



Original Article

## Inter-State Disparity in Education loans in India: An Intertemporal Analysis

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The fiscal constraints of the government and the increasing demand for education from the masses have led to finding out some alternative sources for funding education in general and higher education in particular. Education loans has become one of the alternatives for financing higher education all over the world. In India, since the announcement of the Model Education loans Scheme in 2011, commercial banks have come forward to finance higher education. Now, education loans has seen increasing relevance and hence the flow of education loans is increasing year by year. However, a look at the disbursement of education loans in India shows its skewed distribution among various states and regions. The South Indian States are found to be the major beneficiaries of the scheme, while bigger states like UP and Bihar are lagging behind. So, this uneven distribution of education loans vitiates the very purpose of this scheme. In this context, this article examines the growth of higher education and the growth of education loans in India

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## INTRODUCTION

Demand for education in general and higher education in particular is an emerging feature of the present-day world. The recent economic theories based on the human capital approach view expenditure on education as an investment which ensures a positive net return in terms of future earnings support funding for education. Stiglitz (1998, 2003) has re-affirmed the importance of education in economic development and argued that the acquisition of knowledge as the most important determinant of growth. The state considered education as a 'merit good' and as such its provision was ensured by the government. However, in the aftermath of the new economic policy based on liberalisation, privatisation and globalisation, higher education has turned out to be a 'non-merit good', and hence, the state has withdrawn from the sector gradually. Now, both the state and market started entering the public sphere of higher education. This has led to a rising cost structure in the realm of higher education and the households were unable to bear the cost on their own. This has resulted in devising alternative sources of funding education. Among such various alternatives, education loans has been in vogue in many countries of the world (Altbach, 1999, Anthony, 1999, Eicher, 1988, Hauptman, 1999).

In India, with the passing of the Model Education loans Scheme in 2001, commercial banks have come forward to finance higher education in a big way. Most of the professional self-financing courses, which have a high fee structure require external funding as the students alone cannot support their educational dreams. Thus, education loans have become an emerging portfolio of the banking sector in India. However, there are criticisms also about the functioning of education loans. For example, though student loans are a good option, to some extent, for financing higher education, it may not fulfil the objective of social equity (Varghese, 2009; Rani, 2004). In this context, an effort has been made here to examine the

flow of education loans from commercial banks during the past years, it is temporal, regional, and state-level disbursal so as to arrive at policy conclusions.

## Objectives of the Study

The following are the major objectives of the present study:

- To examine the growth of higher education in India
- To analyse the flow of education loans in India.,
- To understand the inter-state and inter-regional disparity in the disbursement of education loans in India

## REVIEW OF LITERATURE

The increasing demand for higher education and the fiscal constraints faced by the government has resulted in the evolution of 'Education Loan' as an alternative source of funding higher education in India. Since the announcement of the Model Education loans Scheme in 2001, commercial banks have come forward to finance higher education on a wider scale. Though there has been a spectacular increase in education loans over a period of time, the scheme has met with several challenges. In this background, Chalil (2021) attempted to examine the growth of higher education in the country, the growth of education loans and its regional distribution. The study found that there has been a continuous increase in higher education enrolment through diversified institutions. Consequently, education loans have also witnessed a remarkable rise during the study period. However, a look at the dispersal of education loans shows its skewed distribution among various states and regions. The study concludes that the uneven distribution of education loans vitiates the very purpose of this scheme.

Krishnan (2020) examined the flow of commercial banks' credit to education and the overdue issues

related to education loans. The study found that among the commercial banks, the public sector banks are providing the larger share of the loan, while the contribution of private sector commercial banks, cooperative banks, and Non-Banking Financial Companies (NBFCs) are very low. Among the public sector commercial banks, it is the State Bank of India, which contributed more than 90% of the education loan.

