the increasing trend in the NPAs indicates that the repayment of education loans in the state is not fair.

Sri Rakesh Sharma, Managing Director and CEO of Canara Bank, during his presidential address in the State Level Review Meeting observed that the banks in the state have performed well under many of the parameters regarding priority sector lending. But, there are a few concern areas requiring emergency attention of all concerned like increasing NPAs under education loans (SLBC, 2016).

Table 5.5
Non Performing Assets in respect of Education Loan Scheme in Kerala

Amount in Lakhs

Year	Non Performing Assets	
	Public Sector Banks	Private Sector Banks
2007-08	2276.4	522.03
2008-09	18207.22	1618.83
2009-10	12246.43	1924.52
2010-11	22789.55	2858.09
2011-12	45396	3649
2012-13	66749	5874
2013-14	82656	8854.12
2014-15	61488.27	9524.73
2015-16	96738.41	12651.37

Source: SLBC Data

The table 5.5 obviously depicts that the amount of NPA in respect of education loan segment has been increasing in the case of both private and public

sector banks. In 2014-15, there is a decrease in the amount of NPA in the case of public sector banks. ₹.82,656 lakhs in 2013-14 has been decreased to ₹ 61,488.27 in 2014-15. There is a slight decrease in the year 2009-10 as well. In all other years, the amount of NPA tends to increase in the case of public sector banks. However, in the case of private sector banks, there is a regular increase in the amount of NPA over the years.

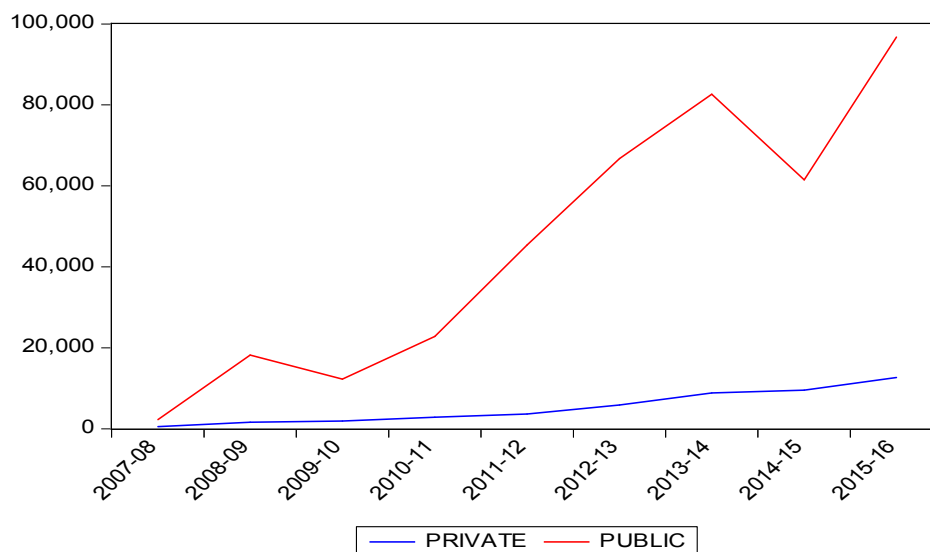


Figure 5.1

Non Performing Assets in respect of Education Loan Scheme in Kerala

The figure 5.1 indicates the increase of amount of NPA in respect of education loan during the period regarding public and private sector banks. Both in the case of public and private sector banks, the amount of NPA tend to increase. In the case of public sector banks, there is decrease in the amount of NPA in 2009-10 and in 2014-15. Otherwise it has been increasing. In the case of private sector banks, the amount of NPA shows a regular and steady increase over the years.

Table 5.6
Result of Trend analysis of NPA

SI No	Type of Bank	Trend in %
1	Public Sector Banks	39.24 (0.0011)**
2	Private Sector Banks	36.4 (0.000)**

Figures in brackets are 'p' values
**indicates significance at 5% level

Source: SLBC Data

The result of trend analysis indicates a 39.24 per cent average annual increase in the amount of NPAs in respect of education loans sanctioned by public sector banks. In the case of private sector, it comes to 36.4 per cent. Both in the case of public sector and private sector banks, the average annual increase rate of NPAs is significant.

As indicated earlier, commercial banks sanction the loan with the intention of regular repayment and thereby regular income. When the repayment is interrupted, it shall affect the profit of the bank. The continuous default in repayment is the cause for transforming the loan into NPA. Due to various reasons, now students are unable to repay the education loan regularly. The data collected from the respondents as part of present study shows the repayment status of education loan.

5.6.1. Factors Contributing to NPA

Education loan is a priority sector lending scheme. Accordingly, all factors contributing to NPA in case of priority sector lending are held good in the case of education loan scheme as well. In addition to these, due to the specific feature of the scheme, the factors like Wilful default, deficiencies of the banks, absence of clear cut guidelines, absence of proper security, poor customer relationship management etc also contribute to NPA in case of education loan scheme:

5.6.2. Impact of Huge NPAs in respect of Education Loans

When an account becomes nonperforming, interest is not generated from that account. Further, the bank has to provide adequate provision to for such NPAs from the existing profits. Thus, NPA has a double impact on financial performance of the banks. The other impact of increased NPAs in respect of education loans can be summarized as follows:

1. The income on nonperforming asset shall be recognized on receipt basis. Hence, it shall decrease the interest income of the bank.
2. The interest will not be generated on such NPAs and at the same time, provision is to be made for such doubtful debts. It shall deteriorate the profitability of the banks.
3. Increased NPA may cause decrease in the Return on Investment (ROI).
4. The presence of NPA shall deteriorate the capital adequacy ratio of the banks.
5. The increased NPA shall minimize the recycling of credit and credit creation.
6. The cost of capital shall be increased.
7. It may cause reduction in availability of funds for further business expansion and development.

5.7. Repayment of Education Loans in Kerala

The secondary data shows that the repayment trend of education loan in Kerala is not satisfactory. In order to know the repayment status, primary data related with the repayment of education loan has been collected. The table 5.7 shows the repayment status of education loan.

Table 5.7
Status of Repayment of Education Loan

Status of Repayment	Frequency	Percent
Yes	267	61.8
No	165	38.2
Total	432	100.0

Source: Primary Data

The table 5.7 shows that only 62 per cent of the borrowers are repaying the loan regularly. Hence primary data also testify that the repayment of education loan is not satisfactory. About 38 per cent of the borrowers commit default in repayment of education loan. It is not desirable from the profitability view of banks. Further, it shall cause deterioration of social image of the borrower as well. Hence, further analysis to assess the reasons for regular repayment and default in repayment shall be meaningful.

The logic behind the Education loan scheme is that after completion of the study, the student shall have better job based on the programme and his employability skill and earning capacity shall be enhanced. It shall make him competent to get a fairly paid job. Out of his salary, he can repay the loan regularly. Within the stipulated period, he can easily repay the loan. As education loan is mainly sanctioned to study professional programmes, the pay packages shall be fair and accordingly, repayment of loan shall never be a burden to the students and parents.

However, in order to work this mechanism, the students should get better job on completion of the programme. According to the table 5.7, only 62 per cent of the borrowers repay the loan regularly. It indicates that there are some problems regarding repayment of education loan. The intended mechanism as mentioned earlier is not working here.

5.7.1. Type of Bank and Repayment of Loan

Generally, private sector banks shall have a stringent follow up action programme which ensures timely repayment of loan. But the secondary data shows that the repayment status of both private and public banks is poor in respect of education loan scheme. In order to test the validity of this statement, chi square test is used and result of the test is shown in table 5.8.

Table 5.8
Type of bank and Repayment Status

Type of bank	Repaying the loan regularly		Chi Square Value
	Yes	No	
Public Sector	128	88	$\chi^2 = 1.19$ $P = 0.2760$
Private Sector	139	77	
Total	267	165	

Source: Primary data

In order to assess the association between bank type and repayment status of the loan, χ^2 test of Association is used and the result of the test shows that there is no significant difference in the bank type and repayment of loan. (p value is greater than 0.05). It means that even if there is a difference in the repayment of loans in respect of public and private sector banks, the type of bank is not a significant factor affecting the repayment of loan. In other words, both in the case of public and private sector banks, the repayment of education loan is not satisfactory.

5.7.2. Type of the Programme and Repayment of Loan

Most often, repayment is related with the programme for which the loan is taken. In the case of certain professional programmes like Medical and Engineering, job opportunities shall be high and hence ensure timely repayment. In order to test the relation between repayment status and subject of the programme, Chi Square test is used and the result of the test is given in table 5.9.

Table 5.9
Type of the Programme and Repayment Status

Subject of the Programme	Repaying the loan regularly		Chi Square Value
	Yes	No	
Medical	21	3	7.84 $P = 0.1651$
Engineering	69	43	
Nursing	127	84	
Management	50	35	
Total	267	165	

Source: Primary Data

The table 5.9 shows differences in repayment of loan in respect of the subject of Programme. According to the table, only 3 persons committed default in repayment of loan and 21 respondents are regularly repaying the loan in the case of Medical. In the case of Engineering, while 69 respondents repay the loan regularly, 43 numbers committed default. In the case of nursing, 127 respondents are repaying the loan regularly while 84 respondents committed default. In the case of management, the number of regular repayment is 50 and default is 35. Even if there is difference in the repayment status in respect of the subject of the programme, since the p value (0.1651) is greater than 0.05, the Chi Square test of association indicates that the association between repayment and the programme for which the loan is taken is not statistically significant. Generally, the job opportunities to various programmes are different. Similarly, the pay packages of different jobs based on the nature of programmes shall also be different. It is the assumption that in the case of some professional courses like Medical, Engineering etc, students shall easily get job immediately after the completion of the programme and jobs based on these programmes offer better salary and amenities. If it is true, the loan borrowed for studying these programmes had to be repaid regularly. But the present study reveals that the programme for which the loan is taken is not a significant factor affecting the repayment. In other words, in the case of all types of programmes, the repayment of loan is not satisfactory.

5.8.Sources of Fund for Repaying the Loan

The increased NPA in respect of the education loan indicates that the students feel some difficulties in repaying the loan regularly. Only 62 per cent of the borrowers are repaying the loan regularly and it is not sure that even these borrowers are repaying the loan out of their own salary. The review of previous studies and interaction with the borrowers reveal that the regular repayment of the loan may be due to the following reasons:

1. Income from the job is sufficient to repay the loan
2. Income of the family is sufficient to repay the loan.
3. Sense of responsibility and Conscientiousness

4. Fear of recovery actions by the bank
5. Regular follow up by the bank
6. Other reasons.

Table 5.10 shows the responses of the borrowers towards the reason for regular repayment of education loan.

Table 5.10
Reasons for Regular Repayment of Education Loan

Reason for Repayment	Frequency	Percent	Value of χ^2
Income from job is sufficient	71	26.6	$\chi^2 = 237.16$ $P = 0.000$
Family income is sufficient	6	2.2	
Sense of responsibility & Conscientiousness	88	32.9	
Fear of recovery actions	98	36.7	
Regular follow up	3	1.1	
Others	1	.5	
Total	267	100	
Not Applicable(Not repaying Regularly)	165	38.2	
Grand Total	432	100.0	

Source: Primary Data

Income from the Job is Sufficient to Repay the Loan

Almost all the borrowers of education loans have availed loan for pursuing professional programmes. After completion of professional programmes, these students had to get better job and salary. But the table 5.10 indicates that, of the regular repayments, only 26.6 per cent is repaying the loan out of their own salary. It means that the remaining borrowers do not have fair job and sufficient salary in order to repay the loan.

Income of the Family is Sufficient to Repay the Loan

In the absence of fair income from the job, the next immediate source is the income of the family. However, on the basis of the survey results, only 7.2 per cent of the borrowers are repaying the loan out of the income of the family. Even if the percentage is negligible, the study indicates that some of the borrowers have been repaying the loan out of the income of family. To depend on the family in order to repay the loan taken for higher education is a grave situation. It shall certainly affect the morale and self esteem of the students.

Sense of Responsibility and Conscientiousness

According to table 5.10, 32.9 per cent of the borrowers responded that they do not have adequate salary to repay the loan. The family income is also not enough to repay the loan. But still, they have been repaying the loan regularly somehow only because of the sense of responsibility and self esteem.

Fear of Recovery Actions by the Banks

Majority (36.7%) of the borrowers responded that they have been repaying the loan due to the fear of recovery actions. They have not adequate salary or family income in order to repay the loan. But if the banks move against them for legal actions, it shall affect the reputation of the person as well as the family. As a result, they used to repay the loan even by disposing off their properties. To sell the properties of the family in order to repay the education loan is a miserable state. Some of the borrowers responded that they have been repaying the education loan by borrowing money from private money lenders at a high rate of interest.

Regular follow up by the Banks

According to the table 5.10, only 1.1 per cent of the borrowers responded that they are repaying the loan due to the regular follow up of the banks. It indicates that follow up action on the part of the banks is not a factor which affects the repayment of loan. During the survey, it has been identified that some of the borrowers had obtained better jobs after the study. They receive adequate pay as

well. But still, they are not paying the loan regularly. One of the important reasons for such a lethargic attitude of the borrowers is the absence of proper follow up actions on the part of the bank.

The table 5.10 shows that majority of the borrowers have been repaying the loan regularly owing to the fear of recovery actions of the bank. The Chi Square test of association also testifies that there is a significant difference in the reasons for regular repayment of education loan.

5.9. Default in Repayment of Education Loan

The number of loans sanctioned under the education loan segment of both public and private sector banks has been increasing from year to year. It is a good sign which indicates that more students from poor socio economic back ground are utilizing this priority sector lending scheme as a means to realize their higher education dreams. It is an appreciable help to the weaker segment of society in order to mobilize funds for higher education. Since no collateral security is required for loans up to ₹ 4 lakhs, the scheme offers high accessibility to common people. Lack of security is not a burden to obtain education loans.

However, secondary data over the years shows that the NPA in respect of education loan has been increasing. As on 31.03.2013, ₹ 1,79,431 crore was the Gross NPA of 39 listed banks in India. It comes to about 3.3 per cent of the total loans advanced by the banks. According to banking officials, NPA in respect of education loan scheme comes to about 5 per cent on an average. It comes to even double digit figure in the case of some banks. In the case of Canara Bank, one of the leading public sector banks in the country, the NPA in respect of education loan scheme is about 9 percent. According to banking sources, in the case of education loan scheme, the loan segment up to ₹ 4 lakhs seems to have more defaults. Since no collateral securities are required for loan up to ₹ 4 lakhs, the chance for default in this category of loan is very high.

The primary data also indicates that about 38 per cent of the borrowers are not repaying the loan regularly. All these imply that the repayment performance of

education loan is not fair. In such a situation, it shall be worthwhile to have an enquiry into the reason for high default in the repayment of education loan.

5.9.1. Reasons for Default in Repayment of Education Loan

Reviews indicate that a lot of factors are responsible for default in repayment of education loan. For the sake of convenience of analysis, the various reasons for default in repayment of education loan are classified into the following six categories:

1. Delay in completing the programme
2. Delay in getting job
3. Inadequacy of salary
4. Unforeseen events
5. Absence of proper follow up
6. Expectation of waiver

Table 5.11 shows the responses of the borrowers with regard to the reasons for default in repayment of education loan.

Table 5.11
Reasons for Default in Repayment of Loan

Reasons	Frequency	Percent	Value of Chi Square
Delay in completing course	3	2	167.04 (0.000)*
Delay in getting job	60	36	
Inadequacy of salary	72	43	
Unforeseen events	11	7	
Absence of proper follow up	16	10	
Expectation of waiver	4	2	
Total	166	100.0	

Source: Primary data

Figures in bracket indicate *p* value

*indicates significance at 5 percent level

Delay in Completing the Programme

The fee for the professional programmes is so high especially in private unaided sector. Further, the students in respect of these programme are mature and fully aware of the pros and cons of the successful completion of the program. Because of all of these, the drop out ratio is not so high in the case of professional programmes. However, sometimes students are forced to discontinue the programme for want of adequate funds. While the banks fail to sanction the further installments of the loan in time, the students shall be compelled to discontinue the programme. Other personal and family related issues may also lead to discontinue the programme. Academic failures may also be the reason. Once a student discontinued the programme, it shall affect his employability and earning capacity. He will not be competent to get better jobs. Naturally, he shall face difficulties in repaying the loan regularly.

However, table 5.11 shows that 2 per cent of the borrowers responded that the reason for default is the delay in completing the programme. It implies that delay in completing the programme is not at all a serious reason for default in repayment of education loan.

Delay in Getting Job

The long delay in getting the job after completion of the programme shall also affect the earnings of the incumbent and thereby the repayment of loan. The table 5.11 shows that 36 per cent of the borrowers are not repaying the loan regularly owing to delay in getting job. In the case of professional programmes like engineering, Management etc, to get a better job immediately after completion of the programme is not so easy. In order to get job in reputed firms, one or two years experience is mandatory. All these may lead to delay in repayment of loan.

Inadequate Salary

In the survey, 43 per cent of the borrowers responded that they are not repaying the loan regularly for want of adequate salary. It implies that the present jobs do not fetch adequate salary to the incumbents. In the case of some professions

like nursing, the salary is very poor. In order to study Nursing Programme in a private self financing college, ₹ 2 lakhs to ₹ 4 lakhs is required as fee and other related expenses. Sometimes, the expense shall be much higher than this. Parents take education loan in order to mobilize a part of the said fund. Funds might be borrowed from other informal sources as well in order to meet some other expense which cannot be met from education loan. In such a situation, once the student has completed the programme, he has to repay about ₹ 5000 or more per month as EMI of the loan. Most often, the salary at initial stages shall be normally ₹ 5000 to ₹ 8000 pm. Out of this, they have to meet all their personal expenses. Sometimes, family expenses also have to be met from this. In such a situation, he may not have funds for repaying the loan. Naturally, the repayment shall be in trouble. Gradually, the loan shall become NPA. It is a grave situation that most of the borrowers of education loan face in the present scenario.

According to the Indian Nursing Council, 20 lakhs registered nurses are there in India and of these, 18 lakhs are in Kerala. It will not be an exaggeration to say that 75 per cent of all Keralites have at least one nurse in their household. Since the supply is so high than the demand, the pay packages and other amenities offered to the professionals in this field is so poor. Due to the economic downturn affected the economy all over the world; the pay packages of many professions have decreased. But in the case of nursing field, the decrease is below the threshold level.

In the case of many private institutions, the plight of nurses is so vulnerable. For the first one or one and half year, the pay shall be meager or nil for want of experience. The miserable conditions in the domestic market compel them to try job abroad. But there as well, the conditions are not safe. Many nurses from Kerala had suffered a lot in countries like Iraq, Libya etc when the internal riots were so rigorous there (Ghosh, 2014).

Absence of Proper Follow up Actions

As a priority sector lending scheme, close supervision and follow up by the banks is very essential in order to motivate the borrowers for timely repayment. 16

per cent of the borrowers told that the follow up actions on the part of the banks is not sufficient and that is why they committed default in repayment of the loan.

The table 5.11 shows that the other factors like unforeseen events and expectation of waiver are not so important as far as default in repayment of education loans in Kerala is concerned.

Due to social responsibilities, banks are compelled to sanction education loan extensively. Heavy pressure from the government is also there in addition to pressure from other external corners like political, social etc. Government has liberalized the rules and regulations related with the scheme in order to help the genuine and deserving students. But, most often, these softening of the rules and regulations are helpful to some of the scrupulous educational institutions as well. As of now, no collateral security is needed for a loan up to ₹ 4 Lakhs. So, these institutions charge heavy fee for their programmes. Latest news from the various corners of the state proves that such malpractices are very common in some nursing colleges functioning outside the state. Bankers complain that they are compelled to sanction loans to the students without any collateral security. The trap of these lobbies shall be realized by the students and parents only after completion of the course. To have a fairly paid job shall be very difficult with the help of the certificates issued by such institutions. The students shall be compelled to work for meager salaries. It will not be sufficient to meet even their personal expenses. Naturally, loan repayment shall be defaulted. It shall make them debtors forever. Bankers shall proceed with revenue recovery actions. This would affect the self esteem of the borrowers and the family as well. Bank officials say that they are unable to find out the genuineness of the institution when the students apply for the loan. Some institutions shall charge huge amount as fees in order to collect money from the students. They know well that students can have loans up to ₹ 4 lakhs without any collateral security. Even though their fee is less than ₹4 lakhs, they shall convince the students and parents that they have to remit about ₹4 lakhs as fees of the programme. Middle men are also very active in this field in order to 'help' the

students and parents in this regard. Institutions offer high commission to these agents as well (The Hindu, 2007)

Some bankers complained to the SLBC that blank letter heads of many private self financing institutions functioning outside Kerala are freely available in the market with the seal and Signature of the Principal. Students themselves can fill in their marks and ranks scored in the entrance test, in order to apply for education loan. But, if a genuine banker tries to check the genuineness of the applicant or the institution, it shall provoke the students and parents. Public interference will be there. This has led to quarrels and untoward incidents in many cases. Bankers further complain that the interest taken by the government in sanctioning the loan is not shown in the case of ensuring repayment of the loan. Sometimes, government's passive attitude in this regard discourages the students from repayment even after getting employment (The Hindu, 2007)

5.10. Repayment of Loan and Salary of the Borrowers

During the survey, many borrowers complained that they face difficulty to repay the loan for want of adequate salary. Some programmes like Medical course ensure job immediately after completion of the programme. But it is not so in the case of other programmes. Especially in the case of nursing, borrowers have to depend on other sources in order to repay the loan. In such a situation, the borrowers were asked to rate their opinion regarding the payment of loan out of own salary or family income. Questions regarding the present job and the adequacy of salary were also asked. The descriptive statistics of the variables concerned is shown in the table 5.12.

