

Growth and Pattern of Educational Loan and NPA in Kerala

Amitha Geethu Soman

Research scholar MG University Kottayam

Abstract-Today, the financing of higher education is one of the many concerns relating to higher education that are of the biggest importance. Student loan programmes hold a significant place among the various forms of higher education funding that have evolved in India since liberalisation. With its dominance in India's financial sector, the commercial banking system is the key participant in this area. Yet, there have been differences in how the commercial banking system has provided educational loans in different Indian states. Kerala leads all other states in the amount of educational loans offered by the commercial banking system. In Kerala, more than 47% of enrolled students use educational loans. To a large part, Kerala's trend towards professional education over the past 15 years is responsible for the state's growing importance of student loans. Yet, the state's situation with regard to student loans is currently precarious. A significant share of student loan debt is still unpaid, which significantly affects the state's banking system's performing assets. Its tremendous importance would undoubtedly impair the banking system's ability to function.

Index Terms: commercial banks, educational loan, higher education, loan outstanding, PA.

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An economy's role for higher education is crucial. By providing human resources, it has an impact on almost all significant national activities. Today, the financing of higher education is one of the many concerns relating to higher education that are of the biggest importance. Student loan programmes hold a significant place among the various forms of higher education funding that have evolved in India since liberalisation. With its dominance in India's financial sector, the commercial banking system is the key participant in this area. Yet, there have been differences in how the commercial banking system has provided educational loans in different Indian states. Kerala leads all other states in the amount of educational loans offered by the commercial banking system.

INTRODUCTION

Higher education in particular has a significant impact in the process of a country's economic development. It provides a nation with young, dynamic human resources. Investment in higher education is essential for raising a productive population that will then aid in the process of building a nation. In fact, India's development strategy assigns a significant importance to the growth of the higher education sector. As a result, the Indian government has continuously strengthened the educational sector. Yet, because India is a developing country, there is not enough fiscal room to spend in the educational sector. India's state governments, who are concerned, spend in the social sector, particularly in education.

Kerala is generally renowned for performing better than other Indian states, particularly in the area of education. Kerala has paid significant focus to developing an inclusive and widely accessible educational system, particularly in the area of schooling. Kerala's educational system has been criticism for its subpar performance in higher education. Throughout the past 20 years, Kerala's higher education system has seen some notable developments. Over these years, the state has seen a significant increase in professional education.

Kerala's educational system historically discriminated against higher education. However after 2000, the state experiences a surge in independently funded professional education. Consequently, in 2014, the state has around 150 engineering institutions, with a sanctioned admission of about 45000 students, compared to less than 10 engineering colleges, with a total annual intake of less than 3000 students, in the early 1990s (GOK, 2014).

EDUCATION LOAN IN KERALA

Over the years, Kerala's educational system has seen significant modifications. Kerala's educational system favours lower levels of education. In Kerala,

the number of people pursuing professional education on their own dime has increased. The self-financing model created a significant need for funding to cover study expenditures. So, a large number of students turned to education loans. Up until the first half of the previous decade, the banking sector was slow to offer student loans, but things have picked up since then.

The total amount of outstanding student loans has increased by more than 15 times for the corresponding years. A rising trend in student loan borrowing was also seen in 2018.

Amount wise educational loan which is availed by commercial banks is analysed by the table 1.

Table 1: 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		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.

Between 2012 and 2018, the amount of student loans offered by commercial banks in amounts under four lakhs fell.

From 2012 to 2018, there was an almost two-fold increase in the aforementioned 7.5 lakhs.

Table 2 displays the growth in non-performing assets as well as the most recent education loans made available in Kerala.

Table 2: EDUCATION LOAN IN KERALA

YEARS	TOTAL OUTSTANDING		NPA	
	NO.	AMOUNT	NO	AMOUNT
2018	344879	1017452.59	67905	174050.85
2017	375364	937295.81	43644	127470.54
2016	369829	969182.58	34398	109389.78
2015	393849	956843.88	47661	74647.88
2014	390237	919917.00	3,216	95842.12
2013	380295	721063.00	10070	76255.00

Source: SLBC Reports Various Years.

