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Status Of Educational Loan And Npa In Kerala

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ABSTRACT

Higher education occupies a pivotal position in an economy. By providing human resources it influences practically every important national activity. Among the various issues related to higher education, the financing of higher education now days assumes utmost importance Of the different modes of financing higher education that emerged in India in the post liberalization period, student loan programme assumes considerable significance. The commercial banking system, given its dominance in India's financial system, constitutes the dominant player in this regard. The provision of educational loans by the commercial banking system, however, has been experienced differently across states in India. Among the states, Kerala stands much ahead in the provision of educational loans by the commercial banking system. More than 47 percent of the enrolled students avail educational loan in Kerala. The increasing significance of educational loans in the state, to a great extent, is attributed to the shift towards professional education in Kerala over the past one and a half decades. The education loan scenario in the state, however, is in a crisis now. A large proportion of the educational loans remains unpaid and contributes largely to then on performing assets of the state's banking system. Its high significance, no doubt, would undermine the very functioning of the banking system.

Key words: Educational loan, higher education, non performing assets, commercial banks, post liberalisation.

1. INTRODUCTION

Education, especially higher education, occupies a crucial role in the process of economic development of a nation. It provides vibrant and energetic human resources for a nation. Investment in higher education is needful for bringing up a productive population which in turn would contribute to the nation building process. As a matter of fact, the development of higher education sector is assigned an important role in the development strategy of India. Being so, the government of India has consistently strengthening the educational sector. As a developing economy, however, there is not adequate fiscal space to make investment in educational sector in India. Across the states in India, concerned state governments make investments in social sector especially in education.

Among the states in India, Kerala is well known for her better performance in social sectors especially in education. Kerala has taken special attention to create inclusive and universal accessible educational system, particularly school education. Kerala's educational sector has been noted for not so appreciable performance in the higher education sector. The higher education sector in Kerala witnessed some remarkable changes in the last two decades. The state witnessed a high growth of professional education over these years. In order to meet the

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expenses for this growing professional education, educational loans are resorted to a great extent in the state. This in turn it increased the indebtedness of the households on the one hand and the NPAs of the banking system on the other.

2. MATERIAL AND METHODS

The paper is mainly based on secondary data. The sufficient data about all India level is collected from annual reports of UGC, AISHE, MHRD, Economic Survey and the data by NITI Ayog. Required data and information on Kerala is collected from State Level Bankers Committee Reports and Economic Review.

3. RESULTS AND DISCUSSION
KERALA: a Unique State in India.

Kerala is one of the unique states in India with the so called "Kerala Model of Development". It refers to the achievement of Kerala in her social sector that is comparable to the developed countries, even though the per capita income of Kerala is low. The low levels of Infant Mortality rate, Maternal Mortality rate, death rate and high levels of literacy rate, Life Expectancy and female favourable sex ratio constituting the elements of the Kerala Model of Development.

Educational system of Kerala was biased against higher education historically. After 2000, however, the state sees a rush in professional education in the self financing mode. Thus as against less than 10 engineering colleges with a total annual intake of less than 3000 students during the early 90's, the state has about 150 engineering colleges with a sanctioned intake of about 45000 students in 2014 (GOK, 2014).

Before we move to educational loan and NPA in Kerala, we focused on the gross enrolment of students in higher education in Kerala.

1. GROSS ENROLMENT RATIO IN HIGHER EDUCATION DURING 2012-13 TO 2017-18

Gross Enrolment Ratio (GER) is the ratio enrolment in higher education to the population in the age group of 18-23 years. The GER of India is far behind the countries like China (43.39%) and US (85.8%). The table 1 depicts the GER of India.

Table: 1: GROSS ENROLMENT RATIO

YEARS	INDIA			KERALA		
	MALE	FEMALE	TOTAL	MALE	FEMALE	TOTAL
2017-18	52.41	47.59	25.80	32.0	40.4	36.2
2016-17	26	24.5	25.2	28.2	38.1	32.8
2015-16	25.4	23.5	24.5	26.6	35.0	30.8
2014-15	25.3	23.2	24.3	24.1	33.3	28.7
2013-14	23.9	22.0	23.0	21.1	28.7	24.9
2012-13	22.7	20.1	21.5	18.5	25.8	22.1
2011-12	22.1	19.4	20.8	17.8	25.6	21.8

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Source: NITI Ayog, 2018

In 2017-18 the GER in the all India level is 25.80 percent. The GER of male in all India level is 52.41% whereas the female GER is 47.59%. At the same time the GER in Kerala is 36.2% which is more than that of national level. Unfortunately the GER of male and female in Kerala is less than India during 2017-18. From 2011 onwards, the gross enrollment ratio of Kerala is above the national level. Up to 2017, the GER of male and females in Kerala is more than the all India level but in 2017-18 it falls. However the GER of Kerala is more than India.