Table 5.12

Descriptive Statistics of Repayment of Loan

Variables	Mean	Std. Deviation
Repaying loan out of own salary	2.53	1.481
Repaying out of family income	2.58	1.538
Job is based on the course studied	3.76	.809
Salary is enough to repay loan	1.77	1.180

Source: Primary Data

The mean scores indicate the relationship between the salary and repayment of the loan. Majority of the borrowers face difficulties in repaying the loan out of their own salary. Some of the borrowers depend on family income for repaying the loan. Most of the borrowers are working in the jobs related with the course for which they took the loan. A mean score of 1.77 indicates that majority of the borrowers disagree with the statement that the present income is sufficient to meet their personal expenses, savings and repayment of the loan.

5.10.1. Repayment of Loan out of own Salary and Type of Programme.

In order to find out if there is any relationship between the programme for which the loan is taken and repayment of loan out of salary, One Way ANOVA test is used.

Table 5.13

ANOVA - Repayment of Loan out of own Salary and Type of Programme

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	95.404	3	31.801	16.008	0.000
Within Groups	850.263	428	1.987		
Total	945.667	431			

Source: Primary Data

According to the table 5.13, the p value is less than 0.05(0.00). Hence the H_0 is to be rejected. It implies that there is significant difference in the repayment of loan out of self salary with regard to the programme for which the loan is taken. In order to identify the influence of programmes in this regard, Post Hoc test is done and the result is as follows.

Table 5.14
Multiple Comparison of Repaying the Loan out of own salary

Post Hoc test				
(I) Subject of the programme	(J) Subject of the programme	Mean Difference (I-J)	Std. Error	Sig.
Medical	Engineering	0.747	0.317	0.087
	Nursing	1.581 [*]	0.304	0.000
	Management	0.878 [*]	0.326	0.037
Engineering	Medical	-.747	0.317	0.087
	Nursing	0.834 [*]	0.165	0.000
	Management	0.131	0.203	0.916
Nursing	Medical	-1.581 [*]	0.304	0.000
	Engineering	-.834 [*]	0.165	0.000
	Management	-.703 [*]	0.181	0.001
Management	Medical	-.878 [*]	0.326	0.037
	Engineering	-.131	0.203	0.916
	Nursing	.703 [*]	0.181	0.001

Source: Primary Data

While the borrowers of the medical programme repay the loan out of their own salary, the borrowers of Nursing and Management could not repay the loan out of their own salary. Due to their inadequate salary, the borrowers who have taken the loan to study nursing programme feel more difficulties when compared to the borrowers for other programmes i.e. Medical, Engineering and Management.

5.10.2. Repayment of loan out of the Family Income

Many borrowers responded that their salary is inadequate even to meet their own personal expenses. They used to repay the loan with the help of the income of other members in the family. In order to find out whether there is any influence to the programme for which the loan is taken and depending family income for repaying the loan, One Way ANOV test is used and the result of the same is as follows.

Table 5.15

ANOVA – Repaying Loan out of Family Income and Type of Programme

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	54.310	3	18.103	8.028	0.000
Within Groups	965.170	428	2.255		
Total	1019.479	431			

Source: Primary Data

Since the *p* value (0.000) is less than 0.05, the programme for which the loan is taken has a significant influence on depending family income to repay the loan. The Post Hoc test explains the influence of each programme in this regard.

Table 5.16

Multiple Comparison of Repaying Loan out of Family Income and Type of Programme

(I) Subject of the programme	(J) Subject of the programme	Mean Difference (I-J)	Std. Error	Sig.
Medical	Engineering	.024	.338	1.000
	Nursing	-.762	.323	.087
	Management	-.222	.347	.920
Engineering	Medical	-.024	.338	1.000
	Nursing	-.786*	.176	.000
	Management	-.245	.216	.668
Nursing	Medical	.762	.323	.087
	Engineering	.786*	.176	.000
	Management	.541*	.193	.027
Management	Medical	.222	.347	.920
	Engineering	.245	.216	.668
	Nursing	-.541*	.193	.027

Source: Primary Data

The table 5.16 shows that the borrowers of nursing programme depend highly on the family income in order to repay the education loan. During the survey, it is realized that most of the borrowers of nursing programme belong to poor socio economic sections of the society. They do not have adequate family income in order to repay the loan. But still, due to the fear of recovery actions of the bank and loss aversion behavior of the borrowers, they used to repay the loan out of the poor income of the family.

5.10.3. Present Salary is Enough to Meet the Personal Expenses, Savings and for Repaying the loan.

The poor mean score of 1.77 implies that majority of the borrowers disagree with the statement that the present salary is enough to meet their personal expenses, savings and to repay the loan. In other words, majority of the borrowers of education loan are working for poor salaries and it highly affects their repaying capacity. In order to identify the influence of programme in connection with this situation as well, One Way ANOVA and Post Hoc Tests were used and the results are as follows.

Table 5.17
ANOVA – Sufficiency of Salary and Type of Programme

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	84.389	3	28.130	23.336	0.000
Within Groups	515.924	428	1.205		
Total	600.313	431			

Source: Primary data

Table 5.18
Multiple Comparison of Sufficiency of Salary and Type of Programme

Post Hoc Analysis				
(I) Subject of the programme	(J) Subject of the programme	Mean Difference (I-J)	Std. Error	Sig.
Medical	Engineering	1.262 [*]	.247	.000
	Nursing	1.791 [*]	.237	.000
	Management	1.197 [*]	.254	.000
Engineering	Medical	-1.262 [*]	.247	.000
	Nursing	.529 [*]	.128	.000
	Management	-.065	.158	.976
Nursing	Medical	-1.791 [*]	.237	.000
	Engineering	-.529 [*]	.128	.000
	Management	-.595 [*]	.141	.000
Management	Medical	-1.197 [*]	.254	.000
	Engineering	.065	.158	.976
	Nursing	.595 [*]	.141	.000

Source: Primary Data

When compared to the Medical programme, the difference between all other programmes is significant. That means while the Medical students get adequate salary after study, others feel difficulties in order to get fairly paid jobs. When compared to Management, the difference in the case of Engineering students is not significant. But here also, the difference in the case of nursing is highly significant when compared to all other programmes. It testifies that the salary of nurses is very poor and hence they face difficulties in the regular repayment of loan in time.

5.11. Probability for Repayment of Education Loans

Banks are now so diligent in sanctioning education loans. Increase in default of loan repayment affects the profitability and creditworthiness of the bank. Education loans up to ₹4 Lakhs are unsecure. Besides, as starting salaries of students are comparatively low, the problem is compounded for banks as they face cash flow mismatches (Business Standard, 2012). All this makes the managers worried about the sanctioning of education loan. In such a situation, to have an idea regarding probability of repaying a loan shall be helpful to make decisions regarding sanctioning of loans to certain courses, individuals and programmes. Repayment of the loan depends on a number of factors such as income of the borrowers, programme for which the loan is taken, status of the family etc. To analyse the probability of repayment of education loan, the present study utilizes the logit model.

5.11.1. Logistic Analysis

In order to identify the probability of repayment of education loan, the present study used the Logit Model given as:

$$P_i = \frac{1}{1 + e^{-(\beta_1 + \beta_2 X_i + \beta_3 D_{3i} + \beta_7 D_{7i} + u_i)}}$$

Where,

P_i = the probability that a family shall repay the loan.

The model is estimated using maximum likelihood method. The interpretation of the coefficient is based on the sign of the estimated coefficient. If the sign of the coefficient is positive, as the value of the variable increases, probability of repayment also increases.

Explanation of the variables used in the model

Pi indicates repayment = 1 if repays and 0 if no repayment.

D₂ = 1, if the loan is taken for studying Medical Programme and otherwise it is 0.

D₃ = 1, if the loan is taken for studying Engineering programme and otherwise it is 0.

D₄ = 1, if the loan is taken for studying Management programme and otherwise it is 0.

D₅ = 1, if the family status of the borrower is APL and otherwise it is 0.

The programme Nursing and family status BPL are taken here as bases for comparing the influence of other variables on the probability of repayment.

Table 5.19
Result of the Logistic Analysis

Variables	Coefficient	Std Error	z-Statistic	P values
C	-1.234401	0.279324	-4.419244	0.0000
Income	0.00005	0.000006	5.546269	0.0000**
D ₂	0.203897	0.686673	0.296935	0.7665
D ₃	-0.341306	0.266430	-1.281034	0.2002
D ₄	-0.674674	0.312182	-2.161159	0.0307**
D ₅	1.373847	0.276368	4.971070	0.0000**

**indicates significance at 5 percent level

Source: Primary Data

McFadden R-squared: 0.149511

The coefficient of the variable income is positive and *p* value is significant. It implies that as the income of the borrower increase, the probability for repayment also increases.

Since the p value (0.7675) is not significant at 5 percent level, when compared to Nursing programme, the probability for repayment is not different in the case of medical programme. It implies that when compared to the repayment of loan taken for studying Nursing Programme, the probability is not high in the case of repayment of loan taken for studying medical programme. It is a general belief that the income for some most wanted professional programmes shall be high and there is a probability to repay the loan regularly. But the present study testifies that the probability for repaying the loan taken for studying medical programme is not higher than the probability for repayment of loan taken for nursing programme.

Since the p value is not significant (0.2002), in the case of engineering as well, there is no high probability for repayment of loan when compared to the loan taken for nursing.

But the analysis testifies that the probability for repayment of loan taken for studying Management is low when compared to the probability for repayment of loan taken for studying nursing. It implies that while considering the income of the borrowers and status of the family of the borrowers, loan taking for Management programme shows a low probability for repayment.

The p value of the variable APL is highly significant (0.0000). It implies that the status of family has a crucial role in the repayment of the education loans. When compared to BPL families, the probability to repay the loan is high in the case of APL families. It indicates the role of family income in repaying the loan. Most of the borrowers are repaying the loan from the income of others in the family. If the family does not have adequate income, it affects the repayment of the loans.

5.12. Conclusion

The factors affecting the amount of education loans and the repayment status of education loan in the state have been analyzed in this chapter. The analysis shows that the type of programme for which the loan is taken has a crucial role in determining the amount of loan. The programmes like Medical and engineering want amounts amounts. When compared to other programmes, the amount borrowed

for studying nursing is less. Similarly, the high income families borrow larger amounts as education loans. As far as the district of the borrowers is concerned, students in Malappuram borrow more amounts when compared to students from Kozhikode and Idukki. Area of residence of the borrower is also a factor affecting the amount of education loan. Students in urban area borrow more than the students belong to rural area.

The repayment status of the education loan scheme in the state is not satisfactory. Nonperforming assets show a 39.24 per cent average yearly increase in the case of public sector banks. As far as private sector is concerned, it comes to 36.4 per cent. Primary data shows that only 62 per cent of the respondents are repaying the loan regularly. Most of the borrowers repay the loan due to the fear of recovery actions on the part of the banks. The major reason for default in repayment is the poor salary.

The analysis of probability for repayment shows that type of programme is not a significant factor affecting the probability for repayment. However, income of the borrower is positively correlated with the probability for repayment. The management programme shows a poor probability for repayment while comparing to the nursing programme. The probability for repayment is high in the case of students from APL families.

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Chapter 6

Awareness Level, Perception, Benefits and Satisfaction of Borrowers

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6.1. Introduction

The education loan scheme aims at providing financial support from the banking system to deserving meritorious students for pursuing higher education in India and abroad. The main emphasis is that every meritorious student though poor is provided with an opportunity to pursue education with the financial support from the banking system with affordable terms and conditions. The motto of the scheme is that no deserving student is denied an opportunity to have higher education for want of money. The education loan scheme in its present form has been introduced in India in 2001 and the tremendous growth both in number of accounts and amount disbursed shows the increasing demand for the loan in the country.

According to the guidelines of the IBA, banks have to introduce a three tier mechanism in order to redress the grievances of the borrowers under education loan scheme. At the time of application itself, banks have the responsibility to make the applicants and their parents aware about the education loan scheme. The pros and cons of the scheme in detail should be conveyed to the students and parents. If an application has been rejected by a branch, it should be reviewed by the next higher authority.

All these have been devised with a view to protect the interests of the borrowers of the education loan. But, unfortunately, all these are only in paper and the students and parents are still facing many problems while approaching banks for applying for loans. Authorities concerned have many times warned that there is no area restriction for availing education loans. A student can apply to any branch for education loan. But still most often managers insist on service area approach. If the application is for financing some specific courses like Nursing etc, managers try to reject the application, if possible. According to the guidelines, loan should be sanctioned to the nursing courses if the course is a regular degree or diploma programme recognized by the Indian Nursing Council.

In such a juncture, it shall be worthwhile to analyse the awareness level, perception of the borrowers towards the scheme and the satisfaction level of the borrowers of education loan.

6.2. Awareness of Borrowers on Education Loan Scheme

Kerala is one of the leading states in the country in the disbursement of education loans. The statistics show that the total education loan accounts outstanding in the state comes to more than 300000 as on 31.03.2016. While increasing the demand for education, the number of defaults in the repayment of education loans is also increasing in the state. Amount and number of NPAs is also increasing. The past studies testify that one of the important reasons for such an increase in default is the lack of proper awareness on the part of the borrower on various rules and regulations regarding the scheme. In such a circumstance, it shall be meaningful to analyse the awareness level of the borrowers of education loan in Kerala.

According to Cambridge dictionary, awareness is the knowledge that something exists or understanding of a situation or subject at the present time based on information or experience. Proper awareness of the borrowers about the rules and regulation is essential in the case of all types of loans. As far as education loan scheme is concerned, proper awareness shall make the borrower more realistic and responsible. It shall be helpful to reduce unnecessary borrowings.

Since Education loan scheme is a government sponsored priority sector lending scheme, a set of rules and regulations are there in order to protect the interests of both banker and the borrower. For delayed repayment, penal interest is there. Loan repayment may start only after the moratorium period. Restrictions exist regarding the uses of loan, borrowing limit, securities needed, period of repayment, determination of EMI etc. All these rules and regulations are devised with a view to protect the interests of the parties concerned. But most often, the borrowers are unaware about the many rules and regulations of the scheme. In this context, to assess the awareness level of the borrowers, following variables related with the awareness have been identified and analysed:

1. Awareness about the rate of interest.
2. Awareness about the penal interest.
3. Awareness about the borrowing limit.

4. Awareness about the moratorium period.
5. Awareness about the amount of EMI
6. Awareness about the overall rules and regulations of the scheme.

To evaluate the awareness of the borrowers towards the rules and regulations of education loan scheme, a 3 point scale is developed and the respondents were asked to rate their awareness on each variable ranging from Fully Aware (3) to Fully Unaware(1).

The table 6.1 shows the responses of the borrowers towards the statements related with awareness on education loan scheme

Table 6.1
Descriptive Statistics on Awareness of Borrowers

Sl No	Variables	Mean	SD
2	Rate of Interest	1.94	0.677
3	Penal Interest	1.66	0.684
4	Borrowing limit	1.68	0.752
5	Moratorium Period	1.73	0.744
6	Amount of EMI	1.70	0.699
7	Overall Rules & Regulations	2.06	0.458

Source: Primary Data

1. Awareness about the rate of interest.

The Rules state that the simple interest is to be charged during the period of study and up to the commencement of repayment of the loan. Servicing of interest during the period of study till commencement of repayment is optional. Accrued interest will be added to the principal amount borrowed while fixing EMI for repayment. However, often borrowers and parents are not aware about these norms related to interest. The table 6.1 shows that the mean score of the statement is 1.94 and it indicates that the borrowers know somewhat regarding the interest rate of the scheme. Before borrowing, students and parents assume that since it is a government

sponsored loan scheme, interest rate is low. The parents and students complain that after adding the moratorium period interest along with the normal interest, effective interest rate is very high. But the parents and students realise this only after completion of the course. Most of the borrowers do not have proper awareness on interest rate.

2. Awareness about the Penal Interest.

During the survey, borrowers opined that they hadn't proper idea regarding the penal interest, rate of interest etc. Borrowers conviction is that interest shall be due only after completion of the course. Banks impose high rate as penal interest, if the repayment is defaulted. While charging the penal interest, interest rate shall be hiked abnormally. Sometimes, while adding this penal interest, rate of interest for education loan shall be higher than the interest rate for housing loan and car loan. Since it is a priority sector lending scheme, charging high rate as penal interest is not fair. Most of the borrowers opined that their loan amounts were increased up to the double of their actual amount due to default in repayment. Proper awareness regarding these rules shall tempt them to have a rational thinking on borrowings. The table shows that mean score of the statement related with awareness of penal interest is 1.66 which indicates a poor awareness of the borrowers on penal interest.

3. Awareness about the Borrowing Limit.

There are regulations regarding maximum amount of borrowings for the studies in India and abroad. If the loan amount exceeds ₹4 lakhs, margin money of 5 percent is required for studies in India and for the studies abroad, the margin money required is 15 per cent. According to the table 6.1, the mean score in respect of this statement is 1.68 which indicates that the borrowers do not have proper awareness on borrowing limit.

4. Awareness about the Moratorium Period.

The scheme prescribes a repayment holiday or moratorium period as the course period plus one year or six months after getting the job, whichever is earlier. Actually such a moratorium period is incorporated in order to help the students

under the assumption that they cannot earn income during the period of study. Even if instalment is not required to pay, interest shall be charged on the principal amount during the period. The mean score of the statement is 1.73 which indicates that in the case of moratorium period as well, borrowers are not fully aware.

5. Awareness about the amount of EMI

Majority hadn't awareness regarding the amount of EMI to be paid after completion of the course. The lack of awareness regarding these rules and regulations tempt the parents to apply for the loan without considering the job opportunities of the programme. If an amount of ₹ 4,00,000 is taken to study a programme as education loan, after completion of the programme, the borrower has to pay around ₹ 5000 to 7000 per month as EMI. The table 6.1 shows that the mean score of the statement is only 1.70. It means that borrowers lack proper awareness on EMI before availing the loan.

6. Awareness about the Overall Rules and Regulations of the Scheme.

To have a proper awareness regarding the overall rules and regulation shall help the borrowers in order to make proper decisions regarding how much is to be borrowed, if the EMI is affordable to the family even in the absence of jobs immediately after completion of the programme etc. The mean score in respect of the awareness on over all rules regulations related with the scheme is 2.06. It also indicates that the awareness of the borrowers on over all rules and regulations related with education loan scheme is not sound.

The table 6.1 shows that in the case of most of the variables like moratorium period, penal interest, amount of EMI etc, borrowers haven't proper awareness. During the survey, borrowers opined that they hadn't proper idea regarding the penal interest, rate of interest etc. Borrowers intention was the interest shall be due only after completion of the course. Majority hadn't awareness regarding the amount of EMI to be paid after completion of the course. Actually, the parents and students think about the amount of EMI only after completion of the programme. The lack of awareness regarding these rules and regulations tempt the parents to apply for the

loan without considering the job opportunities of the programme. However, sometimes, bankers used to impart proper awareness to the borrowers before taking the loan. It helps the parents to identify the pros and cons of the scheme. But in several cases, it is not happening.

6.2.1. Bank Type and Difference in Awareness Level

In order to find out the difference in the awareness levels of the borrowers with regard to the type of bank (i.e. Public sector and Private sector banks), independent samples t test has been used and the result of the analysis is as follows:

Table 6.2
Bank Type and Awareness Level

Type of Banks	Mean	't' Value
Public Sector Banks	1.7523	1.64
Private Sector Banks	1.8380	(0.102)

Figures in brackets are p values

Source: Primary Data

Since the p value is greater than 0.05, H_0 has been accepted. It implies that there is no significant difference among the borrowers of public sector and private sector banks regarding the awareness level. It implies that irrespective of the type of banks, borrowers are unaware about most of the rules and regulations regarding education loan scheme.

