Chapter - 8
SUMMARY, CONCLUSIONS AND POLICY IMPLICATIONS

Educational loan schemes are working in whole of the world in one form or the other. Student loan schemes differ widely in their design, form of administration and management, repayment mechanism, extent of public subsidy and methods of allocation. Reviewed literature conclusively establishes that the countries which have invested heavily in education realized higher growth rates than those which neglected it. Education has multiple functions to perform; chief among them is the creation of well educated people who will bring their talents, knowledge and experience to perform diverse roles in the social and economic organization of the society. All types and levels of education are considered a form of investment in the socio-economic structure of the growing society. And, out of various levels and types of education, viz. elementary education, secondary education, higher education and professional education, etc., the professional higher education has an influential impact on all round development of any country as it empowers the individuals with necessary competence for achieving important personal, social and higher level professional goals. Apart from this, it is known for certain that returns to higher education are significant and a large number of graduates are in lucrative professional business or administrative service. Available data on the pattern of employment and earnings prove that earnings of people with higher education are higher than those with primary and secondary education. Even amongst those with higher education, monthly earnings of persons vary with the different examinations they have passed, the highest being generally found more in case of technological and medical workers/professionals.

It has, therefore become imperative for the developing countries like India, to give due importance to both quantitative and qualitative expansion of this sector. The expansion and growth of professional higher education sector depends crucially, if not entirely, on the input of financial resources into the system. It is, therefore, important to analyze the flows of financial resources made into this sector. Under new economic dispensation, the professional higher education system of the country has witnessed remarkable changes in terms of courses, recruitment, management, ownership and financing, etc. There have been attempts in the policy and even academic circles to declare higher education as non-merit good. There is also an attempt to cut down the
budgetary support to shift the resources from higher education to elementary education. The universities and higher education institutes have also attempted to realize the full or partial cost of delivery of education by the imposition of user charges. Equality of opportunity demands that no one with ability should be debarred from higher education merely on poverty considerations or poor financial backing. In such a situation, in order to help the meritorious students who cannot afford to pay, a liberal financing by means of soft loans sanctioned by the existing financial institutions, such as banks, may be a good option. Student loan program is mainly an outcome of this liberal financing concept. It is regarded as one of the most prominent methods to finance professional higher education throughout the world.

The analysis of educational loans in India shows that student loans in India actually started with the provision of loans from public sources. The National Loan Scholarship Scheme has been in operation in India since 1963. In the very first year 1963, as many as 18,000 loan scholarships were initially announced, but only 9,600 were actually given. The number of loan scholarships touched an all time high level of 26,500 in 1965-66; and immediately declined to 18,000 in the following year (i.e. 1966-67). The figure stabilized over the years around 20,000, except in 1973-74 when due to 'economy' measures (necessitated by high rates of inflation, etc.) the number was halved to 10,000.

Originally, the scheme started with Rs. 13.3 million in 1963-64, and in 1991-92 the budget for the scheme was of the order of Rs. 30 million. The budget for the scheme fluctuated significantly, and it was around Rs. 40 million during the 1970s. As the number of scholarships was fixed, the actual amount sanctioned depends upon the distribution of scholarships by the various levels/types/courses of higher education. The total amount invested in student loans from their introduction in 1963 until 1987-88 was of the order of Rs. 869 million. In 1991-92, 82 per cent of the total scholarships were covered by school education, 13.7 per cent by post graduate students, 3.8 per cent by university courses and minimum (0.5 per cent) scholarships were absorbed by post second graduate. There exist high variations regarding educational loans among different states of India in 1991-92. It was found that Uttar Pradesh covered the highest (16.19 per cent) of scholarships from all over India, followed by Bihar among the sanctioned educational loans to students. Lakshadweep got the least (0.005 per cent) followed by Dadra and Nagar Haveli (0.015 per cent) of scholarships in India in 1990-1991.
After adopting the policy of economic reforms in 1991 the educational scenario has changed. The share of development expenditure in the total expenditure of the states declined in the aftermath of the reforms and out of that, the share of education along with health declined. The share of total expenditure on higher education by the union government fell to 16.7 per cent in 1996-97 from 20.6 per cent in 1990-91, which climbed up to 26 per cent in 1998-99 to decline again to 19 per cent in 2003-04. As a percentage of GDP, the government expenditure on higher education declined to 0.37 in 2003-04 from 0.46 in 1990-91. During the reforms period, many commercial banks got involved in educational loan scheme. Commercial banks in India include public sector banks, private sector banks and foreign banks. Annual growth of educational loans from 1990-91 to 2000-01 shows that the growth was negative during 1990-91, 1991-92, 1992-93, 1997-98 and 1999-2000, and it was positive in other financial years. The variations in annual growth indicate lack of consistency in the annual increase in amount of the loan. Further, of the total priority sector lending by public sector banks, the share of student loan has remained less than one per cent throughout the period. Educational loan scenario in India since 2009 onwards is totally changed. Total number of educational loan accounts in 2009 was 1519988, and amount outstanding was Rs. 24848.22 lacs.

