

A STUDY ON BANK-WISE PERFORMANCE OF EDUCATION LOAN LENDED BY PUBLIC SECTOR BANKS IN INDIA

¹Dr. (Mrs).B.THULASI PRIYA,² Mrs.C. ESAKKIAMMAL

¹Assistant Professor, Department of Commerce, PSGR Krishnammal College for Women
Coimbatore, Tamilnadu, India

²Ph.D. Scholar, Department of Commerce, PSGR Krishnammal College for Women
Coimbatore, Tamilnadu, India

²esakkivenugopal@gmail.com

ABSTRACT

Education is globally recognised as the basic human rights. Particularly, in the context of globalisation, universalization of education had become an international policy. In India, even though both primary and secondary educations are prioritised in budgetary allocation, higher education is the worst affected sector, particularly with the dwindling of budgetary allocation. On one hand, the demand for higher education has increased over time and, on the other, the allocation of resources was grossly inadequate for this level of education. In India, though finance of education is provided by the Government through scholarship, subsidies, fees, and various other means education loan subsidised through bank could prove to be the best alternative channel for funding higher education. Public sector banks play a predominant role in financing the education loan in India. With the high cost of education and the need of education loan, it is necessary to evaluate the bank-wise performance of public sector banks providing education loan in India. The bank-wise distribution of education loan were analysed by collecting secondary data for a period of five years (2013-2017) from the various annual reports of ministry of finance and various banks. The percentage and rank analysis of setting out of bank wise education loan had resulted that, State Bank of India had contributed more in the disbursement of education loan in the nation. Though SBI, Canara bank, IOB, Indian bank and PNB were the major banks in lending education finance, steps would be taken by RBI along with the Government to distribute the

education loan scheme by all the public sector banks evenly so that the maximum number of students in India would be benefited by the education loan scheme.

Key words:*education loan, public sector, banks, Government,accounts*

1. INTRODUCTION:

Education is the process of instruction aimed at the overall development of individuals, providing with necessary tools to participate in day to day activities of the world. As it dispels ignorance and boosts moral values in the individuals, globally education is used as vibrant tool for the development and empowerment of the Human Resources. Education not only impacts the human development and economic growth, but is the fundamental requirement of democracy. National and state level policies are framed to ensure that no deserved student should be denied the opportunity to pursue higher education for want of financial support. While government endeavours to provide primary education to all on a universal basis, higher education is progressively moving into the domain of private sector. With the gradual reduction in government subsidies higher education is getting more and more costly and hence the need for institutional funding in this area. Model Education Loan Scheme developed by IBA is assisting the Indian students to carry out their higher study dreams both in India and abroad. Public sector banks being the most important financial institution in the economy plays a predominant role in providing the education loan to the country. Bank wise performance of public sector banks is all the most important for the constant review of the education loan scheme in India.

2. OBJECTIVES

To analyse the growth and performance of model education loan scheme offered by public sector bank in India

3. METHODOLOGY

Sources of Data

The descriptive study is conducted using secondary data obtained from the Publications of the Reserve Bank of India, the Indian Banks Association, the University Grants Commission, the Federation of Indian Chamber of Commerce and Industry , Annual Reports of Ministry of Human Resource Development, Ministry of Finance and annual reports of banks.

Sampling Technique

The sampling technique adopted for the study was census sampling. All twenty eight public sector banks were taken for the study.

Period of Study

The data related to educational loans have been collected for the period from 2013-14 to 2016-2017.

4. REVIEW OF LITERATURE

JandhyalaTilak and Varghese (1991) in their working paper titled “Financing higher education in India” argued that the given resource constraints and equity considerations, financing higher education mostly from the general tax revenue may not be a desirable policy in the long run. Accordingly some of the alternative policy choices are discussed, including financing higher education from the public exchequer, student loans, graduate tax, student fees, and the role of the private sector. Among the available alternatives, it is argued that a discriminatory pricing mechanism would be relatively more efficient and equitable. While given the socio-economic and political realities, the government has to continue to bear a large responsibility for funding higher education, instead of relying on a single form of funding, efforts should be made to evolve a model of funding that provides a mix of the various methods.