Tiwari & Kumar (2019) surveyed 14 banks (9 public sectors and 5 private sectors) based on consumer feedback and product structure. The parameters on which we have compared them include maximum loan, rate of interest, maximum repayment period, processing fee, other charges, loan/study options, the option of life insurance cover, interest concessions offered, and interest on Equated Monthly Instalment (EMI) default. More and more students/families are opting for education loans due to the rising costs of education.

Rani (2016) attempts to investigate the trends in financing higher education, which convey that student loans are the dominating source of financing higher education in India. The growth of education loans has resulted in high enrolment growth in higher education, a growing private sector, a bulging youth population with a growing middle class with a wider acceptability of loans culture and increasing earning premium of higher education and the willingness to pay. The study also examined various troubles, namely who gets access to student loans and interest subsidies, what are the risks associated in terms of default or recovery and how employability is linked with better repayments. The study concluded that fees, grants/scholarships, and student loans need to be examined in the context of increasing costs and the role of markets in higher education, along with affordability within the domain of family characteristics.

Panigrahi (2010) made an attempt to examine the factors that hindered the successful implementation of the education loans scheme in India. She finds

that while accessing education loans, the areas of concern are the factors such as gender, region, discipline, and socio-economic status. The rural students, females, and Panerai students from lower socio-economic backgrounds find it difficult to get education loans from banks. Similarly, the documents demanded by the banks while sanctioning loans sometimes slower the process of accessibility of education loans. The study argues for revamping the scheme of education loans by taking into account these constraints.

Narayana (2005) made an empirical analysis of the role of student loans by commercial banks in financing the estimated budgetary subsidy to general collegiate education by Government and Private Aided colleges in Karnataka State (India). A major estimation result shows that the maximum total fee collectable, as a percentage of total estimated subsidy, is equal to 4.22 (or 4.74) percent in government (or Private Aided) Colleges in 2000-01. Consequently, student fee revision, as a single instrument for the total reduction of the budgetary subsidy is found to be inappropriate, even if it is entirely financed by student loan. The policy framework for analysis of the linkage between student loans and regional fiscal policy in this paper is of special relevance for other states within India as well as for other developing countries where the regional governments face the problem of reducing budgetary support to higher education through student loan schemes. In addition, the description of the Indian model of student loans is useful for comparative studies in international education.

Chattopadhyay (2007) focuses on the options that are being tried out the world over to raise more resources from higher education and the feasibility of trying out some of these options for a country like India. Puttaswamaiah and Endowment (2010) analyse the trends and patterns of educational loans in India. Further, an attempt has been made to understand the pattern of student loans provided by selected commercial banks. The study finds that educational loans have been increasing over the

years. The study revealed that educational loans by public sector banks in India have been increasing over the years, showing the increasing demand for loans for higher education. But, across the priority of lending by public sector banks, education constitutes a small share of 3.7% of the total priority sector lending in the year 2009. This indicates that banks can increase their share of lending for higher education. Analysis of student loans by Canara Bank and State Bank of Mysore also showed that educational loans have been increasing over the years.

## METHODOLOGY

The study is primarily based on secondary data. Data on education loans released by the Reserve Bank of India (RBI), All India Survey on Higher Education in India, IBA Bulletin and so on are widely used.

## RESULT AND DISCUSSION

### Higher Education Growth in India

The demand for tertiary education is on the increase in our country. The improving socio-economic conditions of the people, liberalisation and privatisation policies and globalisation measures have contributed to escalating demand for higher education. In accordance with the popular demands, there has been consistent growth in the number of educational institutions and enrolment as well. As per the All-India Higher Education Survey Report 2018-19, there are 53,620 higher education institutions, 3.50 crores of students and 14.04 lakh teachers in our higher education landscape. The type-wise distribution of the institutions shows that 78.1 are colleges, 20% belong to standalone nature and universities comprise 1.9 percent. *Table 1* gives the features of our higher education system.