An account-wise analysis shows strong variations among the various regions of the country. The performance of six regions in educational loans in terms of outstanding number of accounts in India during 2009, 2010 and 2011 shows that Southern Region stood at first with highest percentage of educational loan accounting 60.47 per cent followed by Central Region with 10.99 per cent in 2009. The least outstanding number of accounts was in North-Eastern Region with 0.77 per cent followed by Western Region with 9.02 per cent in 2009. In 2010, again Southern Region showed the highest percentage of outstanding educational loan accounts with 61.42 per cent followed by Central Region with 10.87 per cent. Least share was contributed by North-Eastern Region with 0.79 per cent followed by Northern Region with 8.52 per cent under outstanding educational loan accounts in 2010. Highest outstanding educational loans were of Southern Region with 61.72 per cent followed by Central Region with 10.57 per cent in 2011. Least outstanding educational loans were of North-Eastern Region with 0.78 per cent followed by Northern Region with 8.04 per cent in 2011.
State-wise analysis again shows large variations in terms of outstanding number of accounts and outstanding amount in India during 2009, 2010 and 2011. Performance of educational loans (Outstanding Number of Accounts) in all states and UTs in terms of percentage shows that highest percentage of beneficiaries were from Tamilnadu (25.89 per cent) followed by Kerala (13.37 per cent) in 2009. The least outstanding number of accounts in terms of percentage was from Lakshadweep (0.0008 per cent) and second least beneficiaries were from Nagaland (0.014 per cent) in 2009. Largest share in terms of percentage of outstanding educational loans was of Tamilnadu (29.14 per cent) followed by Kerala (12.52 per cent). The least percentage of beneficiaries was from Nagaland (0.001 per cent) followed by Daman & Diu (0.007 per cent) in 2010. In 2011 the largest share under outstanding educational loan accounts was of Tamilnadu with 31.35 per cent followed by Kerala with 12.67 per cent share. The least share under outstanding educational loan accounts was of Lakshadweep with 0.001 per cent in 2011. From 2009 to 2010 and 2010 to 2011 the outstanding number of loan accounts has increased in absolute terms in total from 1615046 to 1972056 and from 1972056 to 2287843 respectively.

In case of Punjab, the collective share of education, sports and culture in the Punjab state budget declined from 22 per cent in 1970-71 to 17 per cent in 1980-1981 and further to 12 per cent in 2004-2005. More than 90 per cent rural people and a sizeable proportion of urban people in Punjab would not be having access to higher education because of exorbitantly high fee and funds of private institutions. Educational loans have been provided to students since the mid-sixties in Punjab. The amount outstanding recorded major fluctuations in annual growth over the period from 2006 to 2012. In 2007, annual percentage increase was highest (i.e. 68.25 per cent). In 2008, it has decreased to 11.49 per cent. In 2009, annual increase in percentage shows an improvement and it was 19.16 per cent and next year in 2010 it again declined. In 2011, annual increase in terms of percentage was 29.97 per cent, in 2012 it was 5.01 per cent and in 2013 it achieved a negative sign (i.e. -9.11 per cent).

