Chapter - 2
REVIEW OF LITERATURE

The financing of higher education throughout the world has witnessed dramatic changes during the last decades of the 20th and first decade of the 21st century. In the main, these changes in educational financing are responses to a worldwide phenomenon of higher educational costs tending to rise at rates considerably in excess of the corresponding rates of increase of available revenues, especially those revenues that are dependent on taxation. People who oppose increases in fee usually do so mainly on the grounds that the fee is likely to exclude individuals from the poorest segments of society. Development of human capital is a national priority and it should be the endeavor of all that no deserving student is denied opportunity to pursue higher education for want of financial support.

Demand for higher educated manpower increases substantially and this impels central focus on the quality and quantity of manpower produced by the higher education system. Both for quantitative expansion and improvement in quality, the system requires large additional resources. With escalating costs and increasing needs, on the one hand, and shrinking budgetary resources on the other, the costs of education should be shared by the government and end-users.

Within the theory and practice of cost-sharing, the increasingly accepted notion that a portion of the costs of instruction is appropriately borne by the student rather than-or in addition to-the parents presents the need for ways to allow much or most of this student-borne share of costs to be deferred into the future, when the individual is likely to have entered the full-time workforce (presumably aided by his or her higher education) and is able to begin repaying a portion of the costs that were advanced either by the government or by the private capital market. Thus, more and more countries are looking to student loan schemes as ways to allow (or require) students to bear a portion of the costs of their higher education. There are more than 70 separate governmentally-sponsored student loans schemes in operation in the early of 21st century.

Student loans are loans offered to students to assist payment of the costs of education. These loans usually carry lower interest rate and are usually issued by the government and commercial banks. Student loan program has been one of the most
prominent methods that are currently suggested as an effective solution to the problem of financing higher education. This is also advocated as an effective antidote to check the regressive effects of increase in fee. Many nationalized banks in India have begun to offer a variety of loans to students for higher education within the country and abroad.

Educational loans are essentially a western phenomenon. Therefore, most of the studies have been conducted in that setting. The objective of this chapter is to provide an overview of the research work regarding the educational loans. This chapter is divided in two sections. First section covers all the international studies divided on the continent bases (Europe, Asia, Australia, Africa, Latin America, and North America). Second section covers the studies related to India.

2.1 International Experiences

2.1.1 Educational loans in Europe

Vossensteyn (1999) studied the Student Loan Program in Netherlands. Student loans are provided in the Netherlands to cover tuition fee and maintenance cost. Part of the loan, including a basic allowance that is not "means-tested," plus another means-tested component, can be converted to a grant if satisfactory academic progress is maintained. Interest rate on the remainder varies annually at the government's borrowing rate plus about 1 per cent to cover administrative costs. Repayments are fixed after a two-year "grace period," with an income contingent payment feature for those whose incomes are low. Repayments remaining for those repaying on an income contingent basis are forgiven after 15 years. The system to recover study debt seems very efficient as the default rate on student loans is very low.

Usher (2005b) reviewed that Sweden (along with other Nordic countries) has relied on student loan programs since the 1960s to cover student living costs and to free parents from the obligations of paying for these costs. (The university is tuition-free; that is, the government covers all instructional costs). Swedish student loans are generally available to all who wish to avail themselves of the opportunity, with no “risk rating” or co-signatory requirement, and diminished only according to the students own income and/or assets. Repayment of the study loan is made in the form of annuities (calculated annually based on a formula that includes the student’s outstanding debt, the interest rate and an annual escalator) and begins not less than 6 months after final receipt of study assistance. The maximum repayment period is 25
years or until aged 60. A variable interest rate, which is set annually at the government’s borrowing rate minus a 30 per cent subsidy, is compounded starting from the first payment. Since 2001, all borrowers must pay at least 5 per cent of their income towards loan repayment and the annual amount of payment increases each year by 2 per cent. The system also permits income-contingent repayment.

**William and Light (1999)** found that the United Kingdom student loan program began in 1989-90 as a small, conventional (i.e. mortgage type), strictly “top up” loan program as the government began to freeze, then lower, its once generous means-tested maintenance grants. The private sector never embraced the program, however, and in 1998-99, a much expanded program was announced by the government to replace the former maintenance grants and to accommodate the inauguration of means-tested tuition. As devolution began in the late 1990s, the constituent countries of the United Kingdom—England, Scotland, Wales, and Northern Ireland—began to shape their own higher education policies, including tuition fee and financial assistance, which includes both the provision of student loans for maintenance as well as the policy, begun in Scotland in 1999 and later extended to England, Wales, and Northern Ireland, of shifting from up-front fee (mainly paid by parents) to deferred fee-or loans-paid mainly by students.

