SOURCES OF FINANCING HIGHER EDUCATION IN KARNATAKA: A STUDY ON ACCESS, PARTICIPATION AND RELEVANCE

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Abstract: *The demand for higher education is increasing across the World. To accesses better, different sources of income have been pulled out. In developing countries, the cost of higher education has gone beyond the reach of different economic sections in society. In India, the major challenge that confronts is in the disparities in access to education, especially in terms of economic class, gender, caste and geographical regions belonging. Sources of funding are very important and it plays a crucial role in access to higher education. Scholarships, fellowships, self-financing, credit, bank loans are important funding resources for students to pursue their higher studies in universities or colleges. After initiation of the bank loan scheme in the year 2001 by the Government of India, the enrolment of students in higher educational institutions has seen a tremendous increase over the period. However, the disparity remains exists in access to higher education and financial resources across gender, social groups and geographical regions. In this background, the present paper is an attempt to understand the current situation of the higher education sector and explore the funding sources for students to pursue their higher studies. Both primary, as well as secondary data, has been used in this paper. The study has been conducted in Southern Karnataka with a sample size of 158 students pursuing professional and non-professional courses in higher education. It has been observed that disparities exist between rural-urban and professional and non-professional courses to avail the loan as an influencing factor.*

Keywords: Access to Higher Education, Human Capital, Education loan, Karnataka.

I. INTRODUCTION

Education is a primary right for every individual and a crucial factor for economic development in any country. Therefore, the role of Government is very crucial to ensure an equal quality and comfortable accesses to education because education is a fundamental component (Social and cultural rights, Article 13) of any individual in the society. As per Constitution of India, Article 29 (2) "No citizen shall be denied admission into any educational institution maintained by the State or receiving aid out of State funds, on grounds only of religion, race, caste, language or any of them". Education is a discernible tool that upholds better results in economic development in the long run. Thus, an investment for the future by educating people in the present is very essential. However, public expenditure on education in India is not so impressive over the past few years. Figures in National Account Statistics 2014 shows that the share of public expenditure on education made by the department of education and other departments in a country's GDP has been just 4.28% to 4.13% since 2000 to 2014 whereas in developed countries spending on education is more than 6% of GDP like the USA (6.4%), New Zealand (6.9%), Norway (6.5%) and United Kingdom (6.3%) (Cash, T. A. C. A.,2016). The Education Commission (1964-66) headed by Kothari had recommended allocation of 6% of the country's GDP on education. India has allocated only 3.7% of the country's GDP on education in the previous budget (2017-18). This clearly shows that India failed to meet the targeted investment or benchmark of Kothari Commission recommendation on education and this continues to remain a distant dream.

Comparing to all other educational sectors, primary and higher secondary, higher education plays a significant role in shaping qualified and skilled human capital to the society without much of negotiating. So it's essential to invest in the higher

education sector. In India, union budget allots ₹ 28,840 crores on higher education while on Primary education ₹ 43,554 crores on primary education (2016-17). The process of globalisation has been sending clear signals that only those countries with a qualified specialised human capital can gain in the game of globalisation (Geetha Rani, 2014). As a result, there is a massive demand for higher education in India and across the globe. Privatisation and globalisation are resulting in high standards of education at a higher cost. So, most of the students who have qualified academically from various Socio-economic backgrounds find it very challenging to enter the tertiary sector of education due to high unbearable cost. It is further argued that the proportion of participation rate in Indian higher education is tiny. According to AISHE 2016-17 report, Gross Enrolment Ratio in Higher Education is just 24.2% and access to beyond higher secondary schooling is at just 10% among the university-age group population that to privileged communities due to numerous reasons. To make sure no qualified student is left behind financing as a hurdle to accessing higher education so commercial banks made an attempt to bring out a viable and sustainable bank loan scheme (Education Loan Model, 2001) to meet the objectives by meritorious students in the country. Here in this paper to analyse the accessibility to higher education and educational loans this article is structured as follows. (i) The accessibility to higher education, compared with respect to, caste, urban-rural background students and nature of the courses. Followed by the next section (ii) looks at the relationship between the parents' education level and their students' participation in higher education. The last section, before concluding (iii) Provides the detailed analysis of the accessibility to education loans and Other financial sources for higher education concerning gender and urban-rural differences in availability.