Up to 2016, there will be more student loan debt outstanding than there is now. The sum outstanding has somewhat decreased since 2016. Yet it arose after a year. During a year, the number of accounts for student loans somewhat decreased, but the overall amount still owed rose. That means that the price of higher education is rising. The number of students receiving educational loans is decreasing at the same time. The steadily rising cost of student

loans resulted in an accumulation of missed loan payments, which raised the amount of non-performing assets held by commercial banks in the state. Half of the rise in the amount sanctioned as an education loan over the course of a year was due to banks' nonperforming assets. Bank NPA jumped from thousands of dollars in 2011 to lakhs of dollars in 2018. There is also the dramatic rise in NPA. It exhibits a downward trend from 2014 to 2015, but after that, it grew.

TREND AND GROWTH OF NON PERFORMING ASSETS IN KERALA

The assets of banks are what they really do: lend money. Regrettably, some loans are not paid back on schedule. A loan becomes a non-performing asset (NPA) after 60 days of default (NPA). For banks, loan repayment is a source of revenue. The NPA problem raised similar concerns about the banks' viability, stability, and quality.

Table 2 makes clear that non-performing assets rise together with the overall amount of credit extended by commercial banks.

Table 3: SHARE OF NPA IN EDUCATIONAL LOAN

YEARS	EDUCATIONAL LOAN (TOTAL OUTSTANDING)	PERCENTAGE OF NPA IN TOTAL EDUCATIONAL LOAN OUTSTANDING
2018	1017452.59	17.10
2017	937295.81	13.5
2016	969182.58	11.2
2015	956843.88	7.8
2014	919917.00	10.4
2013	829454.00	9.1
2012	721063.00	7.2

Source: SLBC Reports Various Years.

The amount of NPA has consistently increased over the years, with a few minor variations. Particularly after 2016, the percentage of non-performing loans in all student loans has significantly increased. The percentage of non-performing educational loans has exceeded 10% since 2016. It rises to more than 15% in 2018.

Kerala is one of India's model states, having social development indicators that are superior to those of developed countries. India's state-by-state structure of educational growth is very fluid. Higher education is something that Kerala is interested in. Kerala has a far smaller number of educational institutions than the rest of the country. Kerala is home to less than 2% of all higher education institutions in India. The average amount of education loans in Kerala is rising but the per-capita

loan amount is falling, as seen by the growth in loan amounts and the drop in account numbers. It reveals that banks offer student loans in a very targeted way. We cannot hold the banks responsible for this because they must operate cautiously to prevent NPAs. Thirteen percent of the non-performing assets of Kerala's commercial banks are student loans. The viability of Kerala's banks was questioned. Moreover, it leads to social tensions. Recently, banks have relied on private organisations to settle NPA student loan debt.

CONCLUSION

Health, education, and literacy are all interconnected. In the Kerala situation, it is telling. Kerala has a high rate of literacy, which opens up additional options for schooling. Kerala has a leaning in favour of higher education, particularly for professional degrees. Even yet, transgender people in Kerala hold their own relevant positions in higher education regardless of classifications and genders. The availability of educational loans and the number of students enrolled in Kerala are significantly related.

The value of higher education in Kerala has been a topic of discussion for decades. However the fact that Kerala has a far greater student enrollment than the rest of India does indicate that the state's higher education is of a very high calibre. Furthermore, this essay paves the path for future reconsideration of Kerala's higher education system. The research sheds light on Kerala's developing issues with non-performing assets. It would help the government create policies and strategies to prevent NPA issues in Kerala. The document also calls on the government to increase Kerala's representation in higher education institutions while simultaneously raising the standard of higher education in Kerala. The essay also demonstrates the importance of educational quality over quantity. It primarily paves the path for Kerala, God's own land in India, to repair its faults. Because of the escalating cost of higher education, borrowing money is now necessary. Unemployment prevents students from making timely payments on their school loans. The financial stability of the banks is severely impacted by this. Government intervention is therefore required to regulate the expense of higher education in the region. also produces job chances. Therefore the fast cure is for lenders, borrowers, and the government to exercise care.

The study's biggest drawback is that it only considers a small number of years and factors.

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