During 2007-08, the educational loans sanctioned were 10951 and total amount sanctioned was Rs. 47451 lacs in Punjab. Maximum number of accounts during 2007-08 was opened by public sector banks i.e. 99.02 per cent out of the total opened accounts. Highest amount sanctioned (99.42 per cent) was also of public sector banks during the same period. Educational loans sanctioned during 2008-2009 were 11763 and total amount sanctioned during this period was Rs. 47495 lacs.
Maximum number of accounts from 2008 to 2009 was opened by public sector banks i.e. 80.98 per cent followed by Co-operative Banks with 17.85 per cent. Highest amount sanctioned (81.32 per cent) was also of public sector banks followed by Co-operative Banks during 2008-09. Total educational loans sanctioned during 2009-2010 were 10530 and total amount sanctioned was Rs. 46466 lacs. Maximum number of accounts from 2009 to 2010 was opened by public sector banks i.e. 91.59 per cent of the total opened accounts followed by Co-operative Banks with 6.95 per cent. Highest amount sanctioned (94.92 per cent) was also of public sector banks followed by Co-operative Banks with 4.02 per cent during 2009-10. The total number of loans sanctioned from 2010 to 2011 was 8061 and total amount sanctioned during this period was Rs. 36362 lacs under educational loans. Maximum number of accounts was opened by public sector banks i.e. 91.14 per cent of the total opened accounts followed by Co-operative Banks with 6.15 per cent of the total loans sanctioned during the 2010-11. Highest amount sanctioned (93.56 per cent) was also that of public sector banks followed by Co-operative Banks with 4.48 per cent during the same period. As on 31-03-2012, highest outstanding accounts was with public sector banks (98.21 per cent) followed by Co-operative Banks with 0.73 per cent of the total outstanding accounts. Minimum outstanding accounts were of private sector banks with (0.42 per cent) of the total outstanding accounts. Outstanding amount was highest of public sector banks with 90.96 per cent and least was of private banks with 0.34 per cent as on 31-03-2012. As on March ended 2013, outstanding accounts was highest of public sector banks with 98.04 per cent and least outstanding accounts was of private banks with 0.37 per cent of the total outstanding accounts. Same is the case in outstanding amount as maximum amount was outstanding with public sector banks with 98.48 per cent followed by co-operative banks with 0.66 per cent.

The analysis of educational loans on the basis of outstanding amount per account provides interesting results. The position of various banks changed over the period from 2008 to 2013. The private sector banks provided the highest outstanding amount per account with Rs. 3.29 lac and least has been made available by regional rural banks with Rs. 1.98 lac as on March ended 2008. On March ended 2009, maximum share in outstanding amount per account amount was of public sector banks with Rs. 2.62 lac and least share was of regional rural banks with Rs. 2.05 lac. Again as on March ended 2010, contribution of private sector banks in outstanding amount per account was highest with Rs. 2.99 lac followed by public sector banks with Rs.
2.68 lac and least outstanding amount per account was made available by regional rural banks with Rs. 2.09 lac. As on March ended 2011, role of public sector banks was highest in outstanding amount per account with Rs. 3.56 lac and least participation was of regional rural banks with Rs. 1.78 lac. As on March ended 2012, regional rural banks contributed highest in outstanding amount per account with Rs. 41.69 lac followed by public sector banks with Rs. 3.04 lac. Public sector banks contributed highest in outstanding amount per account with Rs. 2.99 lac and least contribution was made by regional rural banks with Rs. 2.10 lac as on March ended 2013.

Picture of cumulative growth rate of different bank groups under educational loan accounts outstanding shows that the growth rate of RRBs was found to be highest from all the bank groups with 41.24 per cent from 2008 to 2013 followed by Co-operative banks with 23.09 per cent. However, the data also indicated that private banks experienced negative growth rate of -9.86 per cent under educational loan accounts outstanding. The cumulative growth rate of different bank groups under educational loan amount outstanding was highest of RRBs from all the bank groups with 83.57 per cent followed by Co-operative banks with 24.15 from 2008 to 2013. However, the data also indicated that private banks experienced negative growth rate with -12.9 per cent under educational loan amount outstanding.

The analysis made from the angle of women in educational loans indicated that their participation was not so good in this field. As on 31-3-2012, the banks in the state of Punjab have 36631 outstanding educational loan accounts with outstanding amount Rs. 120152 lacs. Out of these 8830 outstanding accounts and Rs. 25054 lacs amount outstanding have been availed by women. The percentage of total outstanding accounts and amount advanced to women comes to 24.12 per cent and 20.9 per cent respectively. As on 31-3-2013, the banks in the state of Punjab have 36611 outstanding educational loans with outstanding amount Rs. 109207 lacs, out of which outstanding accounts 13159 and amount outstanding Rs. 36175 lacs have been made available to women. The percentage of total outstanding accounts and amount advanced to women comes to 35.94 per cent and 33.12 per cent respectively.