**Table 1: Higher Education Statistics of India-2019**

Institutions	Number	Teachers (in Lakhs)	Students (lakhs)
Universities	993	1.58	69.46
Colleges	41901	10.99	260.00
Stand Alone Institutions	10726	1.47	20.23
Total	53620	14.04	349.69

**Source:** All India Survey on Higher Education 2018-19, MHRD, Government of India

A disaggregate analysis of the university-level institutes as given in *Table 2*, points out that State

Public Universities and State Private Universities constituted about 68% of the total institutions.

**Table 2: Distribution of University Level Institutes-Type wise (in percentage)**

No.	Institutions	%	No.	Institution	%
1	State Public University	37.4	7	State Open University	1.4
2	State Private University	30.6	8	Deemed University (Government-Aided)	1.0
3	Institute of National Importance	12.8	9	Institutes under State Legislative Act	0.5
4	Deemed University (Private)	8.1	10	State Private Open University	0.1
5	Central University	4.6	11	Central Open University	0.1
6	Deemed University (Government)	3.4		Total	100.0

**Source:** All India Survey on Higher Education 2018-19, MHRD, Government of India

### Distribution of Colleges and Standalone Institutions-Management wise

On the basis of funding, there are three categories of institutions in India. They are: (a) Institutions set up and run by the government, (b) private-aided education institutions receiving grants from the government, and (c) private unaided or fully self-funded institutions. Until the beginning of 1990, the management of the education sector was dominated by government and private-aided institutions. The latter was set up and managed by religious, charitable, and philanthropic organisations termed fused private-public entities. The private unaided category has become increasingly important since the 1990s, especially in professional education, because the government and government-aided institutions have been unable to meet the rapidly growing demand for higher education (Rani, 2016).

When we look at the management of the college-level institutions, the largest segment of the higher education network in the country, one can see that the unaided private sector is the largest, forming the lion share. As per the report, about 77.8% of the colleges are in the private sector, of which 64.3% are in the private unaided category, and 13.5% are privately aided sector. Only 22.2% of college-level institutions are managed by the Government sector. There are wide variations among states in the number of private colleges. Andhra Pradesh and Uttar Pradesh have about 88% of private unaided colleges, and Tamil Nadu has 78% of private unaided colleges, whereas it is only 16% in Assam (AISHE 2018-19). *Table 3* gives information about the type of colleges in India and Kerala management-wise.

**Table 3: Distribution of Colleges in India and Kerala Management-wise (2018-9)**

Type of college	Kerala		India	
	Number	% to total	Number	% to total
Private- Unaided	828	64.69	24541	64.28
Private-Aided	204	15.94	5148	13.48
Total Private	1032	80.63	29689	77.76
Government	248	19.37	8490	22.24
Total	1280	100.00	38179	100.00

**Source:** All India Survey on Higher Education 2018-19, MHRD, Government of India

The Standalone institutions (not affiliated with Universities) are not empowered to issue degrees and therefore, run Diploma level programs. The All-India Survey on Higher Education 2018-19 has covered seven types of such institutions. The present status of these institutions reveals that they are also mainly run by the private sector (75.5%) - of which 66.20% are under private unaided and 9.30% in the privately aided sector. Only 24.53% of these types of institutions are run by government institutions (AISHE 2018-19).

### Enrolment in Colleges

We have seen that the private sector operates almost one-third of college-level higher education

institutions in our country. This feature is reflected in the enrolment also. We have already seen that of the total 3.50 crore student population in the country, about 2.60 cores study in colleges. *Table 4* provides the current enrolment pattern in colleges during 2018-19(AISHE 2018-19). A comparison with the highest literate state of the country, viz., Kerala is made here for a better appreciation using the AISHE report of 2018-19. A close look at the table reveals that 66.41% of the college students in India are enrolled in the private sector. While the percentage of students in private colleges constitutes 83.18 in Kerala, which is an indication of the downsizing of government in the sphere of higher education even in the radical and progressive state of the country.



