



## Commercial Banks Financing Higher Education in Karnataka - A Study

### KEYWORDS

Commercial Banks, Education Loan, Higher Education, Karnataka, Human Resource Development.

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**ABSTRACT** Higher education is the key to Human Resource Development and recognised as one of the essential elements of the national economic development. Privatisation of higher education has increased the cost of higher education considerably. Majority of the students who are willing to pursue higher education find it difficult to meet the higher costs of education. Hence, the education loan scheme was introduced through the banking system to support the financial needs of higher education of desired students. Karnataka, one of the advanced states in India, has a good higher educational system which includes various types of higher educational institutions. This paper is an attempt to know the growth of higher education in Karnataka and performance of Commercial banks under the Education Loan Scheme in the state.

### INTRODUCTION

Human resource is the basis of wealth of a nation. Higher education is considered to be the key to both individual and societal aspirations throughout the world. It is highly affected by rapidly increasing costs that seem to be going beyond available revenues. Due to enormous growth in higher education sector government is not able to finance it entirely, as it has to concentrate on other priority sectors also. Privatisation of higher education as a result of economic reforms has increased the cost of higher education considerably. Educational loan has been regarded as a very important factor in financing higher education. The commercial banks provide education loans to the students having desire to pursue higher education but could not meet the high cost out of their family income to pursue their higher education. Karnataka is one of the states in India with well known IT-BT industries, commercial, economic activities, general and professional higher educational institutions. This paper is an attempt to know the growth of higher education system and performance of commercial banks under education loan scheme in the State.

### REVIEW OF LITERATURE

Sonal Revankar (2015) examined the students' awareness about education loans in Belgaum City, Karnataka. The study revealed that the majority of the students (76%) were aware of education loan as a source of financing but most of the students were not aware of the online facility for applying education loan. Students who were studying in professional courses with high fee structure like MBA, MCA and Doctorate have availed education loan. Most of the students were influenced by the family to take education loan, followed by advertisement, banker and friends.

Astha Bhanot (2014) examined the contribution made by the financial institutions in providing loans for higher education and in creating awareness of the schemes and loans available for the students in Jabalpur District, Maharashtra. The study suggested that educational loan of public sector banks in India should be increased in the coming years, so that more students can become independent and get better job opportunities after getting higher education.

### OBJECTIVES OF THE STUDY

To know the growth of higher education sector in Karnataka state

To examine the performance of commercial banks under education loan scheme in Karnataka state

### METHODOLOGY

This study is based on the secondary data. The data and information are obtained from articles in journals, Indian Banks' Association publications, State Level Banks' Committee meeting minutes and annexure, statistical tables relating to banking in India, AISHE reports, other related reports and publications.

### HIGHER EDUCATION IN KARNATAKA

Karnataka is one of the economically as well as educationally advanced states of India. The initiatives and efforts of state have enhanced the steadily expanding educational sector since 1951. As per Census 2011, literacy rate of the State was 75.60% compared to the all India average of 74 %. Karnataka has a long and rich tradition of higher education. It has led the way in establishing science and technology institutions that have international standards. The growth and development of universities and colleges in Karnataka has been influenced by the policies of the University Grants Commission as well as that of the Government of Karnataka. The Government of Karnataka deals with all issues related to general higher education through the Directorate of Collegiate Education and universities. Similarly, the technical education sector in the state is influenced by the policies of the State Government as well as the All India Council of Technical Education. Karnataka State Higher Education Council was established in 2010 with the objective of framing policies for higher education and to give suggestions to State Government, Universities and other higher educational institutions regarding issues related to higher education.

### GROWTH OF HIGHER EDUCATION IN KARNATAKA

The growth of higher and technical education institutions in the nineties has been phenomenal in Karnataka. Most of this increase was found in the private self-financing sector. Government colleges also increased substantially, though

not to the same extent. In Karnataka there has been remarkable growth in general and technical higher educational institutions under private sector. Student enrolment in general higher education has grown rapidly along with increase in institutional facilities.

During the year 2014-15 there were 51 Universities in Karnataka, of which 01 Central, 24 State, 12 Private, and 14 Deemed universities. In addition to this the Colleges affiliated to the University, Autonomous colleges, educational institutions such as IIM, IISc, NIT etc have increased the reputation of higher education in Karnataka. In case of college density, 47 colleges per lakh population in the age group ranging between 18 and 23 years were there in Karnataka during 2014-15. Today, it is one among the top 7 states having highest number of colleges in India (AISHE provisional report 2014-15).

### GROSS ENROLMENT RATIO (GER)

The gross enrolment for various courses in higher education in Karnataka is steadily rising over the years. GER in higher education is calculated for students of the age group ranging between 18 and 23.