II. Status of Higher Education and Educational Loans in India

India's higher education sector is the largest in the World in terms of enrolment. As per AISHE (2016-17) report, 35.7 million of students have been enrolled in higher educational institutions with 19.0 million boys and 16.7 million girls. Higher educational institutions have been categorized in 3 broad Categories; University, College and Stand-Alone Institutions. currently, there are 864 universities, 40,026 colleges and 11,669 stand-alone institutions in the country (AISHE, 2017). Over the last 70 years, higher education in India has grown remarkably with an increase of student enrolment ratio by 34 times in universities and 74 times in colleges. To meet the current demand in the higher education sector, private institutions are playing a significant role by charging a higher cost which is beyond the reach of economically weaker sections in the society due to unequal distribution of income. Today, equal accesses to higher education has become a central issue.

Financing higher education has been a prevalent issue between the state and centre in India. To address this problem, various financial institutions are extending their helping hand to assist the common man with an adequate financial facility through educational loans. Educational loans are seen as a better alternative for those who cannot afford to access higher education. Educational loan (Outstanding ₹70, 475 Cr, 31st Dec 2014. Indian Express, 2015) is considered as an alternative source to finance higher education due to non-affordability and insufficiency of public resources in developing countries like India. In 2001, the model Education Loan Scheme was introduced by the Indian Banks' Association (IBA Model) to help meritorious students to pursue higher education in India and abroad. The sole purpose of this loan facility was to ensure that no qualified student was left behind with financing as a hurdle for his/her desired field of higher studies. It was envisaged that equal access would be provided to all students without any discrimination and sanctioning such loan was purely based on eligibility or qualification of the student. As the focus was on human capital development, repayment of the loan was expected to come from future earnings of the student after completion of education. Hence the assessment of the credit was purely based on the employability, earning potential of the student upon completion of the course and not the parental income or family wealth.

In short, education loans are seen as a reliable alternative source to meet the expenses in the higher education sector as well as future investment in human capital.

III. Objectives

The study aims at:

1. To understand the status of higher education at the macro level.
2. To analyse the sources of funding for pursuing higher education across social groups, gender and geographical regions.
3. To investigate, whether professional or non-professional courses are privileged to avail educational loan benefits.

IV. Data and Methodology

1. Area of the study:

Karnataka is one of the pioneering states in the country with respect to higher education. The State of Karnataka is far better than the national average with respect to GER in higher education. As per the latest statistics, Karnataka's GER in higher education stands at 27% during 2016-17 while the country's GER is 25%. The study confined to the southern region of Karnataka, due to major higher educational institutions are located and higher GER.

2. Sampling and sample size:

Convenient sampling method has used for the study. This approach is convenient for the accessibility and reliability of the respondents in the southern region of Karnataka. A total sample size of 158 professional and non-professional students who are pursuing higher education in colleges or universities has been selected across social category and gender. The selection of a sample is based on the simple random method.

3. Sources of data:

The paper is based on primary and secondary sources that are collected from different sources. The secondary data collected are collected from the reports of MHRD, Indian Bank Association, books, published articles etc., The primary data has been collected from the 158 students, who are studying in higher education by using simple questionnaire.

V. Literature review

Higher Education helps an individual to be more self-reliant by making them skilled with better employment opportunities. So, expenditure on higher education is very much important and considered as an investment in human capital. But in India financing higher education is a most complicated issue between the government and individual due to the factor that it is a public good in nature. Since the globalisation, there has been a massive expansion in the higher education sector with high cost by private players in the country to meet the growing demand for higher education. It is found in the literature (Duraisamy & Duraisamy, 2016) as of 2014-15 the share of aided and unaided private colleges account 75% in the country. Many students are denied, to access higher education due to the high cost. As an alternative, education loans are inevitable for mass in society to get into the higher education sector.