William and Light (1999) in their paper titled “Student Income and Costs of Study in the United Kingdom” found that the United Kingdom student loan program began in 1989-90 as a small, conventional, strictly top up loan program as the government began to freeze, then lower the generous means tested maintenance grants. The private sector never embraced the program, however, in 1998-99, a much expanded program was announced by the government to replace the former maintenance grants and to accommodate the inauguration of means-tested tuition. As devolution began in the late 1990s, the constituent countries of the United Kingdom like England, Scotland, Wales, and Northern Ireland, began to shape their own higher education policies, including tuition fee and financial assistance, which includes both the provision of student loans for maintenance as well as the policy, begun in Scotland in 1999 and later extended to England, Wales, and Northern Ireland, of shifting from up-front fee (mainly paid by parents) to deferred fee or loans paid mainly by students.

Narayana (2005) in his paper “Student Loan by Commercial Banks: A Way to Reduce State

Government Financial Support to Higher Education in India” studied about the student loan scheme in Karnataka state. The empirical results of Karnataka state have two important policy implications. First, a proposal to reduce budgetary subsidy only through fee increase, even if the entire fee increase is financed by student loan through commercial banks, it may not support the students financing in Karnataka state . Second, the student loan may not be a perfect substitute for budgetary subsidy to help the students in collegiate education. Student loanscheme is not limited to payment of fee. Rather, it includes fee plus other expenses for completing the course of study. Hence, demand for student loan will be higher than the amount of fee to be paid by the students in the State.

EDUCATIONAL LOAN IN INDIA

In 1964, the Ministry of Education, Government of India, appointed a Commission to advise the Government on the national pattern of education and the general principles and policies for the development of education at all stages and in all aspects. The policy for the development of higher education has been mainly governed by the “National policy on Education” of the year 1986 (as modified in 1992) and its Program of Action during 1992. The 1986 policy and Action Plan of 1992 were based on the two land mark reports namely, the “University Education Commission Report” of 1948-49 (popularly known as Radhakrishnan Commission), and the “Education Commission Report” of 1964-66, (popularly known as Kothari Commission). According to the study group on educational loan Scheme (2000), outstanding advances increased from Rs. 183.39 crores at the end of March 1996 to Rs. 328.88 crores at the end of March 1998 constituting just 0.003 per cent of priority sector advances of public sector banks.

Based on the recommendations made by a study group, IBA has prepared a model Educational Loan Scheme in the year 2001 that was advising the banks for implementation. The government of India has taken initiative to promote the field of educational loans during 2002-2007; there were rapid changes in providing loans by commercial banks especially in the minimum limit and maximum limit. The same model education loan scheme is continuing still with certain modification made from time to time.

EDUCATIONAL LOAN BY PUBLIC SECTOR BANKS IN INDIA

The scope of education has widened both in India and in abroad covering new courses in diversified areas. Due to privatization and new economic reforms Government spending on

education has been diversified and there is a higher participation of private sectors. Education loan is thus an alternative way of financing higher education. Also the Government is aware that in order to realize the demographic dividend of the country, every meritorious student should have access to bank credit. The government both central and state is frequently issuing instructions and guidelines to public sector banks to actively be involved in educational financing. As per RBI guidelines, Forty per cent of total advances of the commercial banks are advanced to priority sectors like agriculture, small-scale industry etc. Educational loans also form a part of these priority sector advances of public sector banks, as higher education has gained significance all across the world in the knowledge era and in these times of globalization.

Table 1: Growth of Student Loan by Public Sector Banks in India: 1990-91 to 2000-01

Financial Year	No. of Accounts (in 000's)		Amount Outstanding in Rs.(in million) at Current Prices	Annual Growth of Amount Outstanding
	Number	Annual Growth (%)		
1990-1991	70	-2.78	770	14.93
1991-1992	69	-1.43	1060	37.66
1992-1993	66	-4.35	1170	10.30
1993-1994	66	0	1320	12.82
1994-1995	70	6.06	1580	19.70
1995-1996	74	5.71	1830	15.82
1996-1997	114	54.05	2800	53.01
1997-1998	82	-28.07	3290	17.50
1998-1999	137	67.07	4500	36.78
1999-2000	80	-41.61	5430	20.67
2000-2001	112	40.00	10280	89.32

Source: Economic Survey, Ministry of Finance Government of India, Various Issues, New Delhi.

