



PRIORITY SECTOR LENDING AND AFFORDABILITY OF EDUCATION: SCOPE AND CHALLENGES

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INTRODUCTION

Priority sector refers to those sectors of the economy which do not get a timely or essential credit in the absence of special containment. The priority sector lending has been initiated by the RBI and instructed to the commercial banks to provide a certain portion of the bank lending to some requisite sectors. Special targets are set by the RBI, which the commercial banks should concentrate certain areas to lend. It includes, agriculture and allied activities, MSME, housing for the poor, student for education, minority sections of the society, low income groups, social infrastructures, etc. The policy of social control of the bank was one of the major source of bring up the priority sector lending for the banks, social control began to align the operations with their national objectives were willing to co-operate with the socialist principle, it encourage the government to manage were the national objectives were given a set of considerations by the banks.

According to 2011 national senses report India is a country having 1.36 billion people. The total literacy rate in country at present is 74.04% and our population was increasing within minutes. The periodic labour force of survey (PLFS) of NSSO showed the employment rate in the country in FY 18 was at 5.3% in rural India and 7.8% in urban India resulting overall unemployment rate of 6.1%. So we are in such apathetic situation and at the same time we are blessed. India is blessed with abundant labor force. If the problem of unemployment is solved it will help in development of the country. The problem of unemployment is rising but many industries are facing the problem of skilled candidate for their company. We can see a boom of software industries and out sourcing industries in India, but still facing the problem of unemployment. For reducing the cost of production and work load companies in developed nations adopt out sourcing, and their first preference is India but these out sourcing companies still facing the problem of unemployment. Giving better education is best way to perform in this trajectory. But the question arising here is that how to make affordable education.

Indian banking sector have a pivotal role in this area, if the bank gives affordable education loans to the students of economically weaker section. Recently our government has implemented many programs to develop the skills in Indian working age population. Utilizing this kind of opportunity will make better life to the young generation and the young intelligence will flourish. It will gradually reduce the unemployment problem and the country can develop faster. For utilizing this opportunity, commercial banks have a major role, 40% of the loans provided by the commercial banks are given under priority sector lending.

Education and development are interrelated, as education gives inputs for economic growth among which knowledge is an important one. Development of knowledge is based on the quantity and quality provided for higher education in a country. The key factors driving education finance are the socio economic profile of the students and cost of education .When we compare with general education technical or professional courses including vocational courses insure higher fees. Currently, the sector is overly covered by the public sector banks forming almost 95% of the total bank lending to the education loan sector. The loan portfolio of PSB has large regional discrepancies with higher proportion of portfolio outstanding in southern India, mainly Kerala and Tamilnadu. This indicates that there is huge introductory piece across India. Recently, there is emergence of NBFCs with specialized approach towards education sector. They have different approach towards education loans in terms of financing as compared with the banks .Their presents can be seen across the major cities in India and overly funding students for abroad education, which provide more employment. Emergence of portal like Vidya Lakshmi will help the students who are seeking for education loans(this portal has been developed and been maintained by NSDL e-Governance Infrastructure limited .Students can view, apply and track the education loan application to banks anytime ,anywhere by accessing the portal). The education loan segment which is primarily driven by government emphasis on giving finance to praiseworthy students requires a focused approach towards designing the product to maintain good asset quality.

Development of higher education depends on various factors, among them finance have a major role. Bank credit plays an important role in upgrading the education and development of skilled professionals required by an emerging market economy like India. In Indian bank association who put forward the idea to encourage education loans through the introduction of education scheme. Financing for higher education is being met through various forces including direct student loans from banks and other financial institution, parents borrowing through other channels including from friends and relatives etc.

FEATURES OF EDUCATION LOAN SECTOR

1. Higher participation of public sector banks

The nationalized banks, including the SBI group, have the highest proportion forming around 95% of the education loans portfolio amongst the banks. The education loan sector is emphasizing on providing finance to the praiseworthy students from the lower socio-economic background.

2. Large regional disparities in education portfolio of bank

Banks shows large regional disparities in distribution of education loan. Southern India form around 56% of the total education loan portfolio of the banks. Among these states Tamil Nadu and Kerala together account for approximately 37% of the outstanding education loan portfolio .The education loans are skewed towards some regions mainly on account of higher literacy levels and students inclination to pursue higher education mainly technical courses.

3. Increasing cost of education driving education finance

Comparing to general education, higher education technical/professional courses entails higher fees. In fact the majority of the colleges in India are privately managed and unaided has led to higher requirement for finance from banks. The rising cost of obtaining a collage degree has meant that for many student that the only way to finance their education is th educational loans. By considering the cost associated in completing the course ,students from the economically weaker sections are more likely to access bank finance.

4. Growing emergence of NBFCs

NBFCs have specialized approach towards education sector. Comparing with banks the portfolio of NBFC sector within the education loan segment is lower. The NBFCs have focused in key cities across India wherein the students are more likely to pursue higher studies mainly post graduate courses and looking opportunities outside India . Almost 90% of the portfolio of the NBFCs spread across 6 cities

- Mumbai
- Delhi
- Chennai
- Bangalore
- Pune
- Hyderabad

Mumbai occupies a major chunk of the portfolio followed by Hyderabad and Chennai. Domestic funding is very low as compared with total funding by the NBFCs, because they have clear preference for praiseworthy students from weaker sections.

5. Online portals

Opening up of portals like Vidya Lakshmi will help the students to access educational loans. This portal has been developed under the guidance of Department of Financial service (ministry of finance), Department of Higher education (Ministry of human resource development) and Indian banks association (IBA). Students can view, anywhere by accessing the portal.

According to RBI's instruction the banks are providing 40% of their loan as PSL. They provide this into 8 categories, among them we can see that the amount provided for housing sector and software industries is high, because this much amount is not necessary in these sectors. Priority Sector Lending is introduced for the upliftment of the weaker sections in the economy. If we reduce the amount provided as loan to the above two sectors can be used for providing affordable loans in the educational sector.

CONCLUSION

In conclusion, the education loan has great scope in the Indian economy when the educational credit becomes more affordable. Major aim of providing loans in educational sector is to make qualified persons. But we are facing some challenges, in the area of employment generation. This means people are educated but they are not employed. Most of the organizations or industries are hiring people with technical skills. Skill development bridges the gap between labour and employment. So the educational loans provided through the priority sector lending must focus on the skill development programmes. It will help the country to reduce unemployment and, this help our country become a developed nation.