Non Performing Assets (NPA) in terms of amount outstanding of educational loans up to quarter ended March 2011 was 3.06 per cent. On quarter ended 2011, collateral free educational loan amount outstanding granted to students was 30.9 per cent of the total amount outstanding and out of collateral free educational loan amount
outstanding NPA was 5.18 per cent. NPA of amount outstanding of educational loans as at quarter ended March 2012 was 2.22 per cent. As at quarter ended March 2012 collateral free educational loan amount outstanding was 35 per cent of the total amount outstanding and NPA was 4.31 per cent of the collateral free educational loan amount outstanding. NPA of amount outstanding of educational loans as at quarter ended March 2013 was 2.52 per cent. In this quarter 33.93 per cent collateral free educational loan amount outstanding granted to students and NPA was 3.93 per cent. This shows that NPA is more in case of collateral free loans. This comparatively high NPA is because of many youngsters are unable to repay these loans due to lack of employment opportunities.

The analysis of student borrowers based on primary data provides good insights about the borrowing behavior of students. Out of 150 sampled students, 94 were males and 56 were female student borrowers. More than 50 per cent of the student borrowers were between 20 to 22 years age group. Two third of the student borrowers belonged to Hindu religion and general category families. Perusal of data shows that educational loan scenario was more in favor of those students who have passed their matriculation and senior secondary studies from urban based private schools. Educational loans are available to those students who were found to be meritorious in studies. Small sized, nuclear and educated families are taking more interest to avail educational loan facility provided by banks. Majority of student borrowers belonged to those families who are working in government sector and occupied in business. Reason behind this may be that government service is a security in itself for the bank. Data supported the recommendations of RBI that poor and meritorious students should not be far away from higher education facilities. It is generalized on the basis of surveyed sample that most of the students belonged to the families which have basic amenities in their houses or middle class families.

Data shows that most of the students borrow for engineering and medical study and from public banks. This is also consistent with our earlier findings that (public sector banks have been providing maximum educational loans). Students have preferred the local area bank for getting the educational loans. Analysis shows that educational loan is urban area phenomena and most of the families of the borrowers lie in the annual income group up to Rs. 4 lacs. This also supports the guidelines given by RBI of India that educational loans are made available to needy students. All the student borrowers said that rate of interest on educational loans is very high, while
in case of automobile loans and house loans it is low. In case of bank officials, most of officers support that service sector and urban parents are availing the facility of educational loan in most of the cases. Most of the officials said that maximum students are availing the facility of educational loan to study abroad. Maximum number of officials said that they use advertisement in newspaper as a tool to popularize the educational loan scheme.

In univariate analysis, educational loan amount is considered as dependent variable and eleven factors have been found to be significantly affecting educational loan amount. Social factors like gender, age, religion and residential location of student borrower did not significantly affect educational loan amount, it means social factors did not play much in determining educational loan amount. It is clear from the univariate analysis that academic achievement of the student borrower in previous classes in terms of percentage marks (matriculation and senior secondary) plays a significant role and shows that those students who achieved high percentage in above said classes got more loan amount than other students. School location and board of examination of previous education also plays a significant role in determining educational loan amount as analysis clears that those students who have passed matriculation from PSEB, Mohali, a state level examination board, significantly borrow less than those who passed from CBSE, Delhi and from ICSE, Delhi.

Further, those students who passed their senior secondary examination from urban area borrow more loan amount than those who passed from rural location of the school. Income of the family of the student borrower is also a significant factor which effect educational loan amount. It shows that the loan amount borrowed by students whose family income was above Rs. 4 lac was significantly higher than that of students whose family income was between Rs. 2-4 lac respectively. Mother’s occupation significantly affect the borrowed educational loan amount, means those borrowers whose mothers are in service availed more loan amount than those whose mother’s were not working. Mother’s educational qualification significantly affect borrowed loan amount, means that higher the educational qualification of mother of the borrower higher the educational loan amount borrowed by them. Borrowed educational loan amount differed significantly on the basis of course joined by student borrowers with the loan. Results shows that those students who are studying in medical, dental, nursing and engineering studies borrow more loan amount than those who are studying in management, computer applications and pharmacy studies. Next
significant factor is nature of professional institute, students studying in private institutes availing significantly higher loan amount than government institute students. Reason behind this difference is that fee structure of private institutes is very high compared to government institutes. Professional course expenditure is also a significant factor in determining borrowed educational loan amount, as the course expenditure increases, educational loan amount also increases. Location of bank from where students borrow plays a significant role in loan amount of students who availed loan from urban area is significantly higher than those students availed from semi urban area branch of the bank.