**Table 1: Gross Enrolment Ratio in Higher Education (18-23 Years) in Karnataka**

Year	2010-11	2011-12	2012-13	2013-14	2014-15
Male	26.6	24.9	26.1	26.7	26.5
Female	24.3	22.7	24.5	25.6	25.7
Total	25.5	23.8	25.4	26.2	26.1

**Source: All India Survey on Higher Education (AISHE) reports from 2010-11 to 2014-15**

The above table shows an increasing trend in the GER of students in higher education in Karnataka. GER has increased from 25.5% in 2010-11 to 26.1% in 2014-15. The GER of male population has increased from 26.6% in 2010-11 to 26.7% in 2013-14. It has slightly decreased to 26.5% during 2014-15. Similarly, the GER of female population was 24.3% in 2010-11, increased to 25.7% during 2014-15. It can also be observe that the GER for male population is comparatively higher than female population. The GER during 2014-15 in Karnataka was 26.1, which is above the aggregate GER of India, 23.6.

### FINANCING HIGHER EDUCATION

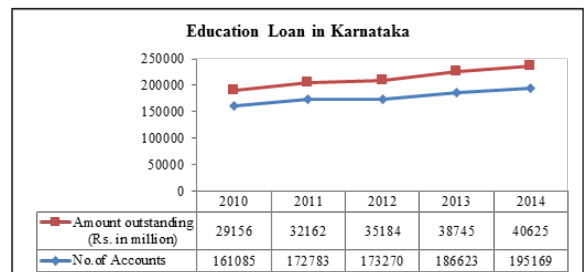
Since 1950 higher education has been financed mainly by the central and state governments. After the economic reforms the government's financial support to higher education has gradually started decreasing over the years since the government has to finance the universal primary education. This resulted in the increased participation of private sector in the higher education. At the same time the cost of higher education has also increased. Due to this the majority of the students have to face financial difficulties to enter into the field of higher education. Therefore, the education loan scheme for higher education administered by the commercial banks has been introduced to help the needy students, with the objective that no deserving student should be denied of opportunities to pursue higher education for want of financial support. The Indian Banks' Association gives eligibility criteria, courses eligible under the scheme for studies in India and studies abroad, other aspects and conditions of model educational loan scheme.

### EDUCATION LOAN BY COMMERCIAL BANKS IN KARNATAKA

Karnataka State has a fairly well developed financial infrastructure. The State has pioneered in establishment of many leading commercial banks and is home to a wide network of commercial bank branches in the country. Karnataka is one of the emerging states of India in terms of information technology, business and industries, banking, higher education etc. The banking business of Karnataka showed impressive growth trend over the years. The total deposits of all the banks in Karnataka state stood at Rs.612697 crore and advances at Rs. 458039 crore in 2014-15 as against Rs.525425 crore and Rs. 395328 crore respectively during 2013-14. The CD ratio in the state stood at 75.24% during 2013-14, showed a marginal decline of 0.48% and stood at 74.76% during 2014-15 (SLBC Karnataka meeting Annexure).

In Karnataka state the demand for education loan has been increasing year by year. There is a good demand for loans for courses such as medical, engineering, management, nursing and other courses. The following chart shows the education loan outstanding in Karnataka.

**Chart 1: Total Loans for Education of Scheduled Commercial Banks in Karnataka**



**Source: Statistical tables relating to banking in India for 2014-15**

The above chart 1 shows that the education loan sanctioned by scheduled commercial banks in Karnataka showed an increasing trend from March 2010 to March 2014. During 2010 March, the education loan outstanding was Rs.29156 million under 161085 accounts. It increased to Rs.32162 million with 172783 accounts showing an increase of 10.31% during 2011. The outstanding education loan during 2013 was Rs. 38745 million which showed a growth of 10.12% over 2012. The education loan outstanding during 2014 was Rs.40625million covering 195169 accounts, showing only 4.85% growth over the previous year. The outstanding education loan sanctioned by commercial banks in the state showed continuous growth during 2010-2014. The increasing enrolment in higher education sector may result in rise in the demand for education loan in the coming years. Thus, education loan scheme acts as a source of financing higher education and support for the students who are eligible and desirous of higher education.

### PROBLEMS AND SUGGESTIONS

Even though the demand for education loan is increasing, many of the students and parents are not aware of the education loan facility provided by commercial banks. It may be difficult for the students and parents to provide proper documents to the bank to avail loans and to pay higher rate of interest, which discourage them to borrow loans for their education. Since the demand for education loan is increasing, the problem of NPAs is bound to increase. Therefore, bankers have to think about making this loan

scheme student friendly and should take necessary measures for simplifying loan disbursement procedures and for the timely recovery of education loans.

## CONCLUSION

Higher education is assumed to be the key to technology, productivity, international competitiveness and economic growth. This study shows that in Karnataka education loans is getting popular in recent years. Therefore, the bankers should create awareness and encourage the students to avail loan for higher education, and motivate them for the effective utilisation and timely repayment of the loan.

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