

Financing of Higher Education: A Special Reference to Education Loan

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Abstract:- Development of higher education depends on various factors, among which finance plays a major role. Financing higher education has attracted serious attention of policy makers and educational thinkers. Alternative ways of financing higher education being explored and implemented to overcome the problem of deficit finance and cost recovery. Among them educational loan is increasingly seen as an important source of finance. It is necessary to note that education loan has become a way transferring financial burden from government to consumers of higher education.

Keywords: Higher Education, Public Expenditure, Education loan

INTRODUCTION

One of the key measures of economic development of a country is providing education accessible to a large number of people. Development of any nation solely depends on the quality of human resources; and good human resource is produced through quality education. Access to and availability of higher education is crucial for creation, spread and application of knowledge for development. Expenditure on education is considered as an investment on human capital; it raises the level of skill and therefore productivity of worker and thus contributes to economic growth and development of the country. Some studies show that countries spend large money on education grows as faster rate compared with countries spend less on education. Higher education in India is basically a state funded sector. But as higher education benefits not only society at large, but also individuals specifically, and as it attracts relatively more privileged sections of the society, there is a rationale for shifting the financial burden to the individual domain from the social domain.

Public expenditure on education in india

Government spending is the major source of finance for improving higher education. Availability of financial resources is an important determinant for quantitative expansion and qualitative improvement of educational sector. Our education system has severely starved of funds. The government has allocated roughly Rs 80,000 crores for the sector in the year 2017, about 10 percent higher than last year. While the number may seem huge, one has to view it in proportion to the total expenditure. Compared to peers, India spends the least on education. The Economic Survey of the year 2017-18 shows that the states and the Union government together have been investing less than 3 per cent of the country's GDP in education or, in the survey's definition, in education, sports, arts and culture. Six years ago, that is in

2012-13, education expenditure was 3.1% of the GDP. It fell in 2014-15 to 2.8% and registered a further drop to 2.4% in 2015-16. Although, there have been some signs of recovery since 2016-17 (2.6%), expenditure on education hasn't been restored to the 2012-13 level.

Financing Higher education – Education Loan

In light of the increasing demand for and escalating costs of higher education, higher education to the masses is not an easy plan to implement. In this context, education loan is an important and arguably effective tool for financing higher education. It is a great initiative as all people irrespective of their financial status can achieve higher education and degrees in the fields and subjects they are interested in. Education loan is becoming day by day popular because of rising fee structure of higher education. This started in 1995 in India when most of the banks started to give education loans. Education loan aims to provide need based finance to meritorious students. But students should understand that educational loan is like any other commercial credit or loan. Hence the student should be well prepared by doing their homework on how to repay the credit through earnings from jobs. Here is a table which shows the positive relation between enrolment of students and increase in education loan.

| Year | Percentage of students enrolled in higher and tech.education | Education loans released (Rs. 10 millions) | Education loan as a % of Govt exp. On higher and tech. Education |
|---------|--|--|--|
| 2000-01 | 1.3 | 1028.0 | 5.1 |
| 2001-02 | 1.8 | 1527.0 | 16.0 |
| 2002-03 | 2.5 | 2870.0 | 28.2 |

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|---------|-----|---------|-------|
| 2003-04 | 3.5 | 4179.0 | 35.1 |
| 2004-05 | 4.0 | 6398.0 | 50.6 |
| 2005-06 | 4.0 | 10804.0 | 73.6 |
| 2006-07 | 6.4 | 14012.0 | 84.5 |
| 2007-08 | 7.1 | 19748.0 | 86.4 |
| 2008-09 | 8.5 | 26913.0 | 104.0 |
| 2009-10 | 9.2 | 35855.0 | 111.8 |
| 2010-11 | 8.0 | 41341.0 | 96.9 |
| 2011-12 | 8.3 | 46727.0 | 94.1 |
| 2012-13 | 8.4 | 50927.0 | 86.7 |

Source: Statistical Tables relating to Statistics in India, Selected educational Statistics for the period 2000-01 to 2005-06; Selected Statistics on Higher and Technical Education since 2006-07

Average annual growth rate of loan accounts was 28.7%, while growth in enrolment in higher education was around 12%. Also amount of education loans released increased rapidly from Rs. 10,280 millions (Rs. stands for Indian Rupees) in 2000-01 to Rs. 702,820 millions in 2013-14. Increase was phenomenal at an annual average growth rate of 38%, while rate of growth of government expenditure was at 15%. Share of education loans constituted around 8.8% in total expenditure on higher and technical education in 2000-01, increased to 85% by 2006-07. Since 2007-08, education loans exceeded government expenditures on higher and technical education. Eventhough the centre and the state is funding on education, it is not enough to finance the sector properly. It shows from the table that as the enrolment of students increases the amount of education loan released also increases.

CONCLUSION

With expensive professional education becoming mandatory for people across the country, education loan seems the most effective way to tide over these expenses. Also it is important to bridge the gap between rich and poor and it can only be possible when poor people can achieve higher education. Hence education loans are very essential. Most of the students expect to land high salaries after completing their education and repay the amount of loan easily.

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