**Table 4: Enrolment in Private and Government Colleges in 2018-19**

Type	Kerala		India	
	Number	% to total	Number	% to total
Private- Unaided	346706	47.69	11961980	45.20
Private-Aided	258069	35.49	5614527	21.21
Total Private	604775	83.18	17576507	66.41
Government	122277	16.82	8888942	33.59
Total	727052	100.00	26465449	100.00

**Source:** All India Survey on Higher Education 2018-19, MHRD, Government of India

As a supplement to the above information, we have compiled a time series trend in the composition of institutions and enrolment in the private and government sector higher education institutions in *Table 5*. The table is a clear indication of the

enlarging size of the private higher education system in the country, which is a testimony of the privatisation of the higher education system of our country.

**Table 5: Distribution of Higher Education Institutions and Enrolment between Government and Private sector in India**

Type		2000-01*	2005-06*	2010-11	2018-19
Percentage share of institutions	Government	33.2	25.0	26.8	22.2
	Private Aided	42.1	32.0	14.2	13.5
	Private Unaided	24.7	43.0	59.0	64.3
	Total	100.0	100.0	100.0	100.0
Percentage share in enrolment	Government	41.0	35.8	39.2	33.6
	Private Aided	37.3	33.5	23.8	21.2
	Private Unaided	21.7	30.7	37.0	45.2
	Total	100.0	100.0	100.0	100.0

**Source:** (i)\*Agarwal, P (2009), (ii) All India Survey on Higher Education 2010-11 and 2018-19

**Gross Enrolment Ratio (GER)**

The GER is an accepted indicator for understanding the accessibility to education at various levels. The percentage of the population in the age group of 18-23 who has access to higher education is the GER measure of higher education. Access to education basically depends on the number of educational institutions. It also relies on the capacity of society to bear the cost of education (Mittal & Pani, 2020). When we look at the current status of GER in higher education in India, it is still below the international average. In 2018-19, India’s GER in higher education was 26.4, whereas globally, it varies from an average of 8% in sub-Saharan Africa to 75% in

Europe and North America (UNESCO, 2014). We are nowhere nearer to the Scandinavian countries. Though Kerala has universal primary and secondary education and a higher level of GER in Higher Secondary Education, the GER of Higher education is not up to the mark. *Table 6* clearly indicates that the GER of Kerala is 10 points higher than the all-India average. But, in the case of Scheduled Castes (SCs), their GER is 3 points higher than the all-India level. Whereas, in the case of Scheduled Tribes (STs), Kerala’s GER is 6 points higher than all-India status. These figures point towards the necessity of increasing enrolments at various levels of higher education.

**Table 6: GER in Higher Education (2018-19)**

Region	All Categories			Scheduled Castes			Scheduled Tribes		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Kerala	30.8	43.2	37.0	18.2	33.7	25.9	18.9	27.1	23.1
India	26.3	26.4	26.3	22.7	23.3	23.0	17.9	16.5	17.2

**Source:** (i)\*Agarwal, P (2009), (ii) All India Survey on Higher Education 2010-11 and 2018-19

From the above discussion on the status of higher education in India, it is clear that we have to go a long way to provide higher education to at least 50% of her eligible population. The demographic dividend of the country and the globalisation of employment opportunities cast heavy demand for higher education on a hitherto expected scale. However, the neo-liberal policies of the government have put the axe on subsidies in general and the education sector is not an exception (Sharma, 2013). This has resulted in the proliferation of unaided and self-financing institutions in every nook and corner of the country, which charge exorbitant fees for their programmes. This has created the problem of inequity in the system such that only economically well-off families can afford the increasing cost of education. In order to tide over the situation, the Government of India has experimented with an education loans scheme on a wider scale since the year 2001. The basic objective of the education loans program is to make financial assistance available to needy and deserving students who desire to prosecute higher education without any delay on easy terms and conditions (Indian Banks' Association, 2001).

Now, almost two decades have passed since the Model Education loans Scheme was in operation in

our country (Chalil, 2021). This scheme is an excellent opportunity for both the student community and bankers. On the one hand, it is an opportunity for the banks to introduce a new portfolio for loan disbursement, and on the other hand, it is an opportunity for the meritorious but economically poor students to enrolment for their desired course of study. Let us now turn to examine the performance of education loans in our country.