6.2.2. Area of Residence and Awareness Level

On the basis of locality of residence, respondents are classified into two – Urban and Rural. Respondents belonging to corporation and municipality were included in urban category and respondents belonging to gramapanchayath were included in rural category. In order to test the difference in the awareness level of the borrower based on the locality, Independent sample t test is used and result of the same is shown below:

Table 6.3**Area of Residence and Awareness Level**

Area of Residence	Mean	't' Value
Rural	1.7292	1.788
Urban	1.8281	(0.075)

Figures in brackets are *p* values

Source: Primary Data

The *p* value is greater than 0.05(0.075) and hence null hypothesis is accepted. It implies that there is no significant difference in the awareness level of the borrowers about the rules and regulation of education loan scheme with regard to the area of residence.

6.2.3. District of the Borrower and Awareness Level

In order to find out if there is any significant difference in the awareness level of the borrowers with regard to district of the borrowers, One Way ANOVA test is used and the result is shown below.

Table 6.4**ANOVA - District of the Borrowers and Awareness Level**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	20.047	2	10.023	40.035	0.000
Within Groups	107.406	429	0.250		
Total	127.453	431			

Source: Primary Data

The *p* value is less than 0.05 (0.000) and hence here, the H_0 has been rejected. It implies that there is significant difference in the awareness level of the borrowers with regard to districts. In order to explain the difference in the awareness level with regard to district of the borrowers, Post Hoc test has been used and the result is shown in table 6.5.

Table 6.5**Multiple Comparison of District of the Borrowers and Awareness Level**

Post Hoc Test						
(I) Dist of the borrower	(J) Dist of the borrower	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Kozhikode	Malappuram	-.37731*	.05897	.000	-.5160	-.2386
	Idukki	.13079	.05897	.069	-.0079	.2695
Malappuram	Kozhikode	.37731*	.05897	.000	.2386	.5160
	Idukki	.50810*	.05897	.000	.3694	.6468
Idukki	Kozhikode	-.13079	.05897	.069	-.2695	.0079
	Malappuram	-.50810*	.05897	.000	-.6468	-.3694

*. The mean difference is significant at the 0.05 level.

Source: Field Survey

The table 6.5 explains the difference in the awareness of borrowers with regard to district. The Post Hoc test shows that the borrowers in Malappuram district are more aware about the education loan scheme than the borrowers in Kozhikode district. However, there is no significant difference in the awareness level of borrowers in Kozhikode district and Idukki district. Similarly, there is significant difference in the awareness level of borrowers belong to Idukki district and Malappuram district. Borrowers in Idukki are less aware about the education loan scheme when compared with the borrowers in Malappuram district.

When compared to the borrowers in Kozhikode district and Idukki district, the borrowers in Malappuram are more aware about the education loan scheme. As per the statistics of SLBC, Malappuram is the district having least number and amount of education loans sanctioned in Kerala. The people in Malappuram are highly aware about the rules and regulations of the scheme. It helps to discourage

unnecessary borrowings. It may also be a reason for decreased demand for education loan in Malappuram district.

6.2.4. Type of the Programme and Awareness Level

The education loan is usually sanctioned to study professional programmes. In Kerala, majority of the loans issued is to study Medical, Engineering, Management and Nursing Programmes. In order to find out if there is any significant difference in the awareness level of the borrowers with regard to programme for which loan is taken, One Way ANOVA test is used. Result of the test is:

Table 6.6
ANOVA -Programme and Awareness Level

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	12.914	3	4.305	16.086	0.000
Within Groups	114.539	428	0.268		
Total	127.453	431			

Source: Field Survey

The p value is less than 0.05 (0.000) and hence the H_0 has been rejected. It implies that the difference in the awareness level of the borrowers with regard to the programme for which the loan is taken is significant. In order to explain the difference, Post Hoc test is used and the result is as follows

Table 6.7
Multiple Comparisons of Programme and Awareness Level

Post Hoc Analysis				
(I) Subject of the programme	(J) Subject of the programme	Mean Difference (I-J)	Std. Error	Sig.
Medical	Engineering	.23016	.11636	0.198
	Nursing	.56836*	.11144	0.000
	Management	.42116*	.11958	0.003
Engineering	Medical	-.23016	.11636	0.198
	Nursing	.33820*	.06048	0.000
	Management	.19100	.07442	0.052
Nursing	Medical	-.56836*	.11144	0.000
	Engineering	-.33820*	.06048	0.000
	Management	-.14720	.06646	0.121
Management	Medical	-.42116*	.11958	0.003
	Engineering	-.19100	.07442	0.052
	Nursing	.14720	.06646	0.121
*. The mean difference is significant at the 0.05 level.				

Source: Field Survey

The table 6.7 indicates the significance of difference in awareness level among the borrowers for different programmes. When compared to the borrowers for medical programme, the difference in the awareness level of the borrowers for engineering programme is not significant.

However, when compared to borrowers for medical programme with the borrowers of nursing programme, the difference in awareness level is significant. Borrowers for medical programme are more aware about various attributes of the

scheme than the borrowers for nursing programme. Similarly, the difference in the awareness level between the borrowers for medical and management programme is also significant. Here also, borrowers for medical programme are more aware than the borrowers for management programme. The borrowers for engineering programme are more aware than the borrowers for nursing programme. The difference in the awareness level of borrowers for engineering and management programmes is not significant. There is no significant difference in the awareness level of the borrowers of Nursing and Management programmes.

The analysis emphasises that the awareness level of the borrowers of nursing programme is less than the borrowers of other programmes. Majority of the borrowers belong to Nursing category and the unawareness of these borrowers shall affect the repayment of loan severely.

6.2.5. Religion of the Borrower and Awareness Level

The demographic profile of the respondents show that majority of the borrowers are Christians followed by Hindus and Muslims. The religion and programme wise classification shows that majority of the students have taken loan for studying nursing belongs to Christian. In such a situation, it shall be meaningful to analyse whether there is any significant difference in the awareness level of the respondents with regard to religion.

In order to test the validity of hypothesis, One Way ANOVA test is used and the result is as follows.

Table 6.8
Religion of the Respondents and Awareness Level

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.342	2	2.171	7.565	0.001
Within Groups	123.111	429	0.287		
Total	127.453	431			

Source: Field Survey

Since the p value (0.001) is less than 0.05, null hypothesis is rejected. It implies that there is significant difference in the awareness level of the respondents with regard to religion. In order to further explain the difference, Post Hoc Analysis is performed and the result is as follows.

Table 6.9
Multiple Comparisons of Religion and Awareness Level

(I) Religion of respondents	(J) Religion of respondents	Mean Difference (I-J)	Std. Error	Sig.
Hindu	Muslim	.07820	.08906	0.654
	Christian	.22537*	.06000	0.001
Muslim	Hindu	-.07820	.08906	0.654
	Christian	.14717	.08061	0.162
Christian	Hindu	-.22537*	.06000	0.001
	Muslim	-.14717	.08061	0.162

Source: Primary Data

The table 6.9 shows that the awareness level of Christians is significantly low while comparing with Hindus. Since majority of the borrowers are Christians, lack of proper awareness regarding the scheme may be one of the reasons for liberal borrowing of education loan.

6.3. Perception of the Borrowers

Perception is the way in which something is regarded, understood or interpreted. It is the way one thinks about or understands someone or something. Analysis of perception of borrowers shall be helpful to find out how the borrowers are looking at this priority sector lending scheme.

While introducing the Education Loan Scheme, aim of the policy makers was to ensure adequate funds to meritorious students at affordable cost in order to meet the cost of higher education. Most of the borrowers perceive this scheme as such and consider it as a last resort in order to meet the increased cost of higher education. At the same time, some others consider the scheme as a means to avail some monetary benefits from the government in the form of interest subsidy, moratorium period etc. Hence, analysis of perception of borrowers towards the education loan scheme shall be helpful to find out how the borrowers are looking at this priority sector lending scheme.

In order to assess the perception of the borrowers towards education loan scheme, borrowers' attitude towards the following statements have been collected and analysed. In order to evaluate the perception, a five point scale ranging from Strongly Agree (5) to Strongly Disagree (1) is designed and borrowers are asked to rate their opinion towards the statements concerned.

1. Penal interest charged by the banks.
2. Approach of Bank Managers
3. Approach of Bank Employees
4. Attitude of Private and New Generation Banks
5. Education loan scheme is a last Resort to Low and Middle Class Students
6. High Income Group Unnecessarily Avail Education Loans

7. Interest rate of Education Loan
8. The cost of higher education is unaffordable to low and middle class families
9. Availability of education loan is the main reason for selecting the programme for study

Table 6.10
Descriptive Statistics of Perception of Borrowers

Sl No	Statements	Mean	SD
1	Penal interest charged by the banks is very high	4.47	.742
2	Approach of bank managers towards the applicants is not positive	3.28	1.111
3	Approach of bank staff towards the applicants is not positive	3.21	1.074
4	Private & New generation banks follow an indifferent attitude towards education loan scheme	3.98	.801
5	Education loan scheme is the only resort to low & middle class students to realise their higher education dreams	4.43	.670
6	High income groups unnecessarily avail education loan in order to misuse the subsidies	3.79	.941
7	The interest rate of education loan is very high	4.43	.594
8	The cost of higher education is unaffordable to low and middle class families	4.38	.605
9	Availability of education loan is the main reason for selecting the programme for study	2.62	1.156

Source: Primary Data

1. Penal interest charged by the banks

On the default in repayment of education loan, banks used to impose high rate as penal interest. While adding penal interest to the normal interest rate, effective rate of interest shall be increased to 12 per cent to 14 percent and more which is above the interest rate of housing loan and car loan. A highest mean score of 4.47 indicates that the borrowers perceive that the penal interest in respect of education loan scheme is extremely high.

2. Approach of Bank Managers

Since it is a priority sector lending scheme, often bank managers are forced to sanction loans without considering the credit worthiness of the borrowers. The job opportunities of some courses have deteriorated due to the world wide economic down turn recently and hence managers are reluctant to sanction loan to these courses owing to fear of default. A 3.28 mean score in respect of the statement that the “approach of the managers towards the applicant is not positive” indicates that majority of the borrowers agree with the statement. It means that the approach of the bank managers towards the applicants of education loans is not positive.

3. Approach of Bank Employees

Bank employees’ especially front line employees’ attitude towards the applicants is not positive and it leads to clashes on many occasions. Borrowers complain that some employees insist on some unnecessary documents in order to discourage the borrowers. The mean score of the statement that the ‘approach of the employees towards the applicants is not positive’ is 3.21 and it implies that the majority of the borrowers agrees with the statement.

4. Attitude of Private and New Generation Banks

Education loan scheme is a socially committed lending scheme. Private and new generation banks are mostly committed to profit and hence, they follow an indifferent attitude towards the scheme owing to the fear of default in repayment and thereby decrease in profit. The mean score of 3.98 indicates that majority of the borrowers agrees that attitude of private and new generation banks are indifferent towards the education loan scheme.

5. Education loan scheme is a last Resort to Low and Middle Class Students

Mushrooming growth of private self financing educational institutions has increased the cost of higher education which is unaffordable to low and middle class families. Because of this, people consider the scheme as a last resort in order to

realise the higher education dreams of poor but meritorious student. A high score of 4.43 indicates that the borrowers are strongly agreeing with the statement.

6. High Income Group Unnecessarily avail Education Loans

The education loan scheme offers interest subsidy and moratorium period in order to help the needy students. Sometimes, students apply for education loans even if they are financially sound. It is with a view to avail the interest subsidy and moratorium period. The mean score of the statement is 3.79 which implies that majority of the borrowers perceive that the education loan scheme is being misused by a large group.

7. Interest rate of Education Loan

The Rules specify that the interest to be charged at rates linked to the base rate as decided by individual banks. Simple interest is to be charged during the period of study and up to the commencement of repayment of the loan. Servicing of interest during the period of study till commencement of repayment is optional for students. Accrued interest will be added to the principal amount borrowed while fixing EMI for repayment. Borrowers and parents say that while accrued interest is added to the principal amount, the effective interest shall be extremely high. Unlike the other items in the priority sector lending list, education loan scheme has a long term view and it is actually an investment which shall generate cash inflows to the government in many ways in the future. In that sense, imposing high interest rate to education loan is not justifiable. A high mean score of 4.43 indicates that the majority of the borrowers highly agree with the statement.

8. Cost of higher education is unaffordable to low and middle class families.

The fee for professional programmes in private unaided institutions is exorbitantly high in the case of some programmes. Some institutions design their own fee structure which does not match the employability and content of the programme. In addition to fees, huge amounts are collected from the students as donations, mess fee, building fund etc. Here also the mean score is above 4 which indicates that majority of the borrowers highly agree with the statement.

9. Availability of Education Loan is the main reason for selecting the Programme

Some parents compel the students to study some particular programmes just because of the availability of education loan in order to meet the cost of the programme.. But a low mean score of 2.62 shows that the borrowers disagree with the statement. It means most of them selected the programme based on their personal urges rather than availability of education loan scheme

6.3.1. Bank Type and Perception of the borrowers

In order to assess the difference in the perception level of borrowers in respect of Public and Private sector banks, the collected data have been analysed with the independent samples t test and result of the same is as follows:

Table 6.11
Bank Type and Perception of the Borrowers

Type of Banks	Mean	't' Value
Public Sector Banks	3.8122	1.446
Private Sector Banks	3.8724	(0.149)

Figures in brackets are p values

Source: Primary Data

The p value is greater than 0.05 (0.149) and it indicates that there is no significant difference in the perception of the borrowers of public and private sector banks.

6.3.2. Programme and Perception of the borrowers

In order to assess if there is any relationship between subject of the programme and perception level of the borrowers, One Way ANOVA Test is used and the result of the same is shown in table 6.12.

Table 6.12
ANOVA - Programme and Perception

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	10.179	3	3.393	20.541	0.000
Within Groups	70.699	428	0.165		
Total	80.879	431			

Source: Primary Data

The ANOVA test indicates that the difference in the perceptions of the borrowers with regard to the programme for which the loan is borrowed is highly significant. Further to explain the difference in perception with regard to programme, Post Hoc test is used and the result of the test is as follows.

The difference in the perception and subject of the programme in respect of each statement with regard to perception is shown below.

Table 6.13
Multiple Comparison of Penal interest is very high and Type of Programme

Subject of the Programme(I)	Subject of the Programme	Mean Difference(I-J)	SD	Sig
Medical	Engineering	-.193	.164	0.639
	Nursing	-.504*	.157	0.008
	Management	-.434*	.168	0.040
Engineering	Medical	.193	.164	0.639
	Nursing	-.311*	.085	0.002
	Management	-.241	.105	0.099
Nursing	Medical	.504*	.157	0.008
	Engineering	.311*	.085	0.002
	Management	.070	.093	0.877
Management	Medical	.434*	.168	0.040
	Engineering	.241	.105	0.099
	Nursing	-.070	.093	0.877

Source: Primary Data

*significance at 5% level

There is no significant difference in the perception with regard to penal interest in the case of borrowers of medicine and Engineering.

When compared to the Medical programme, the difference in respect of Nursing and management is significant. Both Nursing and Management students have a strong perception that the penal interest is high in the case of education loan scheme. When compared to Engineering, the difference in medical and Management is not significant. But there is a significant difference in the case of Nursing.

When compared to Nursing, the difference in the case of both medical and Engineering is significant. However, in the case of management, the difference is not significant. When compared to Management, the difference in the case of only Medical programme is significant.

The analysis implies that when compared to the borrowers of other programmes, nursing students have a strong perception that penal interest is high.

Table 6.14

Multiple Comparison of the Approach of Bank Managers towards the Applicants is not Positive and Type of Programme

Subject of the Programme(I)	Subject of the Programme	Mean Difference(I-J)	SD	Sig
Medical	Engineering	-.857*	.237	0.002
	Nursing	-1.401*	.227	0.000
	Management	-1.287*	.244	0.000
Engineering	Medical	.857*	.237	0.002
	Nursing	-.544*	.123	0.000
	Management	-.430*	.152	0.025
Nursing	Medical	1.401*	.227	0.000
	Engineering	.544*	.123	0.000
	Management	.114	.135	0.833
Management	Medical	1.287*	.244	0.000
	Engineering	.430*	.152	0.025
	Nursing	-.114	.135	0.833

Source: Field Survey

The programme wise change in the perception of the borrowers with regard to the statement that approach of the managers towards the applicants is not positive can be explained as follows:

When compared to medical, the difference in the case of all other programmes ie Engineering, Nursing and Management, is significant. In the case of the borrowers of all these programme have a strongly feel that the attitude of managers towards the applicant is not positive. It implies that the attitude of managers towards the applicants is not positive especially in the case of some programmes like Nursing, Management etc.

Table 6.15

Multiple Comparison of Approach of Bank Staff towards the Applicants is not Positive and Type of Programme

Subject of the Programme(I)	Subject of the Programme	Mean Difference(I-J)	SD	Sig
Medical	Engineering	-.830*	.231	0.002
	Nursing	-1.283	.221	0.000
	Management	-1.228	.237	0.000
Engineering	Medical	.830*	.231	0.002
	Nursing	-.452*	.120	0.001
	Management	-.398*	.148	0.037
Nursing	Medical	1.283*	.221	0.000
	Engineering	.452*	.120	0.001
	Management	.055	.132	0.976
Management	Medical	1.228*	.237	0.000
	Engineering	.398*	.148	0.037
	Nursing	-.055*	.132	0.976

Source: Field Survey

With regard to the perception in respect of the attitude of the bank staff also, borrowers feel that the attitude is not positive in the case of borrowing for programmes like Nursing, Management and Engineering while comparing with the Medical programme.

Table 6.16

Multiple Comparison of Private and New Generation banks follow an indifferent attitude towards the Education Loan Scheme and Type of Programme

Subject of the Programme(I)	Subject of the Programme (J)	Mean Difference(I-J)	SD	Sig
Medical	Engineering	-.652*	.176	0.001
	Nursing	-.821*	.168	0.000
	Management	-.809*	.181	0.000
Engineering	Medical	.652*	.176	0.001
	Nursing	-.169	.091	0.250
	Management	-.157	.112	0.501
Nursing	Medical	.821*	.168	0.000
	Engineering	.169	.091	0.250
	Management	.012	.100	0.999
Management	Medical	.809*	.181	0.000
	Engineering	.157	.112	0.501
	Nursing	-.012	.100	0.999

Source: Field Survey

When compared to medical programme, all other programmes i.e. Engineering, Nursing and Management, the difference is significant.

Table 6.17**Multiple Comparison of Education Loan Scheme is the only Resort to low and Middle Class Students to realise their Higher Education Dreams and Type of Programme**

Subject of the Programme(I)	Subject of the Programme (J)	Mean Difference(I-J)	SD	Sig
Medical	Engineering	.161	.149	0.704
	Nursing	-.026	.143	0.998
	Management	.229	.153	0.441
Engineering	Medical	-.161	.149	0.704
	Nursing	-.187	.078	0.077
	Management	.069	.095	0.889
Nursing	Medical	.026	.143	0.998
	Engineering	.187	.078	0.077
	Management	.255*	.085	0.015
Management	Medical	-.229	.153	0.441
	Engineering	.069	.095	0.889
	Nursing	-.225*	.085	0.015

Source: Field Survey

The difference is significant only in the case of borrowers for Nursing programme and for management programme. When compared to the borrowers of management programme, the nursing students highly perceive that the education loan scheme is the only resort to the poor students in order to pursue higher education.

High Income Group Unnecessarily avail Education Loan in order to Misuse the Subsidies etc:

The table 6.10 indicates that the mean score for this statement is 3.79. It lies between neutral and disagree. It means that majority of the borrowers do not have the opinion that some of the high income people unnecessarily borrow education loans.

The Interest Rate of Education Loan Scheme is very High

According to the table 6.10, the mean score for this statement is 4.43. It means that majority of the borrowers think that the interest rate of education loan scheme is extremely high.

The Cost of Higher Education is Unaffordable to Low and Middle Class Families

In the case of this statement also, there is no significant difference in the perception of the borrowers. Irrespective of the subject, almost all the borrowers perceive that the cost of higher education in the changed scenario is unaffordable to low and middle class families.

Availability of education loan is the main reason for selecting the programme for study

In the case of this statement, the mean score is 2.62 which is least in the group. It shows that majority of the borrowers is not supporting this statement. The post hoc test also indicated that there is no significant difference among the borrowers for different programmes with regard to the perception towards this statement.

6.3.3. Area of Residence and Perception

In order to analyse the relationship between area of residence and perception of the borrowers, Independent sample t test is used and result of the same is depicted in table 6.18

Table 6.18
Area of Residence and Perception

Area of Residence	Mean	‘t’ Value
Rural	3.8912	1.66
Urban	3.8179	(0.97)

Figures in brackets are p values

Source: Primary Data

The p value is greater than 0.05 (0.97) and hence it can be concluded that there is no significant difference between area of residence and perception level of the borrowers.