Tilak (1993) articulates that since individual returns are more than social returns into society, education has become a private commodity. Further author states, the demand for higher education has been growing faster at the same time sources from the Non-Government share is declining such as fee and voluntary contributions. Growing requirements cannot be met with public budget and funds alone efficiently. Where the private institutions are trying to meet the needs with the high cost when mass education is not able to gain the bare necessities. According to Tilak (1999), Student loans have become a necessary evil due to the rise in the fees of college education and lack of public recourse in the economy. Kapur and Mehta (2004) observed that the share of government expenditure on education is declining steadily over the years. At present, the demand for higher education is increasing in India, and overseas, Indians are ready to pay the high cost and get it. Approximately 90 per cent of the business schools are private sector institutions. Private expenditure on education has risen 10.8 times in the last 16 years, and for the poor, the same has risen even faster, by 12.4 times, clearly indicating the entry of students to the growing private sector, which charges considerably vast sums from the students.

Gupta (2004) in his study shows that there has been a multiplying of self-financed engineering, medical and management colleges in recent times. For example, in the year 2001, Andhra Pradesh had 95 private self-financing type of colleges and 303 medical colleges; in comparison public that is funded by the Government, colleges were only 11 in an engineering discipline and 25 in

Medical. Several of these institutions, which have come up in different states, do not have adequate infrastructure-both physical and human resources. Most of these colleges have raised their fees; some of them in combination with professional courses and foreign collaborations. Mushrooming of private universities, making higher education costlier.

VI. Status of higher education in Karnataka

Karnataka is one of the revolutionary states in the country with respect to higher education. Karnataka is a state one among 29 states in India located in a south-western region with the 6.11 core (2011) population. It consists of 5.05 % of the total population of the country. Karnataka's literacy rate is 75.4%. According to the AIHE 2015-16 report published by MHRD, the State is privileged to have 52 total number of universities. Stands fourth place in the country for the highest number of universities. One central university and with one national importance, 25 state public universities. One state-open university and state private university. 4 Government and 11 private deemed universities. There are 26 General, five agricultural, two fine arts, 2 law and six medical universities with specialization. Enrolment for under graduation is 14,20,697 and for post-graduation is 2,00,909 among 1,03,261 are female and 97,648 are male. GER for Karnataka is 26.1%. The southern part of Karnataka got the better enrolment ratio and a good number of educational institutions compared to the northern part of Karnataka.

VII. Results and Discussion

The paper attempts to analyse the funding sources for students to pursue their higher studies in colleges and universities. As stated in the methodology part, it has been selected a sample of 158 students from southern Karnataka who is pursuing professional and non-professional courses in higher education. Obtained results have been analysed and presented in this section.

a. Social Category of Respondents

Caste or social groups have been classified broadly into five categories such as General, Minority, OBC, SC and ST. Accordingly, respondents have been classified and shown in the Table-1. The data in the table clearly shows that nearly half of the respondents that is 48.73% belong to the general category, followed by OBC (37.4%); 5.7% belong to the social category of a minority; SC category (5%) and 3.16% represents from ST category. Of the total sample, the participation in higher education was the highest in the general category at 49% while the lowest participation was observed in the ST category at 3%. Overall results clearly indicate that the participation of students in higher education belonged to the General & OBC categories together accounted for 86.07%.

Table 1: Distribution of respondent students by social category

Sl.No	Social group	No of Students
1	General	77 (48.73)
2	Minority	9 (5.70)
3	OBC	59 (37.34)
4	SC	8 (5.06)
5	ST	5 (3.16)
	Total	158 (100)

Source: Primary data

Further, in table-2 it can be seen by type of courses, the participation of students under the general category in professional courses is the highest at 30.38% followed by OBC at 18.35%. Lowest participation in professional courses is observed under the SC category at 1.27%. Surprisingly, the survey results showed that for non-professional courses, the student participation rate was highest amongst the OBC category at 18.99% followed by the General category with the participation of 18.35%.

Table-2: Participation of students in higher education (Professional and Non-Professional courses) by social groups

Sl.No	Social group	Courses		Total
1		Professional	Non- Professional	
2	General	48 (30.38)	29 (18.35)	77 (48.73)
3	Minority	3 (1.90)	6 (3.80)	9 (5.70)
4	OBC	29 (18.35)	30 (18.99)	59 (37.34)
5	SC	2 (1.27)	6 (3.80)	8 (5.06)
	ST	3 (1.90)	2 (1.27)	5 (3.16)
	Total	85 (53.80)	73 (46.20)	158(100)
		158(100)		

Source: Primary data

b. Geographical Locality of the Students:

Living locality is also an important influencing factor in access to higher education in terms of opportunities. Generally, students prefer courses based on their choices or availability and also by looking for future career options. Participation of students in higher education is also seen to be influenced by the location factor – that is to say, whether the student is from the urban or rural area. Table-3 depicts that Student participation in urban areas (for both professional and non-professional courses) was at 53% while that in rural areas was at 47%. It has been observed that the participation by urban students in professional courses was at 34%, significantly higher than the 20% participation in rural areas. For non-professional courses, the participation rate was the highest among rural students at 27%, while that in urban areas, it was at 19%. The above table clearly indicates that student participation in higher education is better amongst students with an urban background as compared to the rural background. Overall in higher education, it's found that professional courses are preferred over non-professional courses.

Table-3: Distribution of Students' participation in a Professional and Non-Professional course with their locality

Course Pursuing	Geographical background		Total
	Rural	Urban	
Non- Professional	43 (57.33)	30 (36.14)	73 (46.20)
Professional	32 (42.67)	53 (63.86)	85 (53.80)
Total	75(47.47)	83(52.53)	158(100)
	158(100)		

Source: Primary data

c. Financial Sources and Accessibility of Education Loan

Financial support for any student is a very important issue and it plays a major role in higher education. Generally, families who are economically in a better position they can fund their children's education from own resources. Financial assistance from different sources is required for students belonging to poor families. Education loan is an alternative source of funding for needy people to access higher education. Intuitional banks are providing financial support to the deserving students for pursuing higher studies through loans. In this section, we examined the issues pertaining to affordability and access to loans by students who are willing to pursue higher education.

The Table-4 provides a brief overview of different sources of funding for higher education by students in South Karnataka. From the survey results it is evident that for 69.62% of students, self-financing is the primary source of funding the expenditure on higher education while only 23.42% of the student population depends on education loans. The remaining 6.96% of students depend on other unorganized sources for financing like Swha Sahayak Sangha and money lenders for their expenditure on higher education. It is understood that only those people who got the affordability can participate in higher education better.

Table-4 Accessibility of education loan and other financial sources for higher education: Gender and regional wise analysis.

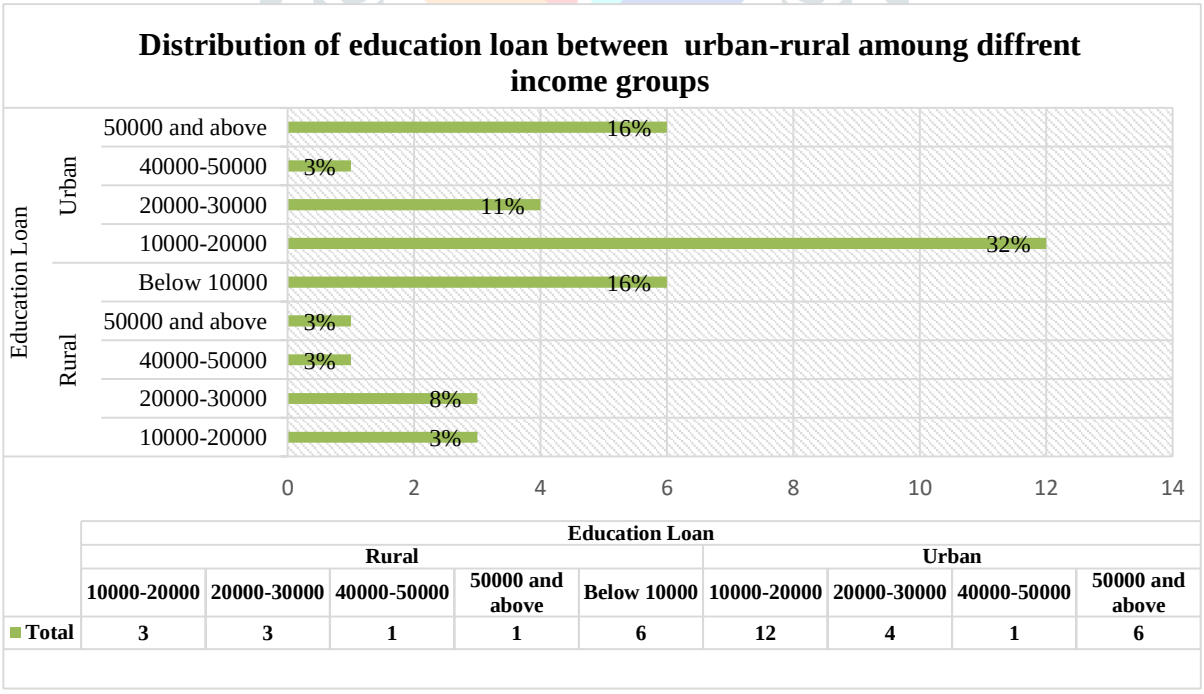
Source for Educational expenditure	Gender	Geographical background				The total share of expe. by male and female (1+3)	Total Source (2+4)
		Rural (1)	Rural total (2)	Urban (3)	Urban total (4)		
Educational Loan	Female	7 (4.43)	14 (8.86)	13 (8.23)	23 (14.56)	20 (12.66)	37 (23.42)
	Male	7 (4.43)		10 (6.33)		17 (10.76)	
Self-Financing	Female	25 (15.82)	55 (34.81)	29 (18.35)	55 (34.81)	54 (34.18)	110 (69.62)
	Male	30 (18.99)		26 (16.46)		56 (35.44)	
Unorganised Sector Sources	Female	4 (2.53)	6 (3.8)	2 (1.27)	5 (3.17)	6 (3.80)	11 (6.96)
	Male	2 (1.27)		3 (1.90)		5 (3.16)	
Total		**75 (47.46)**		**83 (52.53)**		**158(100)**	**158 (100)**