### Education loans in India

The development of higher education depends on various factors, among which finance plays a major role. Bank credit has an important role in promoting the education and development of skilled professionals required by an emerging market economy such as India. The idea to encourage education loans was first coined through the introduction of an education scheme formulated by the Indian Banks Association (IBA) in 2001 (Chalil, 2022). One can see that there has been a continuous increase in the number of education loan accounts as well as education loans disbursed since the adoption of the Model Education loans Scheme. *Table 7* presents these figures.

**Table 7: Outstanding Education loans in India**

Year	Accounts	Annual Growth	Amount (₹. Crores)	Annual Growth
2000-01	112000	--	1028.00	--
2001-02	157000	40.18	1527.00	48.54
2002-03	239000	52.23	2870.00	87.95
2003-04	347000	45.19	4179	45.61
2004-05	489445	41.05	6694.33	60.19
2005-06	668351	36.55	11296.39	68.75
2006-07	1026215	53.54	14390.99	27.39
2007-08	1247083	21.52	20258.48	40.77
2008-09	1613444	29.38	27746.62	36.96
2009-10	1972053	22.23	36923.74	33.07
2010-11	2287843	16.01	42992.84	16.44
2011-12	2464124	7.71	48220.33	12.16
2012-13	2590045	5.11	52738.67	9.37
2013-14	2681360	3.53	57164.17	8.39
2014-15	2671316	-0.37	59336.04	3.80
2015-16	2636624	-1.30	61831.00	4.20
2016-17	2547246	-3.39	62854.00	1.65
2017-18	2427512	-4.70	61773.00	-1.72
2018-19	2307871	-4.93	62456.00	1.11

**Source:** Statistics on Indian Economy, Reserve Bank of India

In order to get an idea of the year-wise disbursement of education loans by public sector banks, *Table 8* is very useful. An analysis of the disbursement of education loans in the country by public sector banks in the last five years shows that there is no steady growth in the number of education loan

accounts. In the case of education loans disbursed, one can see there is an absolute increase over the years, but still, the annual growth rate is not consistent. This phenomenon has to be viewed very seriously in the context of the sweeping privatisation in the sphere of higher education.

**Table 8: Disbursement of Education loans by Public Sector Banks in India**

Financial Year	No. of Accounts	Annual Growth	Education loans Disbursed (₹ Crore)	Annual Growth
2014-15	681685	--	9190.45	--
2015-16	684836	0.46	12595.39	37.05
2016-17	599729	-12.43	11175.91	-11.27
2017-18	786312	31.11	13470.47	20.53
2018-19	696656	-11.40	15030.13	11.58

**Source:** Lok Sabha, Unstarred Question No. 2189, December 2, 2019, GoI

### Non-food Credit, Priority Sector Credit and Education Loan

Bank credit in India refers to credit lending by various scheduled commercial banks (SCBs) to various sectors of the economy. Bank credit is

categorised into food credit and non-food credit. The food credit indicates the lending made by banks to the Food Corporation of India (FCI), mainly for procuring food grains. It is a small share of the total bank credit. The major portion of the bank credit is the non-food credit which comprises credit to



various sectors of the economy viz., (i) Agriculture and Allied Sectors, (ii) Industry, which has sub-sectors as Micro and Small, Medium, and Large., (iii) Services which has nine sub-sectors, and (iv) Personal Loans which has eight sub-sectors like durable consumer loans, loans for housing, education, purchase of vehicles, etc., (Reserve Bank of India, 2021). Among these major sectors, some loans are categorised as priority sectors as defined

by the Reserve Bank of India from time to time. A close look at *Table 9* reveals that education loans constituted around 3.93% of total personal loans in 2007-08. In 2018-19, this percentage came down to 3.06. Education loans under the priority sector lending stood at around 87% in 2017-18, compared with 94.68% in 2007-08. But it has picked up to 94.06% in the next year