6.3.4. District and Perception of Borrowers

In order to test if there is any relation between district and perception level of the borrowers, One Way ANOVA test is used and the result of the same is as follows.

Table 6.19
ANOVA - District of the Borrower and Perception

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5.476	2	2.738	15.578	0.000
Within Groups	75.403	429	0.176		
Total	80.879	431			

Source: Field Survey

The p value is less than 0.05 (0.000) and it implies that there is significant difference between district of the borrowers and perception level. To assess the difference between the district and awareness level, Post Hoc Test is performed and result of the same is shown in table 6.20.

Table 6.20
Multiple Comparison of District of the Borrower and Perception

(I) District of the borrower	(J) District of the borrower	Mean Difference (I-J)	Std. Error	Sig.
Kozhikode	Malappuram	.27238*	.04941	0.000
	Idukki	.09877	.04941	0.114
Malappuram	Kozhikode	-.27238*	.04941	0.000
	Idukki	-.17361*	.04941	0.001
Idukki	Kozhikode	-.09877	.04941	0.114
	Malappuram	.17361*	.04941	0.001

Source: Field Survey

The difference in the level of perception and district of the borrowers is significant. While comparing the perception level of borrowers in Kozhikode district with the borrowers in Malappuram, the difference is significant and the borrowers in Kozhikode district have a positive perception towards the education loan scheme. The difference in the perception of borrowers in Kozhikode district and Idukki district is not significant. The difference in the perception of borrowers in Idukki district and Malappuram district is also significant and the perception is high in the case of borrowers in Idukki district.

The analysis emphasizes that the perception level of borrowers in Malappuram district is low when compared to the perception of borrowers in Kozhikode and Idukki districts.

6.4. Sanctioning of Loan

According to the guidelines of the IBA, banks have to introduce a three tier mechanism in order to redress the grievances of the borrowers under education loan scheme. At the time of application itself, banks have the responsibility to make the applicants and their parents aware about the education loan scheme. The pros and cons of the scheme in detail should be conveyed to the students and parents. If an application has been rejected by a branch, it should be reviewed by the next higher authority. According to the existing Rules, an educational loan should be sanctioned or rejected within a period of 15 days of receipt of the application. If application has been rejected on proper grounds, it should be approved by the controlling authority of the branch. The reason for rejection of the same should be communicated to the student in writing.

The real benefits of the scheme shall be available to the borrowers only when they avail the loan in time without much difficulty. Incidents were reported in Kerala related to cancellation of admission to professional programmes for want of timely sanction of education loan.

News from the various corners of the state has been reported recently regarding the issues related to the sanctioning of education loans. Parents and students are complaining that there is unnecessary delay in sanctioning loans. The delay in sanctioning loan affects the admission to the programmes. Sometimes the borrowers are required to visit the branches many times in order to get the loan sanctioned. It spoils the time and cost of the borrowers.

Hence, in order to assess the status of sanctioning of education loan by commercial banks in Kerala, data related with following sub variables have been collected and analysed. To evaluate the perception, a five point scale ranging from Strongly Agree (5) to Strongly Disagree (1) is designed and borrowers are asked to rate their opinion towards the statements concerned.

1. The loan was sanctioned faster than expected
2. Unnecessary Delay in Sanctioning Loan

3. Procedural Delay in sanctioning loan
4. Had to visit the bank many times for sanctioning the loan
5. Social status of the family is a factor for availing education loan
6. Economic Status of the Family is a factor for availing education loan
7. Political Influence is a factor for availing education loan

Table 6.21
Descriptive Statistics of Sanctioning of Loan

SI No	Statements	Mean	SD
1	The loan was sanctioned faster than expected	2.87	1.126
2	There was unnecessary delay in sanctioning loan	3.15	1.079
3	There was only procedural delay in sanctioning the loan	3.27	.908
4	Had to visit the bank many times for sanctioning the loan	3.37	1.229
5	Social status of the family is a factor for availing education loan	3.19	.958
6	Economic status of the family is a factor for availing education loan	3.94	1.111
7	Political influence was a factor for availing education loan	3.18	1.096

Source: Primary Data

1. The loan was sanctioned faster than expected

In the case of some types of loans like consumer loans, vehicle loans etc, banks sanction the loan instantly. Even if the documentation processes are mandatory to all types of loans, in the case of certain types of loans, especially loans to priority sectors, banks insist on all relevant and irrelevant documents and processes. The mean score 2.87 indicates that the borrowers feel that the loan is not sanctioned as fast as they expected.

2. Unnecessary Delay in Sanctioning Loan

Sometimes, the students and parents have to approach the branch many times in order to get the loan sanctioned. Some banks cause unnecessary delay in sanctioning the loan in order to discourage the borrowers. The unnecessary delay and cumbersome procedures in processing of the application shall discourage the genuine students and parents. The mean score of 3.15 indicates that the borrowers agree with the statement that there was unnecessary delay in sanctioning the loan.

3. There was only procedural delay in sanctioning education loans

Some of the borrowers opined that there was only procedural delay in sanctioning the loan. As a priority sector lending scheme, procedures and enquiries are essential. It takes due time. The mean score 3.27 shows that majority of the borrowers agree that there was only procedural delay in sanctioning the education loan.

4. Had to visit many times in order to get the loan sanctioned

In certain cases, bank authorities unnecessarily cause delay in sanctioning the loan and direct them to produce irrelevant documents. The logic behind this is to discourage the applicants from borrowings. Being compelled to visit the branch many times and facing the indifferent attitude of the bank staff, applicants get disappointed and they automatically withdraw from the attempt.

The mean score 3.27 indicates that the majority of borrowers agree that they had to visit the bank many times in order to get the loan sanctioned. In the case of education loan scheme, majority of the applicants belong to low and middle class families. Most of the parents are farmers and coolie workers. In order to visit the branch frequently, they have to forego their work and daily wages.

5. Social Status of the Family

Social status means the social back ground of the borrower. Sometimes, banks verify the social status of the borrowers and their family and give priority to the borrowers from socially advanced category. The mean score of 3.19 indicates

that the borrowers agree that the banks consider social back ground of the borrower before sanctioning the loan. Since education loan scheme aims at financial assistance to meritorious but poor students, to consider social status of the borrowers shall be detrimental to the common interest of the scheme.

6. Economic Status of the Family

Economic status of the family of the borrower is a crucial factor which affects the timely repayment of the loan. Because of this, many banks consider these factors before sanctioning the loan. The table 6.21 shows that the mean score in respect this statement is 3.94. It indicates that the banks consider economic status of the borrowers before sanctioning the loan. Education loan scheme aims at financial assistance through banks to meritorious poor students in order to pursue higher education. While considering the social and economic background of the family in order to sanction the loan, it shall be detrimental to the common interest.

7. Political Influence

Sometimes applicants are forced to depend on local political leaders and representatives in order to get the loan sanctioned. During the survey, borrowers complain that some of the bankers sanction loan only after the agitations and pressure from political leaders. A mean score of 3.18 describes that the parents and student have to depend on politicians and others in order to get the education loan sanctioned. To approach the political and other leaders in order to get the loan sanctioned is not fair and it shall affect the self esteem of the students and parents.

The borrowers said that they had to visit the bank more than five or six times in order to apply for education loan. If the loans are for studying certain programmes, bankers used to discourage the students and parents. In some cases, bankers insist on some unnecessary documents.

In rural areas, many parents complained that they got the loan sanctioned only after the interference of local politicians. Majority of the respondents testified that the social background and economic conditions of the family are the factors affecting the sanction of education loan. The aim of education loan is to ensure

adequate funds to meritorious students for pursuing higher education. In that sense, to consider economic and social factors of the family before sanctioning loan is unfair.

6.4.1. Bank Type and Sanctioning of Loan

It is a notion that it is easy to have priority sector loans from public sector banks when compared to private sector banks. In order to verify this, the hypothesis has been tested by independent samples t test and the result is given in table 6.22.

Table 6.22
Bank Type and Sanctioning of Loan

Type of Banks	Mean	‘t’ Value
Public Sector Banks	18.93	0.676
Private Sector Banks	19.16	(0.499)

Figures in brackets are *p* values
Source: Primary Data

The *p* value is greater than 0.05 (0.499) and it implies that there is no significant difference in sanctioning loans by public and private sector banks. It indicates that the borrowers face difficulties in order to get the loan sanctioned from both public and private sector banks. Since public sector banks should have increased commitment towards the society, their attitude towards the education loan has to be improved. Similarly, private sector banks also have a commitment towards the society and hence their attitude towards the education loan has to be changed.

6.4.2. Area of Residence and sanctioning of loan

Generally, the issues related to the sanctioning of education loans are reported in rural areas. Since the income level of the people is comparatively low in rural areas, banks have fear of recovery. This may be the reason for difficulties in rural areas in order to get the loan sanctioned easily. In order to test if there is any

difference in sanctioning of loan with regard to the area of residence, independent sample t test is used to verify the validity of the hypothesis and the result is:

Table 6.23
Area of Residence and Sanctioning of loan

Area of Residence	Mean	't' Value
Rural	3.2728	1.75
Urban	3.2817	(0.861)

Figures in brackets are *p* values

Source: Primary Data

The *p* value is more than 0.05 and hence there is no statistical evidence to validate the statement that there is significant difference in sanctioning of loan in rural and urban areas.

6.4.3. Programme and Sanctioning of Loan

In order to find out if there is any difference in the sanctioning of loan and the subject of programme for which the loan is taken, one way ANOVA is used and the result is as follows:

Table 6.24
ANOVA - Programme and Sanctioning of Loan

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	10.111	3	3.370	16.360	0.000
Within Groups	88.174	428	0.206		
Total	98.285	431			

Source: Field Survey

The ANOVA test shows that the difference in the sanctioning of loan with regard to the programme for which loan is taken is significant. In order to explain the difference, Post Hoc test is used and the result is as follows:

Table 6.25
Multiple Comparisons of Programme and Sanctioning of Loans

Post Hoc Test				
(I) Subject of the programme	(J) Subject of the programme	Mean Difference (I-J)	Std. Error	Sig.
Medical	Engineering	-.24192	.10209	0.085
	Nursing	-.51704*	.09778	0.000
	Management	-.29860*	.10492	0.024
Engineering	Medical	.24192	.10209	0.085
	Nursing	-.27512*	.05306	0.000
	Management	-.05668	.06529	0.821
Nursing	Medical	.51704*	.09778	0.000
	Engineering	.27512*	.05306	0.000
	Management	.21844*	.05831	0.001
Management	Medical	.29860*	.10492	0.024
	Engineering	.05668	.06529	0.821
	Nursing	-.21844*	.05831	0.001

Source: Field Survey

Since the p value (0.000) is less than 0.05, the null hypothesis is rejected i.e. there is a significant difference in sanctioning of loan and subject of programme for which the loan is taken. The Post Hoc test indicates the following findings regarding the sanctioning of loan and subject of the programme: There is no significant difference in sanctioning of loan to the programmes Medical and Engineering.

When compared to the borrowers for Medical programme, there is significant difference in sanctioning of loan to Nursing and Management. When

compared to the Engineering and Nursing also, the difference is significant. Here also nursing students feel difficulty in getting the loan sanctioned.

While it is comparatively easy to get loan sanctioned to some programmes like Medical and Engineering, the borrowers feel difficulties to get loans to certain programmes like nursing etc. When compared to all other programmes, i.e. Medical, Engineering and Management, the difference is significant in the case of getting loans sanctioned to Nursing. In other words, Nursing students face more difficulties in order to get education loan when compared to other programmes.

6.4.4. District of the Borrower and Sanctioning of Loan

In order to test if there is any relation between district and sanctioning of loan, one way ANOVA test is used and the result of the same is given in table 6.26.

Table 6.26
ANOVA - District of the Borrower and Sanctioning of loan

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	924.677	2	462.339	50.864	0.000
Within Groups	3890.395	428	9.090		
Total	4815.072	430			

Source: Field Survey

The ANOVA shows that there is a significant difference between the district of the borrower and sanctioning of loan. It implies that in some districts, students and parents face difficulties to get the loan sanctioned in time when compared to the other districts. In order to understand the nature of difference, Post Hoc Analysis is performed and the result of the test is as follows:

Table 6.27

Multiple Comparisons of District of the borrower and Sanctioning of Loan

Post Hoc Analysis						
(I) District of the borrower	(J) District of the borrower	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Kozhikode	Malappuram	-1.21528*	.35531	0.001	-1.9136	-.5169
	Idukki	2.31881*	.35593	0.000	1.6192	3.0184
Malappuram	Kozhikode	1.21528*	.35531	0.001	.5169	1.9136
	Idukki	3.53409*	.35593	0.000	2.8345	4.2337
Idukki	Kozhikode	-2.31881*	.35593	0.000	-3.0184	-1.6192
	Malappuram	-3.53409*	.35593	0.000	-4.2337	-2.8345

*. The mean difference is significant at the 0.05 level.

Source: Field Survey

When compared to Kozhikode, the borrowers in Malappuram feel much difficulty in getting the loan sanctioned. When compared to Kozhikode, the borrowers in Idukki are most satisfied in getting the loan sanctioned. When compared to Idukki also, borrowers in Malappuram feel greater difficulty. It indicates that the process of sanctioning education loan in Idukki district is little bit easy and simple when compared to other districts i.e. Kozhikode and Malappuram district. The borrowers in malappuram district feel more difficulty in getting the loan sanctioned when compared to other districts i.e. Idukki and Kozhikode.

6.5. Satisfaction Level of Borrowers

Satisfaction is a function of the performance of a product and expectation of the consumer. It is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance in relation to his or her expectations. It implies that the consumers shall be satisfied only when the product's performance

meets their expectations. Education loan is an important segment in the retail loan portfolio of the banks. While applying for the education loan as well, the students and parents shall have certain expectations regarding the sanction and after sales services related with the loan offered by the banks.

As far as the Government and IBA is concerned, Education loan scheme is a flagship programme in order to boost up the human resource development in the country. The dissatisfaction of the borrowers may cause for the failure of the scheme. Any government sponsored programme or scheme shall be successful only if it succeeds in ensuring offered services to the target group. In this regard, in order to assess the effectiveness of education loan scheme, to analyse the satisfaction level of the borrowers is essential. In order to analyse the satisfaction level of the borrowers, following sub variables have been set:

1. Amount of Loan Sanctioned
2. Speed of Sanctioning the Loan
3. Repayment Period of the Loan
4. Moratorium Period of the Loan
5. Services provided after sanctioning the loan are sufficient
6. Documentation process of the banks
7. Attitude of Managers
8. Attitude of Employees
9. Responses of the bank to the Queries
10. Timely sanction of the further Installments
11. Follow up Actions
12. Recovery actions of the bank are against the interest of the borrowers

To evaluate the satisfaction level of the borrowers regarding education loan scheme, a five point Lickert scale is used. The borrowers are asked to rate their opinion ranging from Highly Agree (5) to Highly Disagree (1).

Table 6.28
Descriptive Statistics of the Satisfaction Level of the Borrowers

SI No	Statements	Mean	SD
1	Amount of loan sanctioned is sufficient	2.15	1.202
2	Speed of sanctioning the loan is satisfactory	2.90	1.048
3	Repayment period of the loan is sufficient	2.04	0.990
4	Moratorium period of the loan is sufficient	1.92	0.956
5	Services provided after sanctioning the loan are sufficient	2.79	0.861
6	Documentation process of the bank is not complicated	2.78	0.918
7	Attitude of the manager before the sanctioning of loan was satisfactory	3.41	0.912
8	Attitude of the manager during the sanctioning of loan was satisfactory	3.41	0.920
9	Attitude of the manager after the sanctioning of loan was satisfactory	3.21	0.972
10	Attitude of the employees before the sanctioning of loan was satisfactory	3.44	0.886
11	Attitude of the employees during the sanctioning of loan was satisfactory	3.42	0.861
12	Attitude of the employees after the sanctioning of loan was satisfactory	3.37	0.862
13	Responses of the bank to the queries were satisfactory	3.30	0.837
14	Timely sanctioning of further instalments of the loan was satisfactory	3.60	0.670
15	Follow up actions of the bank are sufficient	3.20	0.731
16	Recovery actions of the bank are against the interest of the borrowers	4.03	0.792

Source: Field Survey

1. Amount of Loan Sanctioned

In the case of any type of loans, borrowers shall be satisfied only when it is sufficient to meet the purpose for which it has been taken. In the case of education loan scheme as well, the situation is not different. According to the Rules framed by the IBA in this regard, for education loans up to **Rs** 4 lakhs, no margin money is

required. It means that the banks have to issue the whole amount required for the programme as education loan.

However, often banks shall sanction loans only for meeting some of the basic expenses related to the programme. Still parents have to mobilise huge amounts from various other sources in order to meet the initial expenses related to the admission. In the case of colleges in self financing sector, huge amount is required to be given at the time of admission as donations. The number of self financing colleges offering admission to the programmes without donations is very few. Amount of donation does not come under the purview of education loans. Other expenses like cost for accommodation, travelling expenses, mess expenses etc are also essential expenses related with the higher education but cannot be met from education loan. That is why majority of the borrowers disagree (mean score is 2.15) with the statement that the amount of education loan was sufficient to meet the cost of education.

2. Speed of Sanctioning the Loan

It is a known fact that delayed service is equal to denied service. The speed with which a product or service reaches the customers has a crucial impact on customer satisfaction. According to the table 6.28, the mean score of the statement that ‘speed of sanctioning the loan is satisfactory’ is 2.9. It means that even if the value is more than 2.5, they are not so satisfied with the speed of sanctioning the loan.

3. Repayment Period of the Loan

The education loan is to be repaid within a period of seven years. As of now, in the case of almost all professional programmes (except some few programmes like medicine etc), candidates have to wait at least two or three years in order to get a fair job. In order to get job in the reputed firms, experience is mandatory. Further, at the initial stages, the pay scales shall be not so high. All these indicate that in normal case, a borrower can start repayment only after two or three years after completion of the course. Then, there shall be only few years to refund the loan. It shall increase the amount of EMI. A poor mean score of 2.04 indicates that the

borrowers disagree with the statement. It implies that the repayment period of the education loan scheme is to be extended.

4. Moratorium Period of the Loan

The Education Loan scheme prescribes a repayment holiday or moratorium period as the course period plus one year or six months after getting the job, whichever is earlier. As mentioned earlier, students have to wait two to three years to get job after their study. But the maximum period available as moratorium period is 12 months. It implies that for a period of one to two years, they have to arrange fund somehow in order to repay the loan. In the case of moratorium period as well, the mean score of 1.92 indicates that the borrowers disagree with the statement that the moratorium period is satisfactory.

5. Services provided after the sanctioning of loan

The after sales services offered by the marketer have pivotal role in the consumer satisfaction. In the case of services as well, the customers expect some services after the services are availed. In the case of loans, after sanctioning, it should be availed by the borrower in time and the sanctioning should be informed to the borrowers in time. The mean score of 2.79 indicate a positive attitude of the borrower but still the services offered by the banks after sanctioning are just near the average. It indicates the need to improve the services after sanctioning of loan.

6. Documentation process of the banks

At present, in respect of the number and amount of loans sanctioned, public sector banks are in the forefront in sanctioning education loans in Kerala. It indicates that majority of the students and parents depend on public sector banks for education loans. The complicated processes and red tapism is the inherent weakness of the public sector. In the case of priority sector lending schemes, the procedural delay is a reality in the case of private sector banks as well. The unnecessary verifications, clarifications and inspections make the process more cumbersome. While sanctioning a loan, to ensure proper documentation and verification is highly essential to safe guard the interest of the banks. But these procedures should not be

harmful to the borrowers. Here also the means score is only 2.78 i.e., the borrowers feel that the documentation process of the bank is not so simple.

7. Attitude of Managers

Generally managers have a negative attitude towards the priority sector lending schemes. Uncertainty in the repayment of the loan is one of the major reasons for such an attitude. In the case of education loans, the repayment of loan closely related with the job that the borrower shall get after the study. It is highly uncertain. Because of this, bank managers follow an indifferent attitude towards the education loan scheme. In order to assess the borrowers' satisfaction in this regard, data relating to the attitude of managers before, during and after sanctioning the loan have been obtained and analysed.

a. Managers' Attitude before sanctioning the loan

The mean score is 3.41 which means majority of the borrowers feels that the attitude of managers before sanctioning the loan was satisfactory. It indicates that bank managers haven't a biased attitude towards the education loan scheme.

b. Managers' Attitude during sanctioning the loan

Here also the mean score is 3.41. It again implies that the managers haven't an inherent negative attitude towards education loan scheme.

a. Managers' Attitude after sanctioning the loan

Even if the mean score is decreased to an extent, the borrowers are satisfied with the attitude of the managers after sanctioning the loan.