2. LEVEL WISE TOTAL STUDENTS ENROLLMENT: INDIA AND IN KERALA

In India and also in Kerala, majority of the students enrolled in graduate course and least of them to Mphil. When we move to pass out of the students, both in India and in Kerala, the pass percentage is high in the graduate course. In the case of PhD, certificate courses, post graduate courses and in the graduate level, enrollment in Kerala is more than that of all India level. Whereas the enrollment in integrated courses, diploma courses and Mphil of Kerala is less than that of all India level. But in the pass percentage three courses such as certificate courses, post graduate courses and graduate courses in Kerala is more of the all India pass percentage. All other courses in Kerala show a pass percentage is less than the national level.

Table: 2: LEVEL WISE TOTAL STUDENTS ENROLLMENT

COURSES	INDIA		Kerala	
	Enrolment	Pass Out	Enrolment	Pass Out
PhD	0.44	0.38	0.55	0.30
Integrated	0.53	0.29	0.41	0.20
Certificate	0.48	0.84	0.56	1.09
Diploma	7.39	8.22	6.21	7.02
Post graduate diploma	0.64	1.60	0.20	0.25
Post graduate	11.23	16.77	11.08	19.22
Graduate	79.19	71.58	80.91	71.64
Mphil	0.09	0.31	0.08	0.28

Source: UGC Annual Report, 2018

3. CATEGORY WISE- GENDER WISE ENROLLMENT

When we considered the SC and ST population, their shares in the enrolment, irrespective of gender, is more in all India level than Kerala. The proportion of SC population in total population of Kerala is 9% where it is 16.6% of population of India.ST population is 8.6% of population of India. At the same time it is only 1.4% of the total population of Kerala. Being

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so, the performance of Kerala is better than all India. Enrolment from OBC and general categories in Kerala is better than all India level. In national level, irrespective of all categories, male and female have more or less same level of enrolment. But in Kerala, all categories, except others, enrolment of female is more than male. The table 3 reveals the data on category wise and gender wise enrolment in India and in Kerala.

Table 3: CATEGORY WISE- GENDER WISE ENROLLMENT IN INDIA AND KERALA

GENDER	INDIA				KERALA			
	SC	ST	OBC	Others	SC	ST	OBC	Others
Male	2774933	1001989	6688668	8739035	24246	3986	183691	268255
Female	2505428	911875	6144337	7876063	43518	6103	263978	289140

Source: UGC Annual Report, 2018

The following table shows a detailed analysis of Scheduled Caste and Scheduled Tribes in India and Kerala only because of they are the weaker sections. So a special attention to them paved the way for inclusive growth.

Table 4: CATEGORY WISE- GENDER WISE ENROLLMENT IN INDIA AND KERALA: SC AND ST

YEARS	INDIA				KERALA			
	SC MALE	SC FEMALE	ST MALE	ST FEMALE	SC MALE	SC FEMALE	ST MALE	ST FEMALE
2016-17	21.8	20.2	16.7	14.2	18.2	29.1	13.9	19.8
2015-16	20.8	19.0	15.6	12.9	16.4	28.5	13.6	19.2
2014-15	20.1	18.2	15.2	12.3	14.9	26.5	12.7	17.3
2013-14	17.7	16.4	12.5	10.2	14.2	25.8	13.0	16.2
2012-13	16.9	15.0	12.4	9.8	12.8	22.8	12.9	15.2
2011-12	15.8	13.9	12.4	9.7	12.0	21.8	12.9	15.0

Source: NITI Ayog, 2018

In the case of ST population, both in Kerala and in India, shows a slightly increasing performance irrespective of gender. Within four years, from 2011 to 2014, GER of males from ST performance static. After that they increase slightly but constant for next two years. Females from SC categories in Kerala have a better GER through the years.