**Table 9: Deployment of Bank Credit Outstanding by Major Sectors (Amount in ₹Crores)**

Year	Total outstanding Personal Loans	Education loans outstanding Under Personal Loans	Column (3) as Percentage of Column (2)	Total Priority Sector Loan	Education loans Under Priority Sector	Column (6) as Percentage of Column (3)	Column (6) as Percentage of Column (5)
1	2	3	4	5	6	7	8
2007-08	521799	20532	3.93	748073	19441	94.69	2.60
2008-09	562479	28579	5.08	932459	27861	97.49	2.99
2009-10	585633	36863	6.29	1092179	36247	98.33	3.32
2010-11	687944	42704	6.21	1262179	42589	99.73	3.37
2011-12	782835	49933	6.38	1421045	48067	96.26	3.38
2012-13	897584	54970	6.12	1539796	52612	95.71	3.42
2013-14	1009689	60005	5.94	1829724	57888	96.47	3.16
2014-15	1166348	63320	5.43	2010324	59184	93.47	2.94
2015-16	1392216	68224	4.90	2225907	60137	88.15	2.70
2016-17	1620034	70088	4.33	2435647	60436	86.23	2.48
2017-18	1908469	69712	3.65	2553187	60713	87.09	2.38
2018-19	2220732	67988	3.06	2739021	63950	94.06	2.33

**Source:** Handbook of Statistics on the Indian Economy, Reserve Bank of India

### Education loans in Priority Sector

Vide circular RPCD.PLNFS.No.BC.44/06.12.05/2003-04 dt.04-11-2003, the RBI has communicated that in order to encourage banks to lend more to the poor and needy students, it has been decided that education loans up to the ceilings of ₹7.50 lakh for studies in India and ₹15 lakh for studies abroad respectively as indicated in the Model Scheme will be reckoned under priority sector advances. In 2015, in another circular, the

RBI clarified that loans to individuals for educational purposes including vocational courses up to ₹10 lakhs, irrespective of the sanctioned amount, will be considered eligible for the priority sector (Reserve Bank of India, 2020). In this context, we make an attempt to examine the allocation to education under the priority sector advances of public sector banks. *Table 10* presents the state-wise distribution of priority sector loans and education loans during 2018-19.

**Table 10: State-wise Distribution of Priority Sector Advances and Education loans by Scheduled Commercial Banks (As on March 2019) (No. of Accounts in absolute terms; Amount in ₹ Crore)**

State/Region	Total Priority Sector		Education Loan	
	No. of Accounts	Balance Outstanding	No. of Accounts	Balance Outstanding
Northern Region	13861008	647800.71	170989	5994.85
Chandigarh	148808	13971.72	4077	164.72
Delhi	815180	144165.38	33556	1379.26
Haryana	2561058	126411.91	31024	1064.74
Himachal Pradesh	520574	16842.21	13461	360.03
Jammu & Kashmir	781051	27075.63	13067	336.64
Punjab	3048401	132431.19	29341	1293.81
Rajasthan	5985936	186902.67	46463	1395.66
North Eastern Region	4633478	47970.83	22281	661.66
Arunachal Pradesh	34186	1407.77	509	14.90
Assam	3597542	34605.04	14130	421.30
Manipur	99883	2181.23	785	26.58
Meghalaya	115197	2037.10	3026	86.46
Mizoram	38964	1036.38	425	12.34
Nagaland	64113	1084.00	363	11.21
Tripura	683593	5619.32	3043	88.87
Central Region	20472790	470156.40	224160	6677.77
Chatisgarh	1524686	42163.00	19809	560.49
Madhya Pradesh	6704815	160917.66	71794	2126.81
Uttarakhand	1961661	59556.80	39422	1261.62
Uttar Pradesh	10281628	207518.94	93135	2728.86
Eastern Region	25300155	317812.84	244685	7781.43
Andaman & Nicobar	18493	926.24	392	12.71
Bihar	7374024	66915.27	92828	3031.39
Jharkhand	2518527	33301.61	43944	1614.39
Odisha	5025482	56994.43	49349	1442.45
Sikkim	191725	1605.65	458	13.19
West Bengal	10171904	158069.64	57914	1667.31
Western Region	17818915	1180978.44	253856	7368.03
Dadra & Nagar Haveli	15048	1352.84	262	7.91
Daman & Diu	7079	750.20	186	6.52
Goa	160645	7552.93	4412	132.02
Gujarat	5100063	241036.33	45593	1639.88
Maharashtra	12536080	930286.15	203403	5581.70
Southern Region	57278170	1075234.29	1391900	33972.70
Andhra Pradesh	9452325	194780.44	92299	3387.28
Karnataka	9614160	209922.33	195411	4744.91
Kerala	8578482	163388.67	294479	7957.76
Lakshadweep	2838	39.21	24	0.77
Puducherry	467614	6354.14	12166	273.34
Tamil Nadu	24747427	381227.30	742740	15017.51
Telangana	4415324	119522.20	54781	2591.14
All India	139364516	3739954.00	2307871	62456.00