8. Attitude of Employees

Prospective borrowers shall have a close contact with the front line employees of the bank rather than the managers. The quarrels between the parents of the borrowers and front line employees regarding the sanctioning of education loan are very common. Employees complain that there are so many contradictions in the rules and regulations regarding education loan scheme. Lack of clarity in rules and

regulations often lead to conflicts and quarrels. In order to assess the borrowers' satisfaction level in respect of attitude of employees at various stages of the loan, data relating to the attitude before, during and after sanctioning the loan have been obtained and analysed.

a. Attitude before sanctioning the loan

At the initial stage, borrowers shall be unfamiliar to the employees. In such a situation, the employees haven't any idea regarding the repaying capacity of the borrower. Because of this, the attitude of employees before sanctioning the loan might be satisfactory.

The table 6.28 shows that the mean score related with the statement is 3.44. It indicates that the borrowers are satisfied with the attitude of the staff before sanctioning the loan. It implies that the employees do not have any inherent negative attitude towards the education loan scheme.

b. Attitude of Employees during the sanctioning of Loan

During sanctioning of loan, employees shall have almost all the relevant documents and details regarding the borrowers. Hence, he can have an estimation regarding the repaying capacity of the borrower which shall make changes in his attitude towards the borrower. However, the table shows that majority of the borrowers (mean score 3.42) are again satisfied with the attitude of the employees during sanctioning of the loan.

c. Attitude of Employees after sanctioning the Loan

The responses of the borrowers testify that the attitude of the bank employees after sanctioning the loan was also satisfactory. The mean score in respect of the statement is 3.37.

9. Responses of the bank to the Queries

Before, during and after sanctioning the loan, borrowers shall have many doubts and queries regarding the scheme. Since many of rules regarding the scheme

vary for different banks, such doubts shall be natural and that can be clarified by the banks only. The negative attitude of bank employees towards these queries of the prospective borrowers shall discourage them from borrowing the loan. A mean score of 3.30 indicates that the borrowers are satisfied with the policy of banks related with responses to borrowers' queries.

10. Timely Sanction of the Further Instalments

The education loan is sanctioned in instalments. Banks have to sanction the subsequent instalments as and when requested by the institution in which the borrower is studying. Sometimes, students do not get the instalments in time. This has caused quarrels between the bank staff and parents in many times. The mean score in respect of this statement is 3.60.

11. Follow up Actions

The Rules prescribe that the banks should contact the institution authorities concerned to obtain the progress report of the student at regular intervals. In the case of studies abroad, bank may obtain the Social Security Number (SSN) or Unique Identifiable Number of the student. Systematic and regular follow up shall improve the repayment of the loan. The mean score in respect of the statement is 3.20. It implies that the follow up actions of the banks after sanctioning of education loan is not sufficient.

12. Recovery actions of the bank are against the interest of the borrowers

Due to the heavy defaults in the repayment of education loans, the public sector banks are decided to entrust private asset tracking companies in order to boost up the repayment of education loans. State bank of Travancore (SBT), one of the leading public sector banks in the state has resolved to entrust Reliance Group in order to recover their pending education loans. The move has solicited stiff opposition from political parties and parents of education loan borrowers. According to them, banks have a social responsibility and hence, due to the specific aim of the education loan scheme, banks have to give up their move in this regard. The total nonperforming assets of all the banks comes to about 13 lakh crore and role of

education loan scheme in this portfolio is quite marginal. Gigantic corporate organizations owe huge amount to the banks and there is a justification for approaching ATCs in the case of such corporates. But, education loan scheme is a priority sector lending and it has a clear objective of social development and equity. Hence, to entrust the private companies in order to recover the education loan shall be anti social and anti people. According to the table 6.28, the borrowers are highly agreed that the recovery actions adopted by the banks are against the interests of the borrowers.

The mean score of almost all statements related with the satisfaction of the borrowers indicates a low score which implies that the borrowers are not so satisfied with the performance of the scheme.

6.5.1. Bank Type and Satisfaction of the Borrowers

In order to test whether there is any significant difference in the satisfaction level with regard to the type of banks, independent samples t test has been used and the result of analysis is given in table 6.29.

Table 6.29
Bank Type and Satisfaction of the Borrowers

Type of Banks	Mean	't' Value
Public Sector Banks	3.0370	0.788
Private Sector Banks	3.0830	(0.431)

Figures in brackets are *p* values

Source: Primary Data

Since the *p* value is greater than 0.05, H_0 is accepted i.e. there is no significant difference in the satisfaction level of borrowers in the case of public sector and private sector banks. It indicates that both the public sector and private sector banks have to introduce some measures in order to make the scheme some more borrowers friendly. In addition to banks, the policy makers should consider the repayment period and moratorium period in respect of education loan scheme. Further, proper follow up actions shall help to reduce the default rate in repayment.

6.5.2. Area of Residence and Satisfaction level

In order to assess that if there is any difference in the satisfaction level of the borrowers with regard to the area of residence ie urban and rural, independent sample t test is used and the result is as follows.

Table 6.30
Area of Residence and Satisfaction of the Borrower

Area of Residence	Mean	't' Value
Rural	3.0846	0.550
Urban	3.0477	(0.583)

Figures in brackets are *p* values

Source: Primary Data

Since the *p* value is more than 0.05, the difference in the satisfaction level of the borrowers with regard to the area of residence is not significant.

6.5.3. District of the Borrowers and Satisfaction

In order to test if there is any difference in the satisfaction of the borrowers with regard to districts, one way ANOVA test is used and the result of the test is given in table 6.31.

Table 6.31
ANOVA - District of the borrowers and Satisfaction

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	28.618	2	14.309	47.266	0.000
Within Groups	129.875	429	.303		
Total	158.493	431			

Source: Field Survey

The ANOVA test indicates that the difference in the satisfaction level of the borrowers with regard to district is significant. In order to explain the difference, Post Hoc test is performed and the result is shown in the table 6.32.

Table 6.32
Multiple Comparisons of District of the borrowers and Satisfaction

Post Hoc Test				
(I) District of the borrower	(J) District of the borrower	Mean Difference (I-J)	Std. Error	Sig.
Kozhikode	Malappuram	.15668*	.06484	0.042
	Idukki	.60720*	.06484	0.000
Malappuram	Kozhikode	-.15668*	.06484	0.042
	Idukki	.45052*	.06484	0.000
Idukki	Kozhikode	-.60720*	.06484	0.000
	Malappuram	-.45052*	.06484	0.000

Source: Field Survey

The table 6.32 shows that when compared to the satisfaction level of borrowers in Kozhikode district, the difference in the satisfaction level of borrowers in both Malappuram and Idukki district is significant. The satisfaction level of the borrowers in Kozhikode district is higher than the satisfaction level of the borrowers in Malappuram and Idukki District.

According to the table 6.32, when compared to the satisfaction level of borrowers in Idukki district, the difference in the satisfaction level of borrowers in both Kozhikode and Malappuram district is significant. The satisfaction level of borrowers in Idukki district is less than the satisfaction level of the borrowers in Kozhikode and Malappuram district.

6.5.4. Programme for which Loan is taken and Satisfaction

In order to assess the significance of satisfaction of the borrowers with regard to the programmes, one way ANOVA test is used which shows the result as follows.

Table 6.33**ANOVA - Programme and Satisfaction of the Borrowers**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	16.164	3	5.388	16.202	0.000
Within Groups	142.329	428	0.333		
Total	158.493	431			

Source: Field Survey

Since the p value is less than 0.05, the difference in the satisfaction of the borrowers with regard to the programme is significant. In order to find out the significance of difference, Post Hoc Analysis is carried out and result of the test is as follows.

Table 6.34**Multiple Comparisons of Programme and Satisfaction of the Borrowers**

(I) Subject of the programme	(J) Subject of the programme	Mean Difference (I-J)	Std. Error	Sig.
Medical	Engineering	.50632*	.12971	0.001
	Nursing	.76306*	.12423	0.000
	Management	.49528*	.13330	0.001
Engineering	Medical	-.50632*	.12971	0.001
	Nursing	.25673*	.06742	0.001
	Management	-.01104	.08295	0.999
Nursing	Medical	-.76306*	.12423	0.000
	Engineering	-.25673*	.06742	0.001
	Management	-.26778*	.07408	0.002
Management	Medical	-.49528*	.13330	0.001
	Engineering	.01104	.08295	0.999
	Nursing	.26778*	.07408	0.002

Source: Field Survey

The table 6.34 indicates the dimensions of changes in satisfaction with regard to various programmes for which loan is taken. When compared to Medical programme, the difference in satisfaction of the borrowers in the case of all other programmes i.e., Engineering, management and Nursing, is significant. The satisfaction level of the borrowers in the case of medical is higher than the borrowers of Engineering, Management and Nursing.

The difference in the satisfaction level of the borrowers for Engineering and Management programme is not significant.

When compared to the borrowers for Nursing programme, the difference in the satisfaction level of the borrowers in the case of all other programmes are significant. The satisfaction level is low in the case of borrowers for Nursing programme. Majority of the education loans are sanctioned to the nursing programme in the state and the borrowers under this segment is not so satisfied with the attributes of this scheme.

6.6. Benefits of Education Loan Scheme

Education loan aims at personal development of the borrower. Once the student gets a fair job after completion of the programme, he shall have adequate funds in order to meet his personal and familial expenses. A portion of his salary can be earmarked for repayment of the loan also. The loan distributing institution shall also be satisfied due to the regular repayment of the loan. The personal development of the individual leads to the development of the family and thereby the development of the society. This type of personal, familial and social development is the ultimate goal of the education loan scheme. Now, about 15 years have elapsed after the introduction of the education loan in India in its new form. In such a circumstance, to analyse the role of education loan in the personal, familial and social development shall be meaningful. For the purpose of analysis, the following sub variables have been identified in order to measure the benefits:

6.6.1. Personal benefits

The benefits which are enjoyable to the individual personally are categorized

as the sub variables affecting personal benefits. From the review of literature, the following sub variables are identified as the factors affecting personal development:

1. The scheme helped to improve the self esteem of the borrower.
2. The scheme helped to improve the self confidence of the borrower.
3. The scheme helped to enhance the employability of the borrower.
4. The scheme helped to improve the social status of the borrower.
5. The scheme helped to improve the earning capacity of the borrower.
6. The scheme helped to increase the creditworthiness of the borrower.

To assess the personal benefits attained by the borrowers from education loan scheme, a five point Lickert scale is used. Borrowers are asked to rate their attitude ranging from strongly agree (5) to strongly disagree (1).

1. The scheme helped to improve the self esteem of the borrower.

Higher education aims at boosting the learners' self esteem by enhancing the knowledge and skill. One of the important objectives of higher education is to create a sense of self pride, ability to respect others, critical thinking power and awareness about one's own capabilities and strengths. As education loan is availed for pursuing higher education, if the loan scheme is effective, the self esteem of the borrowers might be improved.

2. The scheme helped to improve the self confidence of the borrower.

Self confidence is a feeling of trust of a person on his or her own abilities. Higher education helps one to identify his potentials and prospects. In order to measure how far the education loan scheme helped to improve the self confidence of the borrowers, borrowers are asked to respond to the statement mentioned above.

3. The scheme helped to enhance the employability of the borrower.

Employability is a set of achievements, understandings and personal traits that make an individual more effectively acquire employment and to be efficient in his occupation concerned. Higher education aims at improving the competencies of the learner and thereby ensures improved employability.

4. The scheme helped to improve the social status of the borrower.

Social status is an individual's standing and significance in relation to other people in the society. Higher education makes an individual capable to think logically. Educated persons are respected and honoured.

5. The scheme helped to improve the earning capacity of the borrower.

Improved employability shall enhance the earning capacity of an individual. The educated person's ability to apply the skill will be better than the ability of his counterpart who is uneducated.

6. The scheme helped to increase the creditworthiness of the borrower.

Creditworthiness is the ability that a person to honor the debts. A high degree of creditworthiness indicates the financial soundness of the person. The high earning capacity increases the income and savings of the individual. The increased employability and earning capacity would improve the financial soundness and creditworthiness of the borrowers. The table 6.35 shows the responses of the borrowers in respect of the benefits of education loan scheme in respect of the personal development of the borrower.

Table 6.35

Contribution of Education Loan to the Personal Development of the Borrowers

Sl No	Statements	Mean	SD
1	The scheme helped to improve the self esteem of the borrower.	3.93	.816
2	The scheme helped to improve the self confidence of the borrower.	3.95	.820
3	The scheme helped to enhance the employability of the borrower.	4.09	.781
4	The scheme helped to improve the social status of the borrower.	3.90	.834
5	The scheme helped to improve the earning capacity of the borrower.	3.94	.890
6	The scheme helped to increase the creditworthiness of the borrower.	3.14	.883

Source: Field Survey

The mean score of almost all the statements related to the personal development of the borrower shows a high value and it indicates that the education loans scheme has helped to improve the personal development of the borrowers. The mean score in respect of the statement that the scheme has helped to enhance the employability of the borrower has a higher value i.e. 4.09. The next higher value is scored by the statement that the scheme helped to improve the self confidence of the borrower. Certainly, higher education envisages all round development of the individuals in order to equip them in the nation building process and in that sense education loan scheme has been helping to improve the self confidence of the borrowers by pursuing higher education. In the case of improving social status and earning capacity as well, the high mean score indicates that the education loan scheme is highly benefited to the borrowers.

1. Bank Type and Personal Benefit

The bank's proper and timely follow up actions, recovery actions and type of services offered may affect the personal benefits of the borrowers. There will be difference in the case of private and public sector banks with regard to these variables. In order to assess if there is any difference in the personal benefits availed by the borrowers out of education loan scheme with regard to the type of banks, Independent sample t test is used and the result is given in the table 6.36.

Table 6.36
Bank Type and Personal Benefits

Bank Type	Mean	't' Value
Public	3.8125	1.123
Private	3.8322	(0.262)

Figures in brackets are *p* values

Source: Primary Data

The *p* value is greater than 0.05 and it denotes that the difference in the personal benefits of the scheme with regard to the type of bank is not significant.

2. Area of Residence and Personal Benefit

In order to evaluate if there is any difference in the personal benefit achieved by the borrowers with regard to area of residence i.e. rural and urban, Independent sample t test is used and result of the test is as follows.

Table 6.37
Area of Residence and Personal Benefits

Area of Residence	Mean	't' Value
Rural	3.8125	0.270 (0.788)
Urban	3.8322	

Source: Field Survey

The p value is more than 0.05 and hence the test indicates that there is no significant difference in the personal benefits of the borrowers with regard to area of residence. It implies that the education loan scheme is benefitted to the borrowers in both rural and urban areas.

3. District and Personal benefits

In order to identify whether there is significant difference in the personal benefits with regard to the district of the borrower, the hypothesis is tested with the one way ANOVA test and the result of the test is given in table 6.38.

Table 6.38
ANOVA - District of the Borrowers and Personal Benefits

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	33.621	2	16.810	38.710	0.000
Within Groups	186.298	429	0.434		
Total	219.919	431			

Source: Field Survey

The ANOVA test indicates that there is significant difference in the personal benefits availed by the borrowers from education loan scheme with regard to districts. In order to identify the degree of difference, Post Hoc test is used and it shows the results as follows:

Table 6.39

Multiple Comparisons of District of the Borrowers and Personal Benefits

(I) District of the borrower	(J) District of the borrower	Mean Difference (I-J)	Std. Error	Sig.
Kozhikode	Malappuram	-.31944*	.07766	0.000
	Idukki	.36343*	.07766	0.000
Malappuram	Kozhikode	.31944*	.07766	0.000
	Idukki	.68287*	.07766	0.000
Idukki	Kozhikode	-.36343*	.07766	0.000
	Malappuram	-.68287*	.07766	0.000

Source: Field Survey

The Post Hoc test indicates that the difference in the personal benefits attained by the borrowers is significantly different among the borrowers of each three districts. When compared to the borrowers in Kozhikode district, the personal benefits availed by the borrowers in Idukki and Malappuram is significantly different. The borrowers in Malappuram got more personal benefits than the borrowers in Kozhikode district and Idukki district. But the borrowers in Kozhikode district got more personal benefits than borrowers in idukki district. From the table, it can be concluded that the borrowers in Malappuram got more personal benefits from education loan scheme when compared to the borrowers from other two districts.

The study shows that in Malappuram district, the students availed education loans mainly for pursuing engineering and management. But in Idukki and

Kozhikode, more number of borrowers have availed the loan to study Nursing programme. As of now, when compared to other programmes, the opportunities and earnings are low in the case of nursing. Consequently it affects the personal benefits of the borrowers as well.

4. Programme and personal benefits

In order to understand whether there is significant difference in the personal benefits of the borrowers with regard to the programme for which the loan is taken, the hypothesis is tested with the one way ANOVA and the result of the test is given in table 6.40.

Table 6.40
ANOVA - Programme of the Borrowers and Personal Benefits

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	36.160	3	12.053	28.074	0.000
Within Groups	183.759	428	.429		
Total	219.919	431			

Source: Field Survey

The test shows the significant difference in the personal benefits of the borrowers with regard to the programme for which the loan is taken. In order to explain the difference, Post Hoc test is used and result of the test is given in table 6.41.

Table 6.41**Multiple Comparisons of Programme of the Borrowers and Personal Benefits**

Post Hoc Analysis				
(I)Subject of the programme	(J)Subject of the programme	Mean Difference (I-J)	Std. Error	Sig.
Medical	Engineering	.18254	.14739	0.603
	Nursing	.79367*	.14115	0.000
	Management	.40498*	.15146	0.039
Engineering	Medical	-.18254	.14739	0.603
	Nursing	.61113*	.07660	0.000
	Management	.22244	.09426	0.087
Nursing	Medical	-.79367*	.14115	0.000
	Engineering	-.61113*	.07660	0.000
	Management	-.38869*	.08418	0.000
Management	Medical	-.40498*	.15146	0.039
	Engineering	-.22244	.09426	0.087
	Nursing	.38869*	.08418	0.000

Source: Field Survey

The Post Hoc test explains the differences in the personal benefits of education loan scheme with regard to various subjects of programme for which the loan is taken.

When compared to medical, the difference in the personal benefits got by the borrowers of Engineering is not significant. However, in the case of other programmes i.e. Nursing and management, the difference is significant. The borrowers of medical programme got more personal benefits than the borrowers for

Nursing and Management. In general situations, the economic benefits available to a medical graduate after the study are significantly higher than the benefits available to the professionals in Nursing and Management. The study also indicates that the personal benefit due to education loan is high in the case of Medical programme.

When compared to Engineering, the difference in personal benefit got by the borrowers after study is not significant in the case of Management programme. It indicates that the personal benefits acquired by the borrowers for Engineering and management are not significantly different.

When compared to the personal benefits achieved by the borrowers of nursing loan, the difference is significant in the case of all other programmes i.e. Medical, Engineering and Management. The borrowers of nursing got least personal benefits as compared with other programmes.

It is to be noted that majority of the education loans sanctioned in Kerala is to study the Nursing programme. Since the pay and other amenities are very poor to the nurses in Kerala, especially in private sector, the borrowers are not getting the desired personal benefits by the scheme while comparing with other programmes.

ii. Benefits of the Scheme to the Family

The benefits which are directly available to the family of the borrowers are categorised as the sub variables affecting benefits of the family. Following sub variables are identified as the factors affecting development of the family:

1. The scheme helped to improve the basic necessities of the family.
2. The scheme helped to improve the educational status of the family
3. The scheme helped to improve the family income.
4. The scheme helped to improve savings of the family.
5. The scheme helped to acquire movable or immovable assets to the family.
6. The scheme helped to give education to others in the family.
7. The scheme helped to reduce the indebtedness of the family.

Table 6.42
Descriptive Statistics of Benefits to the Family

SI No	Statements	Mean	SD
1	The scheme helped to improve the basic necessities of the family	2.97	1.124
2	The scheme helped to improve the educational status of the family	3.59	1.045
3	The scheme helped to improve the family income.	2.69	1.179
4	The scheme helped to improve savings of the family.	2.40	1.133
5	The scheme helped to acquire movable or immovable assets to the family.	2.10	1.063
6	The scheme helped to give education to others in the family.	2.38	1.116
7	The scheme helped to reduce the indebtedness of the family.	2.14	1.104

Source: Field Survey

1. The scheme helped to improve the basic necessities of the family

Majority of the borrowers of education loan scheme belong to poor socio economic sections of the society. If the scheme helped to complete the programme successfully and to acquire a good job, the basic living conditions of the family of the borrowers might be improved. A mean score of 2.97 indicates the favourable attitude of the respondents towards the statement. It indicates that the scheme is a success to a large extent in order to improve the living conditions of the targeted sections of the society.