EDUCATION LOAN IN KERALA

The education system in Kerala has experienced considerable changes over the years. Educational system of Kerala is biased against higher education. Kerala witnessed a surge in professional education in the self financing mode. The self financing mode generated huge demand for finance to meet the expenses on studies. So, many of the students resorted to education loan.

The provision of education loans by the banking system which was tardy till the first half of the last decade got momentum since then. Thus the number of total education loan

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accounts registered seven times increase by 2013 from 2004 (Government of Kerala). The total education loan outstanding for the corresponding years shows an increase of more than 15 times. In 2018, also the period witnessed an increasing trend in education loan.

Amount wise educational loan which is availed by commercial banks is analysed by the table 5.

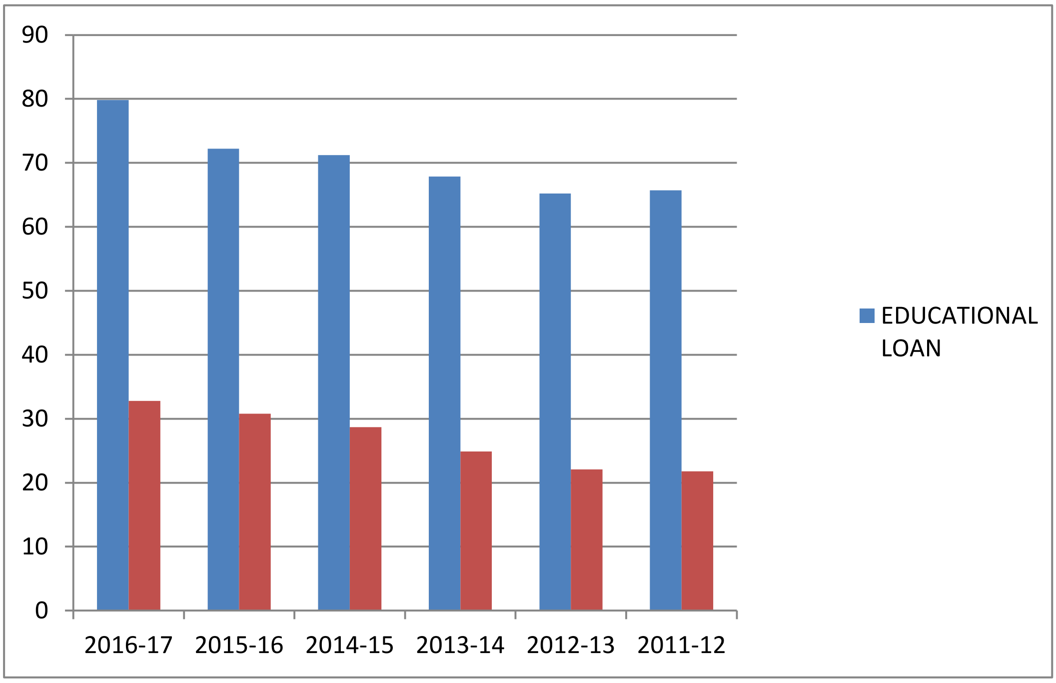
Table 5: EDUCATION LOAN IN KERALA

Year	Less than 4 lakhs(percentage of total outstanding)	Above 4 lakhs to 7.5 lakhs(percentage of total outstanding)	Above 7.5 lakhs(percentage of total outstanding)
2012	72.7	12.2	14.3
2013	79.8	10.3	9.2
2014	72.2	17.7	9.4
2015	71.2	17.7	11.05
2016	67.85	19.5	12.6
2017	65.2	21.2	13.5
2018	65.7	15.36	18.8

Source: SLBC Reports Various Years.

During the years, commercial banks availed educational loan with the amount of less than four lakhs marked a fall from 2012 to 2018.While considering the above 7.5 lakhs there is an almost two fold rise from 2012 to 2018.

Graph: .1 RELATIONSHIPS BETWEEN HIGHER EDUCATION ENROLLMENT AND EDUCATION LOAN



Source: Developed from table 5.1 and table 6.0

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The table 6 shows the recent education loan avail in Kerala along with the growth of Non Performing Assets.

Table 6: EDUCATION LOAN IN KERALA

YEARS	TOTAL OUTSTANDING		NPA	
	No.	Amount	No.	Amount
2018	344879	1017452.59	67905	174050.85
2017	375364	937295.81	51306	127470.54
2016	369829	969182.58	43644	109389.78
2015	393849	956843.88	34398	74647.88
2014	390237	919917.00	48098	95842.12
2013	380295	829454.00	47661	76255.00
2012	359013	721063.00	30216	52221.00
2011	314492	601317.30	10070	27895.94

Source: SLBC Reports Various Years.