Table 1 shows that over the years, the number of accounts in the country shows wide fluctuations in terms of annual growth. The annual growth was negative in 1990-91, 1991-92, 1992-93, 1997-98 and 1999-00, zero in 1993-94 and positive in other years. On the other hand, the amount of loan has increased as indicated by the positive annual growth. Annual growth of amount outstanding was highest with 89.32 per cent in 2000-01 followed by 1996-

97 with 53.01 per cent. Least annual growth of amount outstanding was 10.38 per cent in 1992-93.

Table 2: BANKWISE DISTRIBUTION OF TOTAL NUMBER OF EDUCATION LOAN ACCOUNTS

Name of Bank	YEAR					Mean Value	Mean Rank
	2017	2016	2015	2014	2013		
State Bank of India	480922	512716	568817	593474	604339	552054	1
Canara Bank	296373	292000	274867	250374	217434	266210	2
Indian overseas Bank	241369	230597	231457	220626	201285	225067	3
Indian Bank	165172	159489	173748	180637	204691	176747	4
Punjab National Bank	158735	156529	157314	157813	155879	157254	5
Bank of India	135065	135205	135429	134540	122839	132616	6
Central Bank of India	128780	125793	126692	123328	109762	122871	7
Syndicate Bank	119008	112662	114362	116541	113138	115142	8
Union Bank of India	102509	97978	98811	94211	90807	96863	9
State Bank of Travancore	73818	87169	90955	105125	109705	93354	10
Bank of Baroda	81960	82697	87835	89243	88743	86096	11
Andhra Bank	51334	55063	56036	57965	61542	56388	12
UCO Bank	53367	53969	55496	54303	50571	53541	13
Corporation Bank	53672	53952	53254	52371	49897	52629	14
Allahabad Bank	48989	49011	49015	49467	47610	48818	15
State Bank of Hyderabad	43221	47386	49203	50664	51425	48380	16
Oriental Bank of Commerce	45076	46092	47292	48085	48449	46999	17
Vijaya Bank	51423	47867	42297	38013	34393	42799	18
Bank of Maharashtra	30490	30554	29516	29876	27218	29531	19
State Bank of Mysore	27806	28972	29334	29897	29883	29178	20
State Bank of Bikaner & Jaipur	18372	19873	21398	22363	22449	20891	21
United Bank of India	16629	17676	20221	24196	23285	20401	22
Dena Bank	18126	18948	18640	17235	15391	17668	23
State Bank of Patiala	15372	15897	16082	15814	15020	15637	24
IDBI Bank Ltd	19072	16932	13635	9440	6707	13157	25
Punjab & Sind Bank	7306	6868	6717	7109	7003	7001	26
State Bank of Indore	669.98	669.98	669.98	669.98	669.98	670	27
BhartiyaMahila Bank	383	288	163	6	Nil	210	28

Source: Annual Reports from Ministry of Finance, Government of India.

The table 2 elucidates the shows the performance of educational loans (outstanding number of accounts) provided by the various public sector banks in India for the period from

2013-2017 in absolute term. The table shows a comparative picture of student loan accounts from the year 2016 to 2012. Both the mean value of each public sector banks for the period of 5 years were calculated and mean rank was premeditated accordingly. The table shows that highest number of beneficiaries was from State Bank of India with a mean value of 552054 and it was ranked first among all the public sector banks followed by Canara bank with the mean value of 266210. Indian overseas Bank, Indian Bank and Punjab National Bank were in the third, fourth and fifth rank respectively with respect of number of education loan for the five years. The lowest mean value of 210 number accounts was from Bharatiya Mahila Bank. The bank had less number of loan accounts as the bank was started only in the year 2014. The next least number of education loan accounts was given by State Bank of Indore.

Table 3: BANKWISE DISTRIBUTION OF EDUCATION LOAN AMOUNT OUTSTANDING (IN CRORES)