2. The scheme helped to improve the educational status of the family

To get an opportunity to have higher education to one of the family members shall be helpful to educate other members in the family as well. Under the initiative and care of the former, other members can also have the chances to study. In respect

of this statement, the mean score is 3.59. It strongly supports the fact that the education loan scheme helps other dependents of the borrowers as well in order to acquire knowledge.

3. The scheme helped to improve the family income.

If the borrower got better job once the completion of the programme, the income of the borrower and thereby the family as a whole has to be improved. The responses show that the education loan scheme doesn't help to increase the family income. It again testifies that even if the education loan scheme is helpful to improve the employability and earning capacity, actual earning of the borrower is not improving. It may be due to the delay in getting better job or due to the inadequacy of salary.

4. The scheme helped to improve savings of the family.

The mean score is only 2.40 and it indicates that the borrowers disagree that the scheme helped to improve the savings of the family. It also implies that the scheme is not so successful in contributing to the income and savings of the family.

5. The scheme helped to acquire movable or immovable assets to the family.

The financial security shall tempt the people to acquire movable and immovable properties to the family. The mean score of this statement is 2.1 which is below the average i.e. 2.5. It describes that the scheme didn't help to acquire movable or immovable properties. It also indicates the inability of the scheme in improving the earnings of the borrower.

6. The scheme helped to give education to others in the family

The improvement in the education level of one of the members in the family shall improve the family's attitude towards the higher education. Further, the educated person, with his improved capacity can give education to other members in the family. Otherwise at least he can support to educate others in the family. The mean score of 2.38 describe that the education loan scheme helped to an extent in giving education to others in the family.

7. The scheme helped to reduce the indebtedness of the family.

The mean score is 2.14. It means majority of the respondents disagree with this statement. It indicates that the scheme was not helpful to reduce the debt of the family. Many parents had complained during the survey that the education loan made them debtors forever. Due to the accumulation of interest and penal interest, in most of the cases, the amount to be refunded by the borrowers had become a huge amount which is many times more than what they actually borrowed. The responses of the borrowers support this argument and at least in the case of some borrowers, education loan became a trap of debt.

6.6.2.1. Bank Type and Family Benefits

As in the case of personal benefits, some of the policies of the banks related with recovery actions, follow up actions etc shall affect the benefits of the scheme available to the family of the borrowers. To assess if there is any significant difference in the family benefit availed by the borrowers with regard to the type of bank, independent t test is used and the result of the test is as follows.

Table 6.43
Bank Type and Family Benefits

Type of Bank	Mean	't' Value
Public	2.54	1.424
Private	2.67	(0.155)

Source: Field Survey

Figures in brackets show p value

The p value is greater than 0.05 and hence there is no statistical evidence to support the statement that there is significant difference in the familial benefit availed by the borrowers out of education loan with regard to type of bank.

6.6.2.2. Area of Residence and Family Benefits

In order to analyse whether there is any difference in the familial benefits of the scheme and area of residence of the borrowers, independent t test is used and the result of the test is as follows.

Table 6.44
Area of Residence and Family Benefits

Area of Residence	Mean	't' Value
Rural	2.5804	0.465
Urban	2.6235	(0.642)

Source: Field Survey

Figures in brackets show *p* value

The table 6.44 shows that difference in the familial benefits with regard to the area of residence is not significant.

6.6.2.3. Programme and Family Benefits

In order to identify if there is any difference in the familial benefits of the scheme with regard to the programmes for which the loan is taken, the hypothesis is tested with the one way ANOVA and the result of the test is:

Table 6.45
ANOVA - Programme of the borrowers and Family Benefits

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	41.796	3	13.932	18.993	.000
Within Groups	313.957	428	.734		
Total	355.753	431			

Source: Field Survey

The table 6.45 shows that there is significant difference in the familial benefits of the borrowers with regard to the programmes for which the loan is taken. In order to identify the impact of the programmes on familial benefits, Post Hoc test is used and the result is shown below.

Table 6.46
Multiple Comparisons of Programme of the borrowers and Family Benefits

Post Hoc Test				
(I) Subject of the programme	(J) Subject of the programme	Mean Difference (I-J)	Std. Error	Sig.
Medical	Engineering	.38053	.19265	0.199
	Nursing	.90637*	.18450	0.000
	Management	.29405	.19798	0.447
Engineering	Medical	-.38053	.19265	0.199
	Nursing	.52584*	.10013	0.000
	Management	-.08648	.12320	0.896
Nursing	Medical	-.90637*	.18450	0.000
	Engineering	-.52584*	.10013	0.000
	Management	-.61232*	.11003	0.000
Management	Medical	-.29405	.19798	0.447
	Engineering	.08648	.12320	0.896
	Nursing	.61232*	.11003	0.000

Source: Field Survey

When compared to Medical, the difference in the familial benefits in the case of borrowers for Management and Engineering is not significant. However, while comparing with medical, the difference in the familial benefits achieved by the borrowers for nursing is significant. The familial benefits achieved by the borrowers of medical programme are more than the benefits available to the borrowers of nursing. When compared to Engineering and Management as well, the difference is significant only in the case of borrowers for nursing. It implies that as far as the

family benefit is concerned, the borrowers for nursing got less while comparing with other programmes i.e., Medical, Engineering and management.

6.6.2.4. District and Family benefits

In order to identify whether there is any difference in the familial benefits of the scheme with regard to district of the borrowers, the hypothesis is tested with the one way ANOVA and the result of the test is given in table 6.47.

Table 6.47
ANOVA - District of the borrowers and Family Benefits

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	9.085	2	4.543	5.622	0.004
Within Groups	346.668	429	0.808		
Total	355.753	431			

Source: Field Survey

Since the p value (0.04) is less than 0.05, the null hypothesis has been rejected here. It means there is significant difference in the familial benefits with regard to the districts. In order to describe the role of districts in familial benefits, Post Hoc Test is used and the result of the same is as follows.

Table 6.48**Multiple Comparison of District of the Borrowers and Family Benefits**

(I) District of the borrower	(J) District of the borrower	Mean Difference (I-J)	Std. Error	Sig.
Kozhikode	Malappuram	-.05754	.10594	0.850
	Idukki	.27480*	.10594	0.026
Malappuram	Kozhikode	.05754	.10594	0.850
	Idukki	.33234*	.10594	0.005
Idukki	Kozhikode	-.27480*	.10594	0.026
	Malappuram	-.33234*	.10594	0.005

Source: Field Survey

The table 6.48 explains the difference in the familial benefits achieved by the borrowers with regard to districts. When compared to the borrowers in Kozhikode district, the difference in the familial benefits got by the borrowers in Malappuram district is not significant. But in the case of borrowers in Idukki district, the difference is significant. When compared to the borrowers in Malappuram district as well, there is significant difference in the case of borrowers in Idukki district. The familial benefit achieved by the borrowers is low in the case of Idukki District.

6.6.3. Social Benefits of Education Loan Scheme

The benefits which are directly or indirectly available to the society as a whole are categorised as the sub variables affecting social benefits. Following sub variables are identified as the factors affecting development of the society:

1. The scheme helped to improve the borrower's contribution to the society.
2. The scheme helped to improve the leadership quality of the borrower.
3. The scheme helped to improve the participation of the borrower in social issues.

4. The scheme helped to improve the contribution of the borrower to social welfare activities.
5. The scheme helped to improve the role of the borrower in social decision making.
6. The scheme helped the borrower to impart knowledge to others in the society.

Table 6.49

Contribution of education loan to the benefits of the Society

Sl No	Statements	Mean	SD
1	The scheme helped to improve the borrower's contribution to the society.	3.50	.809
2	The scheme helped to improve the leadership quality of the borrower.	3.61	.763
3	The scheme helped to improve the participation of the borrower in social issues.	3.49	.721
4	The scheme helped to improve the contribution of the borrower to social welfare activities.	3.44	.721
5	The scheme helped to improve the role of the borrower in social decision making.	3.37	.722
6	The scheme helped the borrower to impart knowledge to others in the society.	3.39	.690

Source: Field Survey

1. The scheme helped to improve the borrower's contribution to the society.

As the higher education improves the thinking level and intellectual ability of the borrower, a part of the benefit of these qualities shall be available to the society in which the person lives as well. The table 6.49 shows that the mean score of the statement is 3.5 which means that the majority of the borrowers agreed with this statement. It means a part of the benefit of education loan has been availed to the society also.

2. The scheme helped to improve the leadership quality of the borrower.

Higher education shall certainly improve the leadership quality of the learner. The services of the leader shall be available to the group as a whole i.e. the society. The mean score of 3.61 indicates that the borrowers agreed that the scheme helped to improve the leadership quality of the borrower.

3. The scheme helped to improve the participation of the borrower in social issues.

The participation of highly educated people in social issues shall be more rational and logical. It shall improve the quality of solutions formulated in order to solve these issues. Mean score of 3.49 implies that the borrowers agree that the statement that the scheme is helpful to improve their participation in social issues.

4. The scheme helped to improve the contribution of the borrower to social welfare activities.

An educated person can contribute more to the social welfare activities in the sense that the higher education shall improve one's social attitude and awareness on extension activities. Certainly it shall improve his contributions to the social welfare activities. A mean score of 3.37 indicates that the borrowers agree with the statement. It means the education scheme has helped to improve their contributions to social welfare activities.

In the case of other sub variables as well i.e., the education loan schemes' effectiveness related to their role in social decision making and their ability to impart knowledge to others in the society, the mean score is more than the average and it implies that the borrowers agree with these statements. All these testify that the education loan scheme helps to improve the contributions of the borrowers to the society. In other words, education loan scheme contributes to the societal development too.

6.6.3.1. Bank Type and Social Development

The differences in the policies of the banks shall have an effect on the benefits availed to the borrowers. The education loan scheme is contributing to the social development by means of improving the social qualities of the individual. In order to find out if there is any difference in the social benefits of the scheme with regard to the type of bank, independent sample t test is used and the result of the test is given in table 6.50.

Table 6.50
Bank Type and Social Development

Type of Bank	Mean	't' Value
Public	3.43	-1.006
Public	3.49	(0.315)

Source: Field Survey
Figures in bracket show *p* value.

The *p* value is greater than 0.05 and hence the difference in the social benefits with regard to the type of bank is not significant.

6.6.3.2. Area and Social Benefits

To evaluate whether there is any difference in the social benefits as a result of education loan with regard to the area of residence of the borrowers, independent sample t test is used and result of the test is as follows.

Table 6.51
Area of Residence and Social Benefits

Area of Residence	Mean	't' Value
Rural	3.4907	0.594
Urban	3.4537	(0.553)

Source: Field Survey
Figures in bracket show *p* value.

The table 6.51 shows that difference in the social benefits of education loan scheme with regard to the area of residence is not significant.

6.6.3.3. District and Social benefits

In order to identify whether there is any difference in the social benefits of the scheme with regard to district of the borrowers, one way ANOVA test is used and the result of the test is depicted in table 6.52.

Table 6.52
ANOVA - District of the Borrowers and Social benefits

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	25.519	2	12.760	32.650	0.000
Within Groups	167.650	429	0.391		
Total	193.169	431			

Source: Field Survey

Since the p value (0.000) is less than 0.05, the null hypothesis has been rejected here. It means there is significant difference in the social benefits with regard to the districts. In order to describe the role of districts in social benefits, Post Hoc Test is used and the result of the same is as follows.

Table 6.53**Multiple Comparison of District of the Borrowers and Social benefits**

Post Hoc Test				
(I) District of the borrower	(J) District of the borrower	Mean Difference (I-J)	Std. Error	Sig.
Kozhikode	Malappuram	-.27778*	.07367	0.001
	Idukki	.31713*	.07367	0.000
Malappuram	Kozhikode	.27778*	.07367	0.001
	Idukki	.59491*	.07367	0.000
Idukki	Kozhikode	-.31713*	.07367	0.000
	Malappuram	-.59491*	.07367	0.000

Source: Field Survey

The table 6.53 explains the difference in the social benefits achieved by the borrowers by education loan scheme with regard to districts. When compared to Kozhikode, the difference in Malappuram and Idukki is significant. The borrowers in Malappuram got high score than Kozhikode and the borrowers in Idukki district got less score than Kozhikode. The borrowers in Malappuram got high social benefits than the borrowers in Kozhikode and Idukki districts. But in the case of borrowers in Idukki district, they got least benefits for social development while comparing with other districts i.e. Malappuram and Kozhikode.

6.6.3.4. Programme and Social Benefit

In order to identify if there is any difference in the social benefits of the scheme with regard to the programmes for which the loan is taken, the hypothesis is tested with by One way ANOVA and the result of the test is:

Table 6.54**ANOVA - Programme of the borrowers and Social Benefits**

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	43.950	3	14.650	42.020	0.000
Within Groups	149.219	428	0.349		
Total	193.169	431			

Source: Field Survey

Since the p value (0.000) is less than 0.05, the null hypothesis has been rejected here. It means there is significant difference in the social benefits with regard to the programme for which the loan is taken. In order to describe the role of programme in familial benefits, Post Hoc Test is used and the result of the same is as follows.

Table 6.55**Multiple Comparison of Programme of the borrowers and Social Benefits**

Post Hoc Test				
(I) Subject of the programme	(J) Subject of the programme	Mean Difference (I-J)	Std. Error	Sig.
Medical	Engineering	.27827	.13281	0.156
	Nursing	.92615*	.12720	0.000
	Management	.47157*	.13649	0.003
Engineering	Medical	-.27827	.13281	0.156
	Nursing	.64787*	.06903	0.000
	Management	.19329	.08494	0.105
Nursing	Medical	-.92615*	.12720	0.000
	Engineering	-.64787*	.06903	0.000
	Management	-.45458*	.07586	0.000
Management	Medical	-.47157*	.13649	0.003
	Engineering	-.19329	.08494	0.105
	Nursing	.45458*	.07586	0.000

Source: Field Survey

The table 6.55 explains the differences in the social benefits achieved by the borrowers of education loan with regard to subject of the programme for which the loan is availed. When compared to Medical, the difference in Engineering is not significant. But it is significant in the case of Nursing and management. The mean score is higher in the case of Medical than Nursing and Management. When compared to Engineering, the difference in Management is not significant. But it is significant in the case of Nursing. The score is high in the case of Engineering than Nursing. When compared to Nursing, the difference in all other subjects i.e. Medical, Engineering and Management is significant. The score of Nursing is less than all other subjects. It implies that as in the case of personal and familial benefits, the borrowers of nursing programme are getting least benefits for the social development.

6.7. Conclusion

The present chapter has analysed the awareness level, perception, sanctioning of loan, satisfaction level of borrowers and benefits of education loan scheme. The borrowers are not fully aware about the rules and regulations of the scheme. The borrowers strongly perceive that the education loan scheme is the last resort to many students in order to pursue higher education. Most of the respondents feel difficulties in getting the loan sanctioned. The borrowers are not satisfied with present system of sanctioning education loans. Borrowers feel that majority of the new generation and private banks follow an indifferent attitude towards education loan scheme. The study testifies that education loan scheme is beneficial to the person, family and society as a whole. However, consequent on the non availability of remunerative employment after the completion of the programme, the family of the borrowers could not enjoy the economic benefits envisaged in the scheme.

Chapter 7

Summary, Findings, Conclusion and Suggestions

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7.1. Introduction

Education is the backbone of development of a nation especially in the case of India which has been emerging as a global giant. Economic uplift of the people is highly dependent on educational development of the people. Education is the most effective instrument of social empowerment and can contribute to socio economic development by endowing the citizens with the means of improving their health, skill, knowledge and caliber for productive work. After independence, the national leaders were fully aware about this fact and accordingly many policies and measures have been introduced in the country in order to ensure quality education to all. Universalisation of primary education was one of the crucial missions of the state and it succeeded in it to a great extent. Subsequently, the enrolment ratio of primary education has been improved satisfactorily. Now, access and equity in the case of primary education is a reality in the case of almost all the states of the country. However, as far as higher education sector is concerned, the scenario is entirely different. While government focuses on free and compulsory primary education to one and all, the role of government in higher education has been decreasing gradually and as a result, higher education has been becoming a costly product. As a result of the advent of new economic reforms, the number of private institutions in the higher education sector has increased tremendously. As a result, cost of higher education has also increased. Access to higher education became a mirage to middle and low income people.

In order to pursue higher education in best institutions, parents have to spend huge amount as fee and other related expenses. Most of the institutions started in higher and professional education sector are in self financing segment. The number of private management institutes and engineering colleges has doubled over the past five years, from 1000 and 1350 to about 2000 and 2700 respectively. Thus, publicly funded higher education system in India has been slowly shifted to the hands of private managements. Due to the deficiency on the part of the public sector to meet the increased demand, private sector witnessed a mushrooming growth despite the compromise in quality. The user cost for higher education in the private sector is

very high and it makes higher education increasingly expensive. Consequently, more and more students and families felt the need to borrow.

In such a framework, the inclusion of people at the margin in the higher education space is possible only through external financial support. This has germinated in the introduction of students' loan and the announcement of education loan as a priority sector loan.

The education loan scheme in India was introduced following the announcement in the budget 2000-01. Based on recommendations made by a Study Group, IBA had prepared a Model Educational Loan Scheme in the year 2001 which was advised to banks for implementations by Reserve Bank of India vide circular No.RPCD.PLNFS.BC.NO.83/06.12.05/2000-01 dated April 28, 2001. The Educational Loan Scheme outlined by the IBA aims at providing financial support from the banking system to deserving/ meritorious students for pursuing higher education in India and abroad. The main emphasis is that every meritorious student though poor is provided with an opportunity to pursue education with the financial support from the banking system with affordable terms and conditions. No deserving student is denied an opportunity to pursue higher education for want of financial support.

Education loan scheme is one of the most popular priority sectors lending scheme in Kerala. In order to overcome the financial problems, parents and student highly depend on education loan scheme in the state. It increased the number and amount of education loans disbursed in the state over the years. The total amount of education loans outstanding in the state in 2011 was ₹.6,01,317.3 Lakhs. In 2016 it has been increased to ₹ 9,69,182.58 Lakhs. Despite an abnormal increase in the loan issued, the repayment of education loan in the state is not satisfactory. The amount of Nonperforming Assets in respect of education loans is also increasing in the state.

Now, a high level of nonperforming assets shows high probability of a large number of credit defaults that affect the profitability and net worth of banks. As per recent financial reports, education loans, a segment with lowest defaults among all

other retail loans so far, have seen a sudden increase in NPA due to the shrinking job market as a result of the global economic meltdown. In this background, it is a meaningful exercise to understand the education loan scheme in Kerala, its growth over the years, trend and pattern, repayment behaviour, perception and awareness of the borrowers, sanctioning of loan, satisfaction of the borrowers, benefits of the scheme etc.

7.2. Research Problem in Brief

In the context of Kerala, its universal secondary education puts more demand on higher education. But it is true that, all the aspirants of higher education cannot pursue it for want of financial support. It restrains inclusive growth. Here, the decision of the RBI directing the commercial banks to extend the loan for educational purpose becomes a meaningful exercise. Following this direction, a large number of commercial banks in the state have extended crores of rupees under the education loan scheme for materializing the higher education dreams of thousands of students. However, a number of questions arise in this context:-

1. How is the amount of education loan determined?
2. What is the trend and pattern in the provision of financial assistance through banks for education?
3. How is the education loan repaid?
4. What is the awareness level, perception and satisfaction level of the borrowers?

Now, about 15 years have elapsed after the formal introduction of education loan by the commercial banks in the country. In this context, some of the pertinent questions discussed above need to be addressed. Hence, this study is designed to look at some of the research questions mentioned above.

7.3.Objectives of the Study

The objectives of the study are the following:

1. To study the theoretical and conceptual contours of Education Loan Scheme.
2. To examine the trend and growth of education loan and its repayment.

3. To understand the factors contributing to prompt repayment of education loan.
4. To analyze the factors responsible for non repayment of education loan.
5. To identify the benefits of the scheme and to analyze the perceptions, awareness and satisfaction of beneficiaries in respect of education loan scheme.

7.4. Methodology

The study is descriptive in nature based on both secondary and primary data. Secondary data was collected from various publications, web sites and theses. Primary data was collected from the selected borrowers of education loans by using an interview schedule. A sample of 432 borrowers was selected from three districts viz Kozhikode, Malappuram and Idukki. Collected data was analysed with the appropriate tools like mean, standard deviation, chi square test, t test, one way ANOVA test, Multiple Regression and Logistic Analysis. Statistical packages like SPSS version 21, MegaStat, EViews 8 etc are used to analyse the data.