The total outstanding for educational loan is increasing up to 2016. After 2016, there is a slight decrease in total outstanding. But within one year it rose up. The number of accounts for education loan is marginally declined within one year but the amount of total outstanding is increased. It implies the increasing cost of higher education. At the same time the benefiaries of educational loan is declining. The progressive increase in the education loan led to the accumulation of defaulted loan repayments and has increased the non performing assets of commercial banks in the state. Within the one year nonperforming assets of banks increased half of the increase in the amount sanctioned as education loan. The NPA of banks were thousand figures in 2011 are increased up to lakhs amount in 2018. There is the huge increase in NPA. During 2014-15 it shows a declining trend but after that it increased.

TREND AND GROWTH OF NON PERFORMING ASSETS IN KERALA

Actually providing loans are the assets of banks. Unfortunately, there are some loans which are not repaid at time. When a loan is left unpaid for a period of 60 days, those become Non Performing Assets (NPA). Repayment of loans provides a source of income to the banks. As like so the presence of NPAs questioned the sustainability, stability and quality of the banks. It is evident from the table 6 that with the increase of total credit provided by commercial banks non performing assets also increase.

Table 7: SHARE OF NPA IN EDUCATIONAL LOAN

Years	Educational loan(total outstanding)	NPA	Percentage of NPA in total educational loan outstanding
2018	1017452.59	174050.85	17.10
2017	937295.81	127470.54	13.5
2016	969182.58	109389.78	11.2
2015	956843.88	74647.88	7.8

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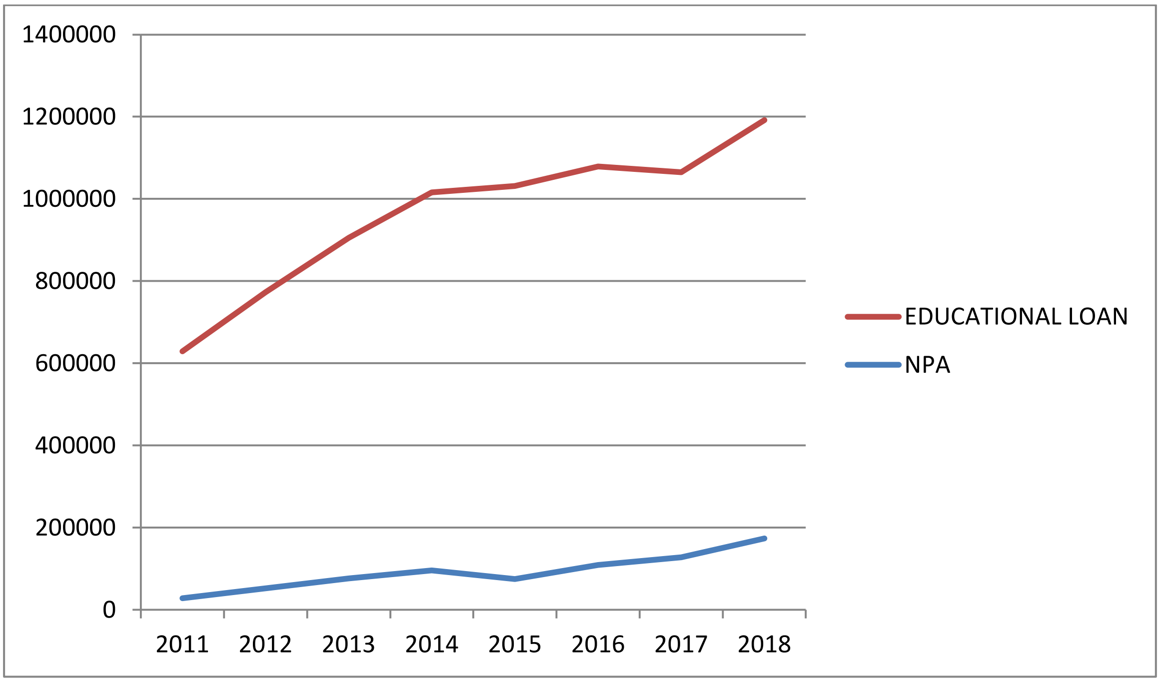
2014	919917.00	95842.12	10.4
2013	829454.00	76255.00	9.1
2012	721063.00	52221.00	7.2
2011	601317.30	27895.94	4.6

Source: SLBC Reports Various Years.