Source: Primary Data

Across gender-wise analysis, surprisingly the survey results suggest that female students (12.6%) have dominated in availing education loans for financing their higher education as compared to the male students (10.7%). In terms of self-financing, both male and female students were very close to each other.

Once again, we would want to highlight that fact that the urban-rural background of the student plays a vital role in access to education loans. Nearly 14.56% of the students from urban areas seem to be availing education loans while only 8.86% of students from rural areas availed education loans for financing higher education. In addition, 34% of the students from urban areas resorted to a self- financing method to support their expenditure on higher education while that in rural areas this source of financing was resorted to by 35% of the students. Rural male (18.9%) is better self-financed than the urban male (16.4%) Student population.

Figure 1: Distribution of education loan between Urban-Rural among different income groups.



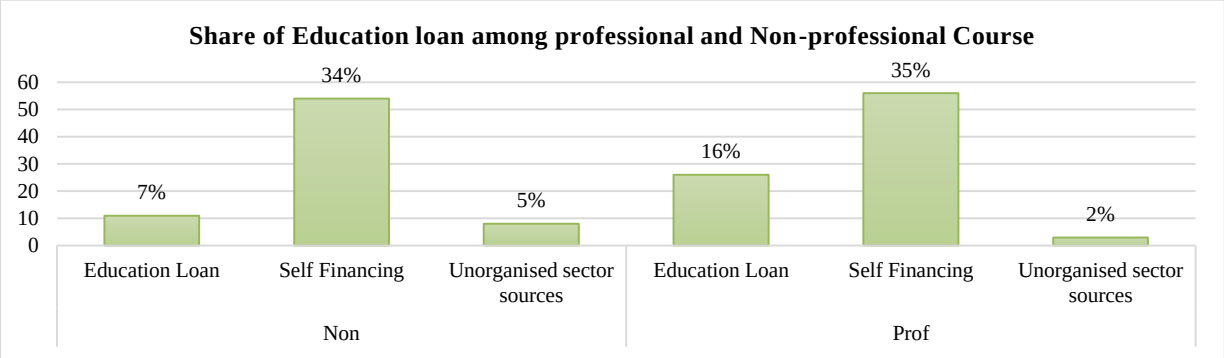
	Education Loan								
	Rural					Urban			
	10000-20000	20000-30000	40000-50000	50000 and above	Below 10000	10000-20000	20000-30000	40000-50000	50000 and above
Total	3	3	1	1	6	12	4	1	6

Source: Primary Data

Family income is also one of the important factors in determining a student's college choice and also opting type of course in higher studies. Figure-1 explains the distribution of educational loans between urban and rural student population belonging to different income group. The above figure explains that students from urban areas (62%) got better access to student loans than rural students (38%). Among the surveyed students, it was observed that the maximum number of students who availed education loans

were students from urban areas belonging to the income category between 10 and 20 thousand (per month). In the rural area, there is no much difference found among different income category. Figure-2 shows the share of different sources of financing professional and non-professional education. The survey results indicate that self-financing is the dominant source among both professional and non-professional courses with 35% and 34% respectively. Nearly 16% of students going for professional courses depend on education loan while only 7% of students from non-professional courses avail education loans. The balance is supported by other Unorganised sources. However, the common factor in both the courses is the self-financing rate, which is high. Students who are part of non-professional courses are borrowing more from the unorganized sector (5%) than professional courses.