7.5. Presentation of the Study

The report of this study is presented in seven chapters. In the first chapter, the introduction, importance of the study, objectives, methodology and data base, sample design, tools for data collection, list of variables used in the study, scaling techniques, method of data collection, details of pilot study, reliability analysis, determination of sample size, tools and techniques used for analysis, period of study, and limitations of the study are presented. In the second chapter, the available literature related with the present topic was reviewed in order to find the research gap and have a direct experience with the research problem. In the third chapter, the theoretical and conceptual back ground of the educational loan scheme in India is described. The fourth chapter emphasises the trend, pattern and growth of education loan in Kerala. The growth rate in respect of number of education loans received, amount of loan sanctioned and disbursed by commercial banks in Kerala over the years are analyzed. Fifth chapter analysed the factors affecting the amount

of education loan in Kerala. The repayment performance of education loan scheme in Kerala is also analysed. The awareness level of the borrowers on rules and regulations of the education loan scheme, borrowers' perception about the scheme and satisfaction level of the borrowers is presented in the sixth chapter. The benefits of the education loan to the family, person and to the society were also analyzed. The executive summary of the study, major findings, suggestions and conclusion is presented in the seventh chapter.

For the sake of convenience, this chapter is divided into three sections as:

- A. Findings of the study
- B. Conclusion
- C. Suggestions

Section A

7.6. Findings of the Study

In view of the objectives of the study, detailed analysis of primary and secondary data revealed the following findings:

7.6.1. Trend and Pattern of Distribution of Education Loans in Kerala

- The amount of loan outstanding under the head education loan scheme by all the banks in Kerala shows a 33.46 per cent average annual growth rate. Further, the trend analysis revealed that average annual increase in the amount of loan outstanding under the head education loan by all the banks in Kerala is statistically significant.
- The trend analysis shows that there is a 25.24 per cent average annual growth in the application received by the public sector commercial banks during the period 2007-08 to 2015-16. In the case of private sector banks, it comes to 34.35 per cent.

- As far as the number of loans sanctioned is concerned, public sector banks show a 27.11 per cent average annual growth rate and private sector banks indicate 35.58 per cent growth rate during the period 2007-08 to 2015-16.
- In the case of the amount of loan sanctioned, the average annual growth rate of public sector banks is 28.45 per cent during the period 2007-08 to 2015-16 and in the case of private sector banks, it is 35.45 per cent.
- The number of loans outstanding shows 9.09 per cent average annual growth rate in the case of public sector banks during the period 2007-08 to 2015-16. As far as private sector banks are concerned, it comes to 18.55 per cent. Public sector banks indicate a 15.82 annual average growth rate in the amount of loans outstanding and private sector banks shows a 24.83 percent growth rate in this regard.
- In the case of all variables under the study i.e., application received, number of loans sanctioned, amount of loans sanctioned, number of loans outstanding and amount of loan outstanding during the period 2007-08 to 2015-16, both in the case of private and public sector banks, the average annual increase over the years is statistically significant.
- Fluctuations are there in the share of each components of priority sector lending over the years. In 2016, 6 per cent of loans under priority sector lending were under education loan segment. The share of agriculture is 39 per cent, MSME 26 percent and others 29 per cent.
- While all other segments in the priority sector lending i.e. Agriculture, MSME and others, show a negative growth rate in some years, the education loan shows a positive growth rate in all years from during the period 2007-08 to 2015-16.
- Education loans and loans to agriculture show an 18 per cent annual average increase and MSME and other segments show 19 per cent and 10 per cent average annual increase respectively.

- The pattern of distribution of education loans to various programmes in Kerala is not even. The difference between the loans distributed to various programmes is statistically significant. Majority of the loans (49%) are distributed for studying nursing. It is followed by Engineering (28.8%) and Management (18.1%)
- There is no significant difference in the loan distribution to the males and females. However, gender and programme wise distribution of loans indicates that there is a significant difference in the distribution of loans to various programmes among males and females. Majority (49%) of the loans is issued to the Nursing programme and 76 per cent of loans to nursing are advanced to females. In the case of Engineering, 86 per cent of the loans are given to males. In the case of Management also, male borrowers have the dominance (72%).
- The demand for different programmes in different districts is also not even. In Idukki district, 70 per cent of the loans are taken for studying nursing. In Kozhikode district also, majority of the loans (49%) is distributed for studying nursing. But in Malappuram district, the distribution of education loan to various programmes is moderately even.
- There is no significant difference between public and private sector banks in sanctioning education loans.
- There is significant difference in the distribution of education loan among different religions. Majority (61%) of the borrowers are Christians followed by Hindus (26%). The study revealed that the tendency to borrow funds for educational purposes is less in Muslim Religion.
- Majority (73%) of the borrowers in the case of Management have availed the loans to study outside the state. In the case of nursing, 87 per cent of the borrowers studied the programme outside the state.

7.6.2. Factors Affecting the Amount of Education Loan

- Income of the family is a significant factor affecting the amount of education loan. High income families borrow more as education loans when compared to low income families.
- The study revealed that the students tend to borrow more funds as education loan to study Medical, Engineering and Management programmes when compared to nursing programme.
- The students in Malappuram district tend to borrow more funds and the students in Idukki district tend to borrow lesser amount as education loans when compared to the students in Kozhikode district .It is also revealed in the study that the students in urban area tend to borrow more than their counter parts in rural areas.
- The occupation of the parents is not a significant factor affecting the amount of education loan.

7.6.3. Repayment of Education Loan in Kerala

- The trend analysis revealed that there is a significant increase in the amount of NPAs in respect of education loans both in the case of public sector banks (39.24%) and private sector (36.4%) banks.
- According to the study, only 62 per cent of the borrowers have repaid the education loan regularly. There is no significant difference in the bank type (Public sector banks and Private sector banks) and repayment of education loan. Further, there is no association between the repayment of loan and type of programme for which the loan is taken.
- The main reason for the regular repayment of the loan is the fear of recovery actions on the part of the banks. Most of the borrowers of education loan are repaying the loan due to the fear of recovery actions and behaviour of loss aversion. The default in repayment shall damages the borrowers' credit reputation and subsequently, it shall affects their eligibility for other loans in future like home loans and vehicle loans.

- The major reason for default in repayment of education loan is the inadequacy of salary followed by delay in getting job. The low earnings after completion of programme is a strong determinant of default in the case of education loans. Students from low income families and poor socio economic conditions are more likely to default the repayment of loan.

7.6.4. Probability for Repayment of Education Loans

- The analysis revealed that there is significant relationship between the income of the borrower and probability for repayment of education loan. As the income increases, probability for repayment of loan also tends to increase.
- Programme for which the loan is taken is not a factor determining the probability for repayment of the loan. However, the analysis testifies that the probability for repayment of education loan taken for studying Management programmes is low when compared to the probability for repaying the loan taken for studying nursing.
- The economic status of the family is a significant factor affecting the probability for repayment of education loan. When compared to BPL families, the probability to repay the loan is high in the case of APL families.

7.6.5. Awareness level of Borrowers of Education Loan

- Most of the borrowers are unaware about EMI, moratorium period, penal interest, interest rate etc related to education loan scheme.
- There is no significant difference among the borrowers of public sector and private sector banks regarding the awareness level.
- There is no significant difference in the awareness level of the borrowers about the rules and regulation of education loan scheme with regard to the area of residence.
- There is significant difference in the awareness of borrowers with regard to district. The study reveals that the borrowers in Malappuram district are

more aware about the education loan scheme than the borrowers in Kozhikode district. However, there is no significant difference in the awareness level of borrowers in Kozhikode district and Idukki district. Similarly, there is significant difference in the awareness level of borrowers belong to Idukki district and Malappuram district. Borrowers in Malappuram are more aware about the education loan scheme when compared to the borrowers in Idukki district.

- When compared to the borrowers in Kozhikode district and Idukki district, the borrowers in Malappuram are more aware about the education loan scheme. As per the statistics of SLBC, Malappuram is the district having least number and amount of education loans sanctioned in Kerala. The people in Malappuram district are highly aware about the rules and regulations of the scheme. It helps to discourage unnecessary borrowings.
- When compared to the borrowers for medical programme, the difference in the awareness level of the borrowers for engineering programme is not significant. However, while comparing the borrowers of medical programme with the borrowers of nursing programme, the difference in awareness level is significant. Borrowers of medical programme are more aware about various attributes of the scheme than the borrowers of nursing programme. Similarly, the difference in the awareness level between the borrowers of medical and management programme is also significant. Here also, borrowers of medical programme are more aware than the borrowers of management programme. The analysis emphasises that the awareness level of the borrowers of nursing programme is less than the borrowers of other programmes. Majority of the borrowers belong to Nursing category and the unawareness of these borrowers shall affect the repayment of loan severely.

7.6.6. Perception of the Borrowers

- Majority (mean score 4.47) of the borrowers perceive that the penal interest in respect of education loan scheme is extremely high. The approach of the bank managers and other staff towards the applicants of education loans is

not positive. Majority (mean score 3.98) of the borrowers perceive that the private and new generation banks follow an indifferent attitude towards the education loan scheme. Most of the borrowers perceive that the cost of higher education is unaffordable to low and middle income group and education loan scheme is the last resort to such students in order to pursue higher education.

- There is no significant difference in the perception of the borrowers with regard to the type bank.
- In comparison with other programmes, nursing students have a strong perception that penal interest is high. The attitude of managers towards the applicants is not positive especially in the case of some programmes like Nursing, Management etc.
- There is no significant difference between area of residence and perception level of the borrowers.
- There is a significant difference between district of the borrowers and perception level. The study reveals that the perception level of borrowers in malappuram district is low when compared to the perception of borrowers in Kozhikode and Idukki districts.

7.6.7. Sanctioning of Loan

- Most of the borrowers feel that the speed of sanctioning the education loan is not satisfactory. Most often, borrowers have to visit the branch many times in order to get the loan sanctioned. The banks consider the economic background of the applicants before sanctioning the loan. Social background and political influences are also factors affecting the sanctioning of loan.
- There is no significant difference in sanctioning loans by public and private sector banks. The borrowers face difficulties in order to get the loan sanctioned from both public and private sector banks.

- There is a significant difference in sanctioning of loan and subject of programme for which the loan is taken. While it is comparatively easy to get loan sanctioned to some programmes like Medical and Engineering, the borrowers feel difficulties to get loans to certain programmes like nursing etc. When compared to all other programmes, i.e. Medical, Engineering and Management, the difference is significant in the case of getting loans sanctioned for Nursing. In other words, Nursing students face more difficulties in order to get education loan when compared to other programmes.
- There is a significant difference between the district of the borrower and sanctioning of loan. The process of sanctioning education loan in Idukki district is a little bit easy and simple in comparison with other districts i.e. Kozhikode and Malappuram district. The borrowers in Malappuram district feel much difficulty in getting the loan sanctioned when compared to other districts i.e. Idukki and Kozhikode.

7.6.8. Satisfaction Level of Borrowers

- The borrowers are not satisfied with the amount of education loan sanctioned, speed of sanctioning the loan, repayment period and moratorium period of education loan scheme. With regard to the attitude of managers and employees, responses of the banks to the queries of the borrowers and timely sanction of further instalments, borrowers are satisfied.
- There is no significant difference in the satisfaction level of borrowers in the case of public sector and private sector banks.
- The difference in the satisfaction level of the borrowers with regard to the area of residence is not significant.
- The difference in the satisfaction level of the borrowers with regard to district is significant. The borrowers in Idukki district are least satisfied when compared to the borrowers in Kozhikode and Malappuram districts.

- There is significant difference in the satisfaction of the borrowers with regard to the programmes for which the loan is taken. When compared to the borrowers of Nursing programme, the difference in the satisfaction level of the borrowers in the case of all other programmes are significant. The satisfaction level is low in the case of borrowers of Nursing programme. Majority of the education loans are sanctioned to the nursing programme in the state and the borrowers under this segment is not so satisfied with the attributes of this scheme.

7.6.9. Benefits of Education Loan Scheme

The benefits of education loan scheme has been analysed under the three major heads viz Personal Benefits, Familial Benefits and Social Benefits.

7.6.9.1. Personal Benefits

- The mean score of almost all the statements related with the personal development of the borrower shows a high value and it indicates that the education loans scheme has helped to improve the personal development of the borrowers.
- There is no significant difference in the personal benefits of the borrowers with regard to area of residence.
- There is significant difference in the personal benefits of the borrowers with regard to districts. The borrowers in Malappuram got more personal benefits from education loan scheme when compared to the borrowers from other two districts.
- There is significant difference in the personal benefits of the borrowers with regard to programmes. When compared to the personal benefits achieved by the borrowers of nursing loan, the difference is significant in the case of all other programmes i.e. Medical, Engineering and Management. The borrowers of nursing got least personal benefits as compared to other programmes. Majority of the education loans sanctioned in Kerala is to study

the Nursing programme. Since the pay and other amenities are very poor to the nurses in Kerala, especially in private sector, the borrowers are not getting the desired personal benefits by the scheme when compared to other programmes.

7.6.9.2.Benefits to the Family

- With regard to most of the variables related with the familial benefits, the mean score is less and it indicates that the borrowers could not get sufficient familial benefits out of the education loan scheme.
- There is no significant difference in the familial benefits of the borrowers with regard to the type of bank and area of residence.
- There is significant difference in the familial benefits of the borrowers with regard to the programmes for which the loan is taken. As far as the familial benefit is considered, the borrowers of nursing got less when compared to other programmes i.e., Medical, Engineering and management.
- There is significant difference in the familial benefits of the borrowers with regard to districts. The familial benefit achieved by the borrowers is low in the case of Idukki District.

7.6.9.3.Social Benefits of Education Loan Scheme

- Most of the variables related to the social benefits have moderately high mean scores and it shows that the education loan scheme helped to contribute to the social development.
- There is no significant difference in the Social benefits and area of residence.
- There is significant difference in the social benefits with regard to districts. The borrowers in Malappuram got high social benefits than the borrowers in Kozhikode and Idukki districts. In the case of borrowers in Idukki district, they got least benefits for social development when compared to other districts ie Malappuram and Kozhikode.

- There is significant difference in the social benefits of the borrowers with regard to programmes. When compared to Nursing, the difference in all other subjects i.e. Medical, Engineering and Management is significant. The score of Nursing is less than the all other subjects. It implies that as in the case of personal and familial benefits, the borrowers of nursing programme are getting least benefits for the social development.

Section B

7.7.Conclusion

Education, especially higher education has a pivotal role in the economic development of a country. Considering its paramount importance, demand for higher education has been increasing in India. The liberalised economic policies ushered in India during the early 1990s compelled the government to withdraw from funding to higher education sector. The increase in the demand for higher education and government's withdrawal from the funding to higher education makes the higher education system an inaccessible one to a large segment of the population. One of the major solutions before the policy makers in order to tackle this problem was introduction of education loan scheme. With a view to ensure adequate funds to the students from banking system, education loan scheme in its present form has been introduced in India in 2001. The statistics show a steady increase in the amount and number of education loans sanctioned in the country over the years.

Kerala is one of the leading states in India as far as the sanctioning of education loan is concerned. The high growth rate in sanctioning education loan in the state indicates the high demand for the scheme in the state. However, while looking at the repayment status of the scheme, the plight is not satisfactory. The Nonperforming Assets in respect of education loan segment of both public and private sector banks indicate significant increase over the years. Majority of the education loans in the state is issued to study the programmes like Nursing and Management. The world wide downturn in the economy caused for shrinkage of job market and it affected the job opportunities of the students. Consequently, the poor pay packages affect the repayment of education loan as well.

Absence of proper awareness on education loan scheme on the part of the borrowers is a severe concern in the state. Since no security is required for loans up to ₹4 lakhs, students and parents used to borrow education loans without considering the job opportunities of the programme and repayment of the loan. These are the concern of the students and parents only after completion of the programme.

Most of the borrowers of education loans hail from poor socio economic background. Majority of the borrowers perceive the scheme as a last resort in order to realise their high education aspirations. The borrowers are dissatisfied with the present interest rate, penal interest, repayment period and moratorium period.

There is no significant difference in the repayment status of the loan with regard to the programme for which the loan is taken. However, in the case of medical and engineering programmes, most of the students repay the loan out of their own salary. But in the case of Nursing, the salary is not enough to meet even their personal expenses. Majority of the borrowers of Nursing programme is repaying the loan out of the income of other members in the family.

The Scheme has been helping to improve the personal qualities of the borrowers like self esteem, self confidence, earning capacity and employability skills. But, due to the decrease in the job opportunities and delay in getting fairly paid jobs, actual income of the borrower does not improve. Due to this, the economic benefit of the scheme is not availed to the family of the borrower. In some cases, the scheme caused to increase the debt of the family. While adding the penal interest, the amount to be repaid became a huge amount in some cases and the families face difficulties to repay such a huge amount. The recovery actions of the banks affect the esteem of the family.

Bankers say that they do not have any biased attitude towards the scheme. But the poor repayment of the scheme affects the profitability and creditworthiness of the bank. Actually bank employees are in a dilemma as far as education loan scheme is concerned. Governments and authorities put pressure on them in order to sanction the education loan liberally. The delay in sanction of loan leads to

agitations and clashes. Once the repayment is in trouble, they have to face pressure from the management in order to ensure timely repayment.

In the changed scenario, cost of higher education is unaffordable to low and middle income groups. Education loan scheme is the last resort to such students in order to realise their higher education dreams. Hence, the education loan scheme has a great role in assuring access and equity in higher education. However, some borrower friendly options should be incorporated in the scheme in order to make the scheme more effective.

Section C

7.8.Suggestions

The study invariably proved that the demand for education loan in Kerala has been increasing year to year. Both the number and amount of loans sanctioned, disbursed and outstanding shows an increasing trend. The growth rate of education loans by both public sector and private sector banks over the years is significant. The scheme could give financial assistance to a large number of students hailing from poor socio economic segment of the society in order to realise their higher education dreams. Since the increased cost of higher education, meritorious students from poor socio economic background cannot pursue higher education without the help of education loans.

However, the plight of the beneficiaries of education loan scheme is not so prosperous in the state. The analysis shows that the NPAs in respect of education loans have been increasing in the state. After completion of the programme, students fail to get better jobs. It affects the repayment of loan. Regular default in repayment turns the loan into NPA. It is a grave situation both to the borrowers and bankers. Once a loan became NPA, banks shall initiate recovery actions. It is a cause for clashes and quarrels between borrowers and bankers. Increased NPAs shall deteriorate the productivity and profitability of the banks.

In such a juncture, since the revival of education loan scheme is highly essential to ensure access and equity in higher education sphere, in order to improve

the effectiveness of education loan scheme, based on the findings of the present study, following suggestions are made:

7.8.1. Amount of Education Loan

- While determining the amount of loan to be sanctioned to a borrower, the banks have to consider the actual needs of the applicants rather than the socio economic background.

7.8.2. Awareness Level of the Borrowers of Education Loan

- Most of the rules and regulations of education loan scheme are ambiguous and conflicting. Even bank managers and staff haven't proper understanding regarding these. Crystal clear rules and regulations related with each and every aspect of the loans is to be framed. Before borrowing, the parents and students should be fully aware about the scheme. The pros and cons of the scheme should be properly convinced by them.
- Lack of proper awareness regarding the scheme is a grave concern. One of the important reasons for poor repayment of the loan is the lack of awareness on the part of the borrowers. At the time of borrowing itself, the students and parents should be convinced about the amount of EMI, moratorium period etc. The need for regular repayment of the loan should also be informed.
- Under the initiative of SLBC, with the help of NGOs and other agencies, guidance and counseling camps may be arranged in order to make the students and parents aware about the education loan scheme.

7.8.3. Sanctioning of Education Loan

- As of now, only public sector and private sector commercial banks are actively involved in the distribution of education loans in Kerala. The role of new generation banks and co operative banks in this regard is very scanty. In order to widen the accessibility of loans to all deserving students, these banks should also be involved actively in the distribution of education loans.

- The job opportunities of the programme for which the loan is to be sanctioned should also be considered before sanctioning the loan. The logic of this is to be convinced to the parents and students. One of the important reasons for default in repayment of education loans is the absence of adequate salary. Delay in getting the job is also an important factor discouraging repayment. Due to this, job opportunity of the programme is a crucial factor to be considered while sanctioning the loan.
- Bonafied enquiry regarding the background of the borrowers is very essential in order to avoid the misusing of the scheme by undeserved persons.
- Majority of the borrowers are not satisfied with the sanctioning processes in the case of both public and private sector banks. The unnecessary delay in sanctioning the loan should be reduced as it shall discourage the genuine borrowers.
- Regulatory frame works are essential to control the lobby having nexus between banks and private unaided educational institutions. Most of these middlemen tempt the students and parents to borrow funds as education loans. Sometimes, even financially sound families also take education loans due to the influence of these agents.
- The income of the family should also be considered before sanctioning the education loan. Now, bankers consider the income of the family in order to identify the repaying capacity. It is to be changed. The bank should consider the income of the family in order to ensure that the loan is sanctioned on a merit cum means basis.
- The situation of depending on political leaders in order to get the education loan sanctioned is not fair. Stringent supervision of the higher level authorities of the banks is necessary to ensure the sanctioning of loan in genuine cases.