**Source:** Handbook of Statistics on the Indian Economy, Reserve Bank of India

A close perusal of the *Table 10* shows that there is an uneven distribution of education loans among the states and regions of the country. Among the various regions, it is the Southern Region, which has seen the highest in terms of the number of education loan accounts and amount of education loans. Tamil Nadu, Kerala, and Karnataka have absorbed a higher proportion of education loans for the last several years. While the bigger states like Uttar Pradesh, Bihar, Madhya Pradesh etc., the outstanding education loan accounts and amounts are far low. The Southern region has received 54.39% of education loans, followed by the eastern region (13 per cent), the west (12 per cent) and the central region (10 per cent) during 2018-19. The northern region received 9% of loans, while the Northeast got only 1 per cent. Tamil Nadu and Kerala together received 36% of loans. These two states also showed higher delinquencies of around 10 per cent. Andhra Pradesh, Telangana, and Madhya Pradesh have bad loans of around 5 per cent.

In this background, it is useful to examine the distribution of education loans among the South Indian states during the last 15 years' time. *Tables 11 and 12* provide the details. It is clear that Tamil Nadu and Kerala have the highest loan accounts under education loans. With regard to the outstanding amount of education loan, the same pattern follows. The supremacy of the south Indian States in this regard may be due to their high level of literacy as well as the availability of number of institutions. According to the Care Ratings (2018), education loans are skewed towards some regions mainly on account of higher literacy levels and students' inclination to pursue higher education mainly technical courses. Furthermore, the availability of the government schemes, access to finance and availability of ready educational infrastructure are other key aspects which skew the ratio towards these regions.

**Table 11: Distribution of Education loans Accounts in South India States**

Year	Andhra Pradesh	Karnataka	Kerala	Tamil Nadu	Telangana	Total South India	All India Total
2004-05	88014	46273	68583	88707	--	293896	489445
2005-06	105923	65110	107003	132586	--	413577	668351
2006-07	149257	87229	156061	225337	--	622827	1026215
2007-08	166493	113403	157277	314923	--	758169	1247083
2008-09	195659	138650	215976	418100	--	976394	1613444
2009-10	218491	161085	246974	574690	--	1211197	1972053
2010-11	220779	172783	289998	717261	--	1412078	2287843
2011-12	215797	173270	308097	822810	--	1532375	2464124
2012-13	197032	186623	336212	886752	--	1621275	2590045
2013-14	190340	195169	341427	940990	--	1682763	2681360
2014-15	170678	198709	331663	960202	--	1675881	2671316
2015-16	104358	203474	323433	891532	69390	1606024	2636624
2016-17	100026	202558	269010	906412	64145	1555514	2547246
2017-18	95305	199942	313356	821454	52916	1502802	2427512
2018-19	92299	195411	294479	742740	54781	1391900	2307871