Name of Bank	YEAR					Mean value	Mean Rank
	2017	2016	2015	2014	2013		
State Bank of India	15706	15177	15464	14740	13753	14968.03	1
Canara Bank	7092	6738	5524	4746	4267	5673.334	2
Punjab National Bank	4811	4799	4397	4258	3588	4370.56	3
Indian overseas Bank	4655	4409	3958	3597	2978	3919.492	4
Indian Bank	3617	2893	3288	3452	3650	3380.078	5
Central Bank of India	3902	3742	3443	3088	2527	3340.402	6
Bank of India	3275	3093	2918	2652	2412	2869.996	7
Syndicate Bank	3027	2986	2745	2768	2556	2816.34	8
Union Bank	2930	2739	2481	2219	2082	2490.072	9
State Bank of Travancore	1973	2109	2276	2475	2394	2245.432	10
Bank of Baroda	2121	2054	2098	2062	1970	2061.046	11
Andhra Bank	2406	1831	1821	1511	1427	1799.07	12
Corporation Bank	1572	1681	1360	1252	1150	1403.032	13
Allahabad Bank	1531	1463	1405	1347	1262	1401.394	14
State Bank of Hyderabad	1500	1472	1306	1185	1123	1317.312	15
UCO Bank	1374	1456	1319	1262	1141	1310.252	16
Oriental Bank of Commerce	1379	1347	1314	1271	1227	1307.614	17
Vijaya Bank	1281	1091	903	760	670	941.064	18
Bank of Maharashtra	870	804	703	637	553	713.388	19

State Bank of Indore	670	670	670	670	670	669.98	20
State Bank of Mysore	734	703	657	628	614	667.282	21
United Bank of india	463	477	489	531	552	502.218	22
State Bank of Bikaner & Jaipur	477	501	508	515	501	500.406	23
State Bank of Patiala	545	524	500	448	405	484.4	24
IDBI Bank Ltd	737	692	428	254	171	456.41	25
Dena Bank	507	430	420	364	328	409.836	26
Punjab & Sind Bank	287	246	240	232	219	244.834	27
BhartiyaMahila Bank	11	9	3	0	Nil	5.7275	28

Source: Annual Reports from Ministry of Finance, Government of India

The table 3 explicates the shows the performance of educational loans (total loan amount outstanding) provided by the various public sector banks in India for the period from 2013-2017 in absolute terms. The table shows a relative picture of student loan amount outstanding from the year 2017 to 2013. Both the mean value and mean rank of each public sector banks for the period of 5 years were calculated were accordingly. The table shows that highest number of loan amount outstanding was from State Bank of India with a mean value of Rs.14968.03 crores and it was ranked first among all the public sector banks followed by Canara bank with the mean value of Rs.5673.33 crores. Punjab National Bank, Indian overseas Bank and Indian Bank were in the third, fourth and fifth rank respectively with respect of amount of education loan outstanding for the five years. The lowest mean value of Rs.5.73 crores amount of education loan outstanding from BharatiyaMahila Bank. The next least amount of education loan outstanding was given by Punjab and Sind bank for Rs.244.834 crores.

5. CONCLUSION

In India, the scheme of educational loans run by public sector banks arises 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 all over India. Among the various public sector banks lending education loan, State Bank of India rank first in lending the education loan in term of number of education loan accounts and amount of education loan outstanding. But there is strong need to work on the weaknesses & deficiencies of the scheme and some efforts should be made by all the public sector banks to lend more number of education loans, as education is the national priority. The banking system keeps education loans under priority

sector advances but the real purpose would be served when these loans would be subsidized like the agricultural sector and the small and medium enterprises

References:

1. Narayana, M. R. (2005). Student Loan by Commercial Banks: A Way to Reduce State Government Financial Support to Higher Education in India. *The Journal of Developing Areas* 38(2), 171-187.
2. William, G. and Light, G. (1999) Student Income and Costs of Study in the United Kingdom. *European Journal of Education* 34(1), 23-42.
3. Jandhyala B. G. Tilak and N. V. Varghese (1991) - Financing higher education in India - *Higher Education*, Volume 21, Issue 1, pp. 83-101.
4. P.Sasikumar, V.Pavithra, M.Rahilabarvin, G.Supriya, " Smart Home Emergy Management System Including Renewable Energy Based On Zigbee And Arm9 Microcontroller", *International Journal Of Innovations In Scientific And Engineering Research*, Volume. 4, Issue: 2, 2017, pp .71-77.
5. Dr G. Agila , Dhamayanthi Arumugam, " A Study On Effectiveness Of Promotional Strategies At Prozone Mall With Reference To Visual Merchandising" *International Journal Of Innovations In Scientific And Engineering Research*, Vol .5, Issue. 6, 2018. Pp.No.47-56.
6. Harsh Gandhar (2010) - Educational loan scheme of scheduled commercial banks in India: - an Assessment
7. Indian Banks Association (2012) - Model educational loan scheme for pursuing higher education in India and abroad - from www.iba.org.in.
8. <http://mhrd.gov.in>
9. finmin.nic.in>reports>annual report