7.8.4. Perception of the Borrowers

- Majority of the borrowers perceive that the interest rate of education loan is extremely high. Most of the borrowers of education loans belong to low and middle class families. Majority of them hail from the weaker sections of the society. In view of this, policy makers should rethink on the rate of interest applicable to the education loan scheme.
- The penal interest charged by the banks in the case of education loans is very high. In some cases, the repayment is defaulted due to genuine reasons like very low salary, delay in getting job etc. In such cases, while adding penal interest along with the normal interest, the effective interest shall be much high. It shall increase the amount to be refunded by the borrower many times more than the actual amount borrowed by them. Hence, in genuine cases, charging of penal interest may be avoided.
- The role of new generation banks in distribution of education loans in the state is not up to the expectation. Since new generation banks have a crucial role in the financial system, their participation in the distribution of education loan should be improved.

7.8.5. Satisfaction Level of the Borrowers of Education Loan Scheme

- Proper and borrower friendly follow up actions on the part of the bankers is highly needed in order to ensure regular repayment of the loan in time.
- Legal mechanism is essential to control the activities of private unaided educational institutions as well. The situation of charging high fee as intended by them for their programmes should be controlled. Government should have the mechanism to monitor the fee structure of private unaided colleges. Further, there should be a mechanism to grade the educational institutions across the country and a cut off grade should be determined for availing education loans.

- The accumulation of interest during the moratorium period is a curse of education loan scheme. After completion of the programme and moratorium period, once the student thinks about the repayment of loan, principal amount might be a huge amount. Since the cost of education is an investment for future human resource development, to charge heavy interest and penal interest on education loan is detrimental to the common interest. If the interest rate is reduced at least during moratorium period, it shall be helpful to a large number of students and parents.
- As of now, the moratorium period in respect of education loan scheme is the course period plus one year or six months after getting the job, whichever is earlier. Usually students have to wait one or two years in order to have a fairly paid job. Because of this, moratorium period in respect of education loan scheme is to be extended sufficiently.
- A large number of students and parents complained that there are so many issues related to education loan scheme. In order to avail loan for certain programmes, political influences and recommendations are required. Some of the managers and employees discourage the prospective borrowers owing to the fear of default in repayment. Some cases, borrowers and parents have to visit many times in order to get the loan sanctioned. Applications are rejected without any material reasons. In spite of the strict orders of RRB and IBA, some managers insist on service area approach in sanctioning loans. In all these cases, there is no proper mechanism accessible to needy people in order to get the grievances redressed. Therefore, in order to ensure speedy redressal of the grievances of the students and parents, district level grievances redressal mechanism shall be highly helpful to the students and parents.
- In order to change the indifferent attitude of the managers and staff towards the education loan scheme, targets are to be fixed for each bank branch at district level and it should be monitored regularly. In order to enhance the quality of higher education and abolish the unhealthy practices in higher

education institutions, in addition to the policy measurements on the part of the Government, the community can also play a pivotal role. The social capital of the community can be used effectively in order to improve the quality of higher education. The passive attitude of the society shall encourage the institutions to design the mechanism in a way which satisfies the demand of the management only. The qualitative and constructive interference of the society shall be helpful to monitor the unhealthy practices in higher education system. Charging of high fees, imposing huge amount as donations etc can be effectively controlled by the healthy interference of the society. In order to achieve this, in the managing committees of the private unaided educational institutions, public representatives may be included. As in the case of corporate entities, higher education institutions also have a commitment and responsibility to the society.

- The interaction with the borrowers reveals that as of now education loan scheme is implemented by the banks exclusively on commercial basis. Some sort of comfortable and feasible options should be there in order to help meritorious poor students. A merit cum means option shall help to avert the misuse of the scheme to a great extent.

7.8.6. Repayment of Education Loan

- The increased NPAs in respect of education loans reduce the profitability and creditworthiness of the banks. Banks are compelled to sanction education loans by the government. Hence, in genuine cases, government should be ready to set up guarantee scheme in order to support the banks.
- During the survey, it has been identified that some of the borrowers are not repaying the loan regularly in spite of better jobs and income. It is due to the expectation of future waiver of the loan or lack of conscientiousness. In order to discourage this, a job linked repayment system may be introduced. Government may initiate to enact legal frameworks to assist the bank in recovery of the loan amount from the future employer in the case of an education loan defaulting employee.

- Most of the borrowers complained that the amount taken by them has been increased to a huge amount along with interest and penal interest. They said that they are ready to pay the amount taken by them and a reasonable interest even by disposing off their valuables. So if the authorities decided to waive the penal interest, a good number of borrowers shall be ready to settle their accounts.
- The bank managers complain that the governments and authorities take keen interest to direct issue of education loan. But as far as the repayment of the loan is concerned, such interest is not there. The lethargic attitude of the authorities is also a reason for the poor repayment of the loan.
- The liberal sanction of education loans to certain programmes also affects the repayment. Sanction of loan without considering the job opportunities of the programme is suicidal. Government's intervention in this regard is very essential. If the banks hesitate to sanction loan to particular programmes, it shall solicit agitations and clashes. Instead of this, the students and parents should be convinced of the matter.

7.8.7. Benefit of Education loan Scheme

- Government aims at personal development of the borrowers through better knowledge and job. It shall improve the socio economic condition of the family of the borrower and there by ultimately social development. But the study revealed that the scheme not only helped to complete the course successfully, it also improved the personal qualities of the borrowers like improvement in self esteem, self confidence, employability, social status and earning capacity. Despite the increase in earning capacity, the actual earning of the borrowers does not improve. It indicates that the borrowers failed to find out better jobs based on their studies. As a result of this, debt of the family has increased. The repayment of the loan is becoming a liability of the family of the borrower. If the loan liability is linked with the future income of the borrower, this problem can be averted to a great extent.

7.9. Scope for Further Research

This study opens up new areas for further research in many related topics. Some of the topics are listed below.

1. Priority Sector Lending and NPAs of Public Sector Banks.
2. Socio – Economic Effectiveness of Education Loan Scheme.
3. Models for Predicting Education Loan Defaults.
4. Consequences of Non Repayment of Education loans.

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Appendix 1

Serial No....

Research Topic: Education Loan and Commercial Banks in Kerala-The Trend, Pattern and Repayment.

Respected Sir/Madam

I am MOHANDAS A, Asst. Professor of Commerce, Govt College Kodanchery, doing research at Department of Commerce and Management Studies, University of Calicut, on the topic mentioned above. This questionnaire intended to collect data for the purpose of my research and data given by you will be kept confidential.

QUESTIONNAIRE

1. Name of the borrower (Optional) :
2. District:
 - a) Thiruvananthapuram b) Ernakulum c) Kozhikode
3. Age of the respondent : Years.
4. Gender
 - a) Male b) Female
5. Religion :
 - a) Hindu b). Muslim c) Christian d) Others (Specify)
6. Caste :
 - a) Forward caste b) SC/ST
 - c) OBC d) Others (Specify).....
7. Area of residence:
 - a) Panchayath b) Municipality c) Corporation
8. Status of the household as per the Ration Card:
 - a) BPL b) APL

9. Parent's occupation:
- a) Salaried b) Self employed c) Agriculture
c) Retired d) Others (Specify)

10. Parent's monthly gross income:

- a. From salary/Pension : ₹
b. From Agriculture : ₹
c. From abroad : ₹
d. Rent : ₹
e. Others : ₹

Programme Details

11. Subject of the programme for which the loan is taken:

- a) Medical b) Engineering c) Nursing
d) Mgt e) Law f) Others (Specify)

12. Type of the institution in which the above programme was done:

- a) Govt b) Aided c) Private Unaided

13. Locality of the Institution:

- a) In Kerala b) Outside Kerala (but in India) c) Abroad

14. Details regarding completion of the programme:

- a) Passed b) Completed but not passed c) Not completed

15. Name of the bank from which the loan is sanctioned:

16. Type of the bank from which the loan is sanctioned:

- a) Nationalized b) Private c) New Generation
d) Co operative e) Others (Specify)

17. Bank is situated in
- a) Panchayath b) Municipality c) Corporation
18. How did approach the bank for availing the loan?
- a) Directly b) Indirectly
19. If indirectly, with whom?
- a) Local political leaders b) Friends/Relatives
- c) Others (Specify)
20. Reasons for taking education loan (Please do mention the rank against each item)

Sl No	Reasons	Rank
1	No other means for meeting education expenses	
2	Availability of cheap & hassle free loan	
3	Publicity by banks	
4	As informed by the educational institution	
5	Advertisement in various media	
6	Others (Specify)...	

21. Amount of loan applied by me : ₹
22. Amount of loan sanctioned by the bank : ₹
23. Amount of loan actually availed : ₹
24. Cost incurred to me for availing education loan (other than processing fee):
- a. Loss of wages : ₹
- b. Travelling expenses : ₹
- c. Refreshment expenses : ₹
- d. Bribe, if any : ₹
- e. Others, if any (Specify) : ₹

Awareness level of the borrower

Please state your awareness level regarding the education loan scheme

(1 = Fully aware, 2 = Somewhat aware, 3 = Unaware)

- a) Terms & Conditions of the scheme:
- b) Rate of interest:
- c) Penal Interest:
- d) Borrowing limit
- e) Moratorium period
- f) Amount of EMI
- g) Overall rules & regulations

Sanctioning of Loan

Instruction: After reading each statement carefully, put a *tick* mark against the response which you feel most appropriate.

No	Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	The loan was sanctioned faster than expected					
2	There was unnecessary delay in sanctioning the loan					
3	There was only procedural delay in sanctioning loan					
4	Had to visit the bank many times for sanctioning the loan					
5	Social status of the family is a factor for availing education loan					
6	Economic status of the family is a factor for availing education loan					
7	Political influence was a factor for availing education loan					

Perception of the borrowers

Instruction: After reading each item carefully, put a *tick* mark against the response which you feel most appropriate.

No	Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Penal interest charged by the banks is very high					
2	Approach of bank managers towards the applicants is not positive					
3	Approach of bank staff towards the applicants is not positive					
4	Private & new generation banks follow an indifferent attitude towards education loan scheme					
5	Education loan scheme is the only resort to low & middle class students to realize their higher education dreams					
6	High income groups unnecessarily avail education loan in order to misuse the subsidies					
7	The interest rate of education loan is very high					
8	The cost of higher education is unaffordable to low and middle class families					
9	Availability of education loan is the main reason for selecting the programme for study					

Satisfaction level of the borrowers

Instruction: After reading each item carefully, put a *tick* mark against the response which you feel most appropriate.

No	Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Amount of loan sanctioned is sufficient					
2	Speed of sanctioning the loan is satisfactory					
3	Repayment period of loan is sufficient					
4	Moratorium period of the loan is sufficient					
5	Services provided after sanctioning the loan are sufficient					
6	Documentation process of the bank is not complicated					
7	Attitude of the manager before the sanctioning of loan was satisfactory					
8	Attitude of the manager during sanctioning of the loan was satisfactory					
8	Attitude of the manager after sanctioning of the loan was satisfactory					
9	Attitude of the employees before the sanctioning of loan was satisfactory					
10	Attitude of the employees during the sanctioning of loan satisfactory					
11	Attitude of the employees after the sanctioning of loan was satisfactory					
12	Responses of the bank to the queries were satisfactory					
13	Timely sanctioning of further instalments of the loan was satisfactory					
14	Follow up actions of the bank are sufficient					
15	Recovery actions of the bank are against the interest of the borrowers					

Utilization of education loan

Instruction: After reading each item carefully, put a *tick* mark against the response which you feel most appropriate.

No	Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	The loan amount was sufficient to meet the cost of education					
2	I have spent the whole amount of loan for education purpose					
3	I have received the instalments of loan in time					
4	The bank has asked for periodic academic performance regularly					

Repayment of loan

- a) My present net monthly income : Rs.
- b) Amount of EMI of education loan : Rs.
- c) I am repaying the loan regularly : Yes No
- d) If Yes, Reasons for prompt repayment (Please do mention the rank against each item)

Sl No	Reason	Rank
1	Income from my job is sufficient to repay the loan	
2	Income of the family is sufficient to repay the loan	
3	Sense of responsibility & Conscientiousness (Self esteem)	
4	Fear of recovery actions by the bank	
5	Regular follow up by the bank	
6	Others, if any (Specify)	

- e) If no, number of occurrence of default in repayment during the last year : times

f) Reasons for default in repayment: (Please do mention the rank against each item)

SI No	Reason	Rank
1	Delay in completing course	
2	Delay in getting job	
3	Inadequacy of salary	
4	Due to unforeseen events	
5	Due to the absence of proper follow up	
6	Due to the expectation of waiver	

Instruction: After reading each item carefully, put a *tick* mark against the response which you feel most appropriate

No	Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	I am repaying the loan out of my own salary					
2	I am repaying the loan out of the income of others in my family					
3	My present job is based on the course I studied					
4	My present salary is enough to meet my personal expenses, savings and for repaying the loan					

Benefits of the scheme

Benefits to the family:

After reading each statement, indicate how far the scheme benefited to your family

Familial Benefits						
No	Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	The scheme helped to improve the basic necessities of my family(Food, clothing, accommodation etc)					
2	Educational status of my family has improved					
3	Helped to improve my family income					
4	Helped to improve the savings of the family					
5	Helped in acquiring movable or immovable assets					
6	Helped to give education to others in the family					
7	Helped to reduce the indebtedness of the family					
	Personal benefits					
8	Helped to improve my self esteem					
9	Helped to improve my self confidence					
10	Helped to enhance my employability					
11	My social status has improved					
12	My income earning capacity has improved					
13	Helped to improve my creditworthiness					
	Social benefits					
14	My contribution to the society has improved					
15	My leadership quality has improved					
16	My participation in social issues has improved					
17	My contribution to social welfare activities has improved					
18	Role in social decision making					
19	I could impart knowledge to others in the society					

THANK YOU.....!!!

Appendix 2

Education Loan Scheme in India

Following are the general rules and regulations regarding education loan scheme India

Eligibility for loan:

IBA rules state that following are the rules regarding eligibility:

A. Eligibility of students:

1. Indian national: In order to avail education loan in India, the student should be an Indian national.
2. Admission to a higher education programme: He/She should have got admission to a higher education programme in a recognized institution in India or abroad. Higher education in this regard means a programme after completion of ten plus two or equivalent.

B. Eligibility of Programme:

Programmes in India:

1. Recognized programme of graduate or post graduate degree and post graduate diploma programme of institutions recognized by the bodies concerned.
2. Programmes like ICWA, CA, CFA etc.
3. Programmes of IIMs, IITs, XLRI, NIFT, NID etc.
4. Aeronautical, Pilot training, shipping, nursing or other regular degree or diploma programme conducted by the institution recognized by the boards concerned.
5. Recognized programmes offered by reputed foreign universities in India.

IBA recommended that the list of programmes is an indicative one and banks can approve other programmes also based on the recognition and employability of the programme.

Programmes Abroad:

1. Job oriented or technical degree programmes of reputed universities.
2. Post graduate programmes like MCA, MBA, MS etc.
3. Programmes offered by CIMA-London, CPA in USA etc.
4. Aeronautical, pilot training, shipping and other such degree or diploma programmes of the institutions recognized by the bodies concerned.

C. Amount of Education Loan:

For determining the amount of education loan, following expenses can be considered:

1. Tuition fee payable to the institution.
2. Fee for examination, library, laboratory etc.
3. In the case of studies abroad, cost incurred for travelling, passage money etc.
4. Premium in respect of the insurance of the loanee.
5. Caution deposits, building fund or any refundable deposit provided that such payment is supported by institutional bills.
6. Expenses incurred for purchase of books, equipments, instruments, uniform etc.
7. Cost of computer or other such equipments provided that such equipments are essential for completing the programme.
8. Any other expenses like expenses for study tours, project work, theses etc which are required for completing the programme.

9. IBA states that while computing the loan amount, scholarships, fee waiver etc available to the student concerned may be considered.

Ceiling of Loan

According to the rules, the maximum amount of loans that can be advanced to a student is as follows:

- a. Up to ₹10 lakhs for studies in India; and
- b. Up to ₹20 lakhs for studies abroad.

Margin Money

Following are the rules related with the margin money requirements:

Up to ₹4 Lakhs : No margin money is required for loans up to ₹ 400000

Above ₹4 lakhs:

Studies in India : 5%

Studies abroad : 15%

Security Requirements

Details regarding the security requirements of education loan scheme are as follows:

Up to ₹ 4 Lakhs:

Parents to be joint borrowers and no need of other securities.

Above Rs.4 Lakhs & Up to ₹ 7.5 lakhs:

Besides the parents executing the documents as joint borrowers, collateral security in the form of suitable third party guarantee will be taken. The bank may, at its discretion, in exceptional cases, waive third party guarantee if satisfied with the net worth or means of parents who would be executing the document as joint borrowers.

Above Rs. 7.5 lakhs:

Parents to be joint borrowers, tangible collateral security of suitable value acceptable to the bank along with the assignment of future income of the student for payment of installments.

Interest rates applicable to the scheme:

Interest to be charged at rates linked to the base rate as decided by individual banks. Simple interest is to be charged during the period of study and up to the commencement of repayment of the loan. Servicing of interest during the period of study till commencement of repayment is optional for students. Accrued interest will be added to the principal amount borrowed while fixing EMI for repayment.

Moratorium Period

The scheme prescribes a repayment holiday or moratorium period as the course period plus one year or six months after getting the job, whichever is earlier.

Repayment of the Loan

The IBA Rules state that the education loan is to be repaid within a period of 10 years if the loan amount is up to ₹ 7.5 lakhs and if the loan amount exceeds ₹ 7.5 lakhs, the repayment period may be extended up to 15 years.

Processing Charges

As per the Rules, no processing charges or upfront charges be charged from the borrowers on education loans.

Disposal of Loan Application

The Rules state that the application for education loan should be disposed within a period of 15 days to one month but not exceeding the time norms stipulated for disposing of loan applications under priority sector lending scheme.

Follow up actions by banks

Banks should contact the institution authorities concerned to obtain the progress report of the student at regular intervals. In the case of studies abroad, bank may obtain the SSN or Unique Identifiable Number of the student.

On the basis of a lot of complaints received from the student and parents, IBA had issued clear cut guidelines to be followed by banks in connection with sanction of educational loans which can be summarized as follows:

1. Service Area of the Banks

IBA states that there is no stipulated service area to a particular bank in order to finance under educational loan scheme. Students have the option to select the bank for borrowing educational loan. However, nearness to the residence of the students and parents may be considered as an advantage in KYC compliance.

2. Refusal of Loan Application

According to the existing Rules, an educational loan should be sanctioned or rejected within a period of 15 days of receipt of the application. If application has been rejected on proper grounds, it should be approved by the controlling authority of the branch. The reason for rejection of the same should be communicated to the student in writing.

3. Grievance Redressal System

According to the guidelines of the RBI, there should be an efficient and effective grievance redressal mechanism in every institution. The system should be convinced to the students and parents. Toll free lines should be set up and the number of the same should be prominently displayed in the premises. Further, banks should take penal action against the responsible officials i.e. branch managers who refuse the loan application on negligible grounds.

4. Loans to meritorious students under management Quota

IBA has incorporated a provision for financing meritorious students who got admission under management reserved seats in a college for reason of nearness or choice of course.

3.3.10. Vidyalakshmi Portal

During the 2015-16 Budget speech, Mr Arun Jaitley, the Union Finance Minister had promised that the Government shall take initiative to introduce an IT enabled facility to help the students in having information regarding education loans and various scholarships of the Government.

Accordingly, a new portal www.vidyalakshmi.co.in was launched by the Government recently. The portal is maintained by NSDL e Governance Infrastructure Limited under the supervision of the Financial Services Department in the Ministry of Finance, Department of Higher Education, MHRD and Indian Banks' Association. The portal aims at giving full information regarding education loan scheme to the needy students. Vidyalakshmi portal is a single window for the higher education aspirants to have information regarding education loans and various scholarships sponsored by the Government. Students can apply for both education loans and various scholarships through the portal. Students can apply for education loan to various banks simultaneously and banks can download the applications from the portal. Further, students can assess the status of their applications.

The portal brings various banks which offer education loan into a common platform. There will be links in the portal to convey grievances of the students to the authorities concerned. Thus, vidyalakshmi portal is a broad initiative by the government which will be benefited to the students throughout the country who are looking for education loans.