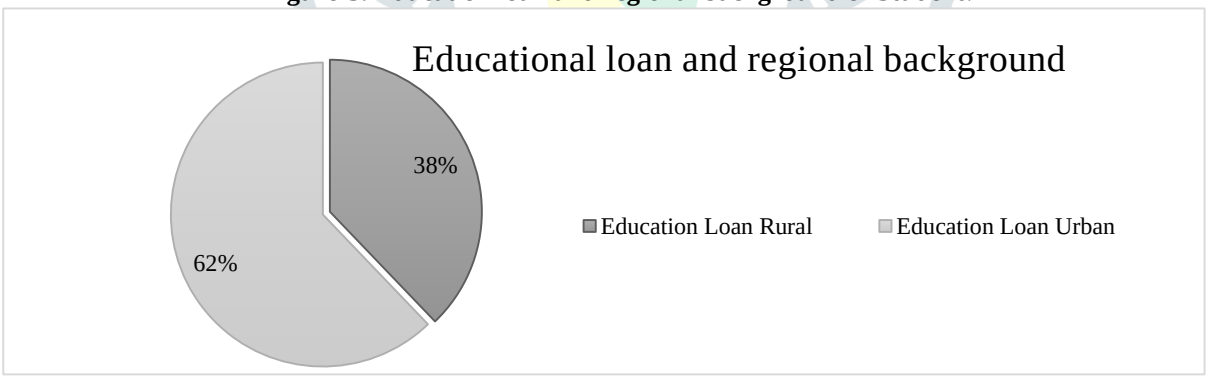
Figure 2: Share of Education loan among professional and Non-professional courses



Source: Primary Data

Since commitment towards Universal Primary education there has been a decrease in the government expenditure on higher education consequently (Tilak, 2004) then the burden of financing higher education has shifted to households. Education loans are seen as a better alternative to bear the cost of higher education at present. With a rapid pace increase in the cost of higher education in recent years, even alternative sources like education loans may not be able to sufficiently meet the cost of expenditure on education. The survey suggests that 60% of students who borrowed education loans reported that they were not satisfied with the amount they received as a loan for higher education purpose, while the balance 40% indicated that they were satisfied with the amount they have received.

Figure-3. Education loan and regional background of Student.



Source: Primary data, 2017

It is evident in the figure -3 that students from urban (62%) background are able to access better educational loan facility than students from a rural background (38%). It has been noticed that the awareness about the educational loan in urban area students is fairly better than the rural area students. As per the survey results, it is evident that the urban-rural background of a student is also a critical factor to access educational loan.

VII. Conclusion

In developing countries, investment in human capital through education is very much required for a better future. Now it is time to priorities higher education to get qualified human capital, which is a crucial factor in a country's development. Due to resource constraints, the government is unable to mobilise the resources and cope with the growing demand and meet the requirements in the higher education sector. Privatization is playing a major role in higher education and cost has gone up. It is evident in our empirical analysis that higher education is not accessed equally by gender and social groups. General and OBC category have better access than other categories in society. Students from the urban background are participating well in Higher education than rural background students. Regional factors seem to influence the participation in higher education. Also, those who are able to self-finance seems to be participating well in the higher education sector. A very small portion of the student category is participating in higher education with the help of an education loan. Again, Urban-rural, the regional background plays an important role in availing educational loan for higher studies. The students from urban background got better access to educational loan compared to rural students. As it is assumed (IBA Model, 2001) education loans are disbursed on a meritorious basis is ruled out. Professional courses are prioritised over non-professional courses. Therefore, policies for higher education need to be focused on the issues of equity, quality, accessibility and relevance.

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