**Source:** Handbook of Statistics on the Indian Economy, Reserve Bank of India

**Table 12: Distribution of Education loans Amounts in South India States (Figures in ₹crores)**

Year	Andhra Pradesh	Karnataka	Kerala	Tamil Nadu	Telangana	Total South India	All India Total
2004-05	1352.32	551.84	757.06	1001.41	--	3685.88	6694.33
2005-06	2023.19	891.65	1374.54	1863.38	--	6192.78	11296.39
2006-07	2232.23	1154.51	1849.90	2363.08	--	7755.47	14390.99
2007-08	2977.15	1752.98	2414.74	3592.07	--	10797.93	20258.48
2008-09	3970.20	2432.33	3141.59	5184.59	--	14830.29	27746.62
2009-10	4843.06	2915.55	4874.34	7351.67	--	20123.32	36923.74
2010-11	5091.83	3216.25	5282.10	9582.28	--	23343.62	42992.84
2011-12	5058.56	3518.39	5854.58	11709.03	--	26348.37	48220.33
2012-13	4698.58	3874.54	7353.91	13343.65	--	29535.47	52738.67
2013-14	4987.76	4062.52	7975	15077	--	32396.25	57164.17
2014-15	5443.33	4159.33	7788.53	16313.06	--	33993.62	59336.04
2015-16	3461.20	4610.26	8385.58	15297.50	3300.93	35339.06	61831.00
2016-17	3389.86	4621.62	7852.71	15725.98	3011.21	34885.90	62854.00
2017-18	3353.69	4444.77	8388.84	15883.87	2822.38	35186.97	61773.00
2018-19	3387.28	4744.91	7957.76	15017.51	2591.14	33972.70	62456.00

**Source:** Handbook of Statistics on the Indian Economy, Reserve Bank of India

## CONCLUSION

From the foregoing discussion, it is clear that there has been spectacular growth in the number of higher education institutions and enrolment in higher education in India. However, one point is very evident that these growths have mainly occurred through private institutions. These private universities and unaided colleges are sustained by charging higher fees to the students. But in a country like India with extreme poverty and inequality, the majority of the student population is unable to support their education with their own resources. So, they may recourse to some alternative financing mechanisms like education loans.

As is understood from the analysis, there has been a spectacular rise in the flow of education loans and the number of loan beneficiaries since the floating of the Model Education loans Scheme in 2011. However, there witnessed an uneven distribution of these loans across states and regions. While the south Indian states could bag around 60% of the education loan, the north and north-eastern states are lagging far behind. So, this skewed distribution

of education loans raises doubts regarding the efficacy of the education loans scheme as an alternative to the conventional funding mechanism. Even among the south Indian states, Kerala and Karnataka are found to avail a larger share of the loans and loan accounts.

Another disquieting feature of the loans scheme is that though it is included in the priority sector lending group, the proportion of education loans to the total priority sector lending has been almost stagnant over the years. Similarly, in the case of the annual disbursement of education loan, there has been an increasing trend, but the growth of loan accounts are declining further. This is attributed to the preference of banks in sanctioning high-ticket loans with collateral security. This may lead to a situation in which the needy but the poor will be excluded from the purview of education loans in the near future. India has to go a long way to ensure higher education for a large segment of the adult population in the age group of 18-23 years. As the increasing cost of education denies access to higher education to the poor and marginalised, an effective

education financing mechanism like education loans is the only way out.

So, every effort is needed to be carried out to maintain the education loans scheme effectively for inclusive growth. The avowed objective of the scheme could be achieved only when this scheme is implemented across the states and regions more or less evenly. With the rising share of self-financing and unaided sector in higher education, the fee structure will be on the high side, and hence the poor and marginalised are unable to meet their educational expenses from their own resources. To a major extent, education loans can fill this vacuum. So, commercial banks, cooperatives, small finance banks, and Non-Banking Financial Companies should come forward with a sustainable and affordable education loan scheme to promote higher education in the country.

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