Except some variation, there is uninterrupted rise in the amount of NPA throughout the entire years. The percentage of NPA in total educational loan is considerably increased particularly after 2016.From 2016 onwards; the percentage of NPA in educational loan reaches more than 10%. During 2018, it reaches more than 15%.

Graph: 2 RELATIONSHIPS BETWEEN EDUCATION LOANAND NPA



Source: Developed from table 6

The growth of Non Performing Assets can effectively explain with the assistance of its annual growth rate.

Table 8: ANNUAL GROWTH RATE OF NPA

Years	NPA(Amount)	ANNUAL GROWTH RATE
2011	27895.94	-
2012	52221.00	0.87
2013	76255.00	0.46
2014	95842.12	0.25
2015	74647.88	-0.2
2016	109389.78	0.46
2017	127470.54	0.16
2018	174050.85	0.36

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Source: SLBC Reports Various Years.

The annual growth rate of NPA is positive all over the years except for 2015 where there is 0.2 percentage falls from the previous year traced by a huge rise in the next year.

Kerala is one of the model states of India with better social development indicators which are comparable to developed nations. The pattern of educational developments across states in India is highly dynamic. Kerala holds an interest towards higher education. The number of educational institutions in Kerala is far behind the national level. Only less than 2 percent of higher educational institutions in India are existed in Kerala. The gross enrollment ratio of Kerala is more than the all India level. The GER of female in all categories is highest in Kerala. With a slight proportion of SC and ST in total population, Kerala accounts most of them in her higher education. Among the states in India, Kerala stands ahead in the provision of educational loan. Kerala occupy second position in the provision of education loan in 2018. More than 47 percent of the enrolled students are educational borrowers in Kerala. The amount of education loan increase in Kerala with the decrease in the number of accounts disclose that there is increase in the average education loan amount, at the same time, per capita loan amount is decreasing. It unveil that the banks avail educational loan in a highly concentrated manner. We cannot blame the banks for that because they need to perform carefully in order to avoid NPAs. The educational loan accounts 13 percentages of the non performing assets of commercial banks in Kerala. It questioned the sustainability of the banks in Kerala. It also creates tensions in the society. Recently the banks are dependent on private agencies for the repayment of NPA in educational loan.

RECOMMENDATIONS

Banks must have full of care in selecting borrowers before and after loan process. There is no crystal clear common policy for banks in the case of providing education loan. So a common rules and regulations with common interest rate, repayment period and recovering measures must be implemented by government of India. Governments should enacted laws for controlling self financing institutions. Government also implementing policies such as providing scholarships for students for reducing cost of higher education. Government also provides sufficient subsidies to the banks to meet non performing assets. The most important way is to reduce NPA is to provide skill oriented training to the students and creates more job opportunities. Efforts from government, bankers and borrowers is essential for reduce NPA.

CONCLUSION

There is linkage between literacy, education and health. It is reflective in the case of Kerala. Kerala has an effective literacy rates which paves the way to more educational opportunities. Kerala is biased towards higher education especially on professional educations. Irrespective of categories and genders, even though, the transgender in Kerala

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holds their own relevant position in higher education of Kerala. There is substantial relation between the students enrolled in Kerala and the provision of educational loan.

There is debate over the decades on quality of higher education in Kerala. But the enrollment of students in Kerala is far above the all India level reveals that the quality of higher education in Kerala is considerable. So this paper gives the way for thinking differently about Kerala model of higher education in Future. The paper throws light on the problems growing with Non Performing Assets in Kerala. It will assist the government to make policies and programs for avoiding problems by NPA in Kerala. The paper also takes the attention of government to improve the quality of higher education in Kerala and also improves the share of Kerala in higher educational institutions. The paper also depicts that quality of education is more important than the quantity. Mostly it pave the way for correct the demerits in Kerala, God's own country, of India. The rising expenditure of higher education, availing loan becomes unavoidable. Due to unemployment, students fail to repay their educational loan on time. This badly affects the financial stability of the banks. Therefore interference of government is necessary for the area to control the cost of higher education. And also creates employment opportunities. Therefore taking caution by the lenders, borrowers and at the government level is the quick fix.

The main limitation of the study is that it focuses only limited years and limited parameters.

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