In multivariate analysis, the value of R Square was found equivalent to 0.576. It means that significant variables are 57.6 per cent responsible in determining the dependent variable (educational loan amount). The variations in the educational loan amount could be explained by eleven significant independent variables. Among these eleven significant determinants, first determinant explains that student borrowers belonging to Sikh religion significantly borrowed more loan amount than that of other religious borrowers. Second determinant explains that those students who achieved high percentage in matriculation significantly borrow more amount than others. Reason behind this may be that those students who achieved high percentage in matriculation got admission in those professional institutes where fee of courses are quite high, so they borrow more amount. Third variable shows significant but negative relation which means that those students who have passed their matriculation from CBSE, Delhi borrow fewer amount than others. Fourth variable shows positive and significant relation with dependent variable which means that those students who achieved high percentage in senior secondary borrow more amount than those who achieved less marks in senior secondary. Fifth variable explains that those students who passed their senior secondary from urban located schools significantly borrow high loan amount than rural located ones. Reason behind this may be that urban area students and parents of students are more aware about these facilities. Sixth variable shows that those students who passed their senior secondary from government schools significantly borrow more loan amount than those who passed from privately organized schools. Reason behind this phenomenon may be that students who are studying in government schools belongs to low income group families than others who are studying in privately organized schools. Seventh variable shows that those students whose parents are working in business sector significantly avail high loan
amount than others. Eighth variable explains that those students who have adopted medical studies as a course significantly borrow high amount than others. Reason behind this may be that medical institutes are mostly organized by private sector and fee structure of these institutes is quite high. Ninth variable shows that loan amount borrowed in recent years is significantly high than those borrowed in previous years. Reason behind may be this that fee of professional courses in recent years shows a quite hike. Tenth variable shows that students who borrowed from semi urban branch of the bank borrow significantly fewer amount than others. Last variable show a positive relation which means that as the expenditure of the course of study increases borrowed loan amount also increases. Regression model indicates the strong overall explanatory power of the regression analysis.

Both the univariate analysis and multivariate analysis, establish that educational loan amount depends upon academic achievement in previous classes, educational status of the family of student, occupation of parents and cost of pursuing course with loan. These results support the views of bank officials and fulfill the obligation of RBI to finance the education to poor, needy and meritorious students.

**Policy Implications**

In the present scenario when the governments of most of the developing countries are curtailing revenue and capital expenditure, it is the educational system, which gets affected and has been facing a resource crunch. In real terms, India is not very different from the many other developing nations. On this ground, alternative sources of funding the education are one of the major debated issues. Among the existing and present sources of funding of education, particularly the higher and professional education, educational loan scheme is viewed as one of the most trusted and applied tool for higher education funding across the globe. The existing educational loan scenario needs to be improved in India to make the educational loan scheme a unique way of providing greater access to higher and professional education for the meritorious and needy students. The existing system of educational loans need some interventions keeping in view the situation of job market, higher level of loan requirement, long duration of courses, and man power requirement of the nation.

The rate of interest must be adjusted downward than from the present level. Now it is in the range of loans provided in the hard core commercial lending such as automobiles, personal loans and housing, etc. This step will increase the access to
educational loans for a larger number of students and will enhance the size of the market for student loans in the country. It will also enhance the role of the state as a market facilitator and creator of an enabling environment. Like some other countries, there is a need to incorporate special provisions belonging to specific sections of society such as disabled persons, minority groups, first generation borrowers, mothers as house makers, and previous degree from rurally located schools, small and marginal farmers, etc. This will make the educational loan market more inclusive in nature. At present, it shows tendencies of being narrow based with participation by a selected group of student borrowers.

With the privatization of education, the costs of higher and professional education are increasing day by day. In many cases, loans provided by banks are a small part of the fees paid by students to educational institutes. So, to overcome the burden of fees on students, the amount of collateral-free educational loans should be increased.

State Level Bankers Committee, Punjab, shows that there exists high NPA in educational loans in recent years. The reason behind these high NPAs is that many youngsters are unable to repay these loans due to a lack of quick employment opportunities. There is a sharp decline of almost 9 per cent in the educational loans extended to students in the state. Getting a good education, an individual will make a handsome earning for several years of his life but for students, it is quite difficult to repay their loans in such a case when they are getting a very low salary after completing their studies. It creates a mental stress upon them when they have no surety of employment. In such cases, there must be some relaxations in repayment of educational loans. To make the wider access of educational loans and to provide this facility to rural students, banks should advertise it at the mass level. So, those rural students get benefit from such schemes. The study builds up a strong case for the massive involvement of educational loans and public resources in order to ensure wider access and equity in professional higher education. So, people will have to build a social movement on the issues of social concerns.