**Zimmerman (1959)** studied that Massachusetts has inaugurated a financial assistance program designed to help students attending institutions of higher education. With the co-operation of Massachusetts Bankers Association, Massachusetts Higher Education Assistance Corporation (MHEAC) established the Higher Education Loan Plan (HELP), the state wide plan in the United States which makes low cost commercial credit available for student loans without collateral. The HELP was based upon the concept that a student is mature enough to borrow funds from a commercial bank to cover part of the cost of his higher education and to repay the loan after became graduate and begin to earn an income. MHEAC defined the eligibility criteria for a HELP loan. MHEAC commenced active operations on March, 11, 1957. During the first of operation year 1743 loans totaling of $803,112 were approved. This figure was larger than the anticipated figure for the first year of operation. No bank at that time reported any loan as delinquent. It was appeared that the HELP loan plan, if universally adopted in US, might obviate the need for federal scholarships.

**Anthony (1999)** pointed out that in Denmark student loan Scheme was started in middle of the seventies (1975). Eligibility for a student loan is that a student to be at
least 18 years. Loans are directly linked to students. To ensure students a basic income, loans are paid monthly in equal amounts as long as the requirements are fulfilled. The disbursements stopped if the students drop out or are inactive. The system is very flexible; courses do not need to be consecutive. There is no time limit. Students can even make allowance for an income exceeding the limit to receive loan, by choosing to receive the loan for less than 12 months. Many of them work during their studies. Interest rate is charged from the moment loans are paid out and varies after graduation. Interest rate paid is tax deductible. Debtors have to start repaying one year after graduation. Loans have to be repaid within 7 to 15 years by equal two-monthly installments set on the basis of the amount of debt, the interest rate and the stipulated repayment period. However, debtors may apply for temporary deferments or for a cancellation at least 12 years after graduation.

Schaferbarthold (1999) before 1974, student’s financial aid in Germany, which is called BAFOG (not limited to higher education), included only grants. But in 1974, this aid became partially repayable and since 1983 totally repayable. However, although the number of students has been multiplied by three from 1971 to 1999, the number of BAFOG beneficiaries has remained constant, so the proportion of beneficiaries has fallen from 40 per cent to 18 per cent during the same period. Several criteria of eligibility applied, German students have priority but several foreigners can receive the BAFOG especially European students. Applicants must be able to pass their diploma thus there is an examination of their previous academic records. They must be under 30 years at the beginning of training. Finally, the financial means of their parents or spouse must not be sufficient to cover student’s needs. The repayment includes no interest rate. The period of grace is as long as the repayment must begin during the fifth year after the end of the training and lasts a maximum of 15 years.

Daniel et al. (1999) observed the Student Loan Scheme (SLS) in Norway. Norway has developed financial aid to students on a loan basis very early as the State Educational Loan Fund was established in 1947. This fund still awards loans and grants according to a cost norm that is adjusted annually as stipulated in the regulations governing it. This cost norm consists of a basic amount and a maintenance supplement. The rest of the cost norm consists of a loan, which is also available for students living with their parents, but the amount awarded is lower. The reason of the rejection of loans is mainly that the students have not taken their examination
according to the plan. Grants are also rejected for the same reason. Repayment conditions stipulate that loans are interest free while the students are studying. Interest is charged from the first month after the studies have been completed. Loans have to be repaid within the required period, at that time 20 years, except when the borrower becomes permanent disable or dies: loans are then written off.

Welhausen (2006) on the basis of study concluded that in the year 2000, Sherbank became the first bank (14 others have subsequently set up their own loan programs) to offer loans to help student to pay their tuitions in Russia. The loans, which must be used to cover tuition fee costs, carry no governmental subsidy or guarantee, must be cosigned by the student’s parents or guardians. They carry the lowest consumer credit interest rates (18 to 20 per cent as the lower rates are generally accompanied by bank commissions for transfer and debt service) and are repayable over a 5 to 10 year period after graduation (interest must be paid during in-school years). By the end of 2004, only 3,000 student loans had been issued. In 2004, the Kredo student loan scheme was started by the Crane (Krein) Company in close co-operation with the bank Soyuz to provide young people with access to high quality education in leading Russian universities. At present, Kredo is working with 21 universities. The scheme has the following loan characteristics: a) simplified loan procedures; b) loan given covers all study costs; c) no guarantee or co-signatory requirements; d) interest rate of 10 percent; e) grace period during in-school years; f) long term repayment period – up to 10 years after graduation.

The Crane Company guarantees the loans, thereby setting students free from additional requirements, such as parental co-signatories or other guarantors, and pledges. In 2005, the RF Ministry of Education and Science set up an expert group to develop a concept of state support for student loans. The group consisted of high officials, representatives of the university community, and businessmen (including Mr. Mikhail Matrosov, Director-General of Crane). The first stage of the concept was to include the implementation of an experimental state supported student loan program in 2007-2010, while the second stage was to be the legislation in support of such a program. On August 10, 2006, the RF Government approved the Concept. Within the framework of the four year experiment, three kinds of student loans (2.5 thousands loans per year) were to be made available: general – a payment for the first higher education degree; additional – a payment for further education; accompanying – a payment for accommodation, meals and other expenses accompanying study.
Under the experimental program, the Ministry of Education and Science has guaranteed 10 percent of the loans to the underwriter Crane for the Kredo program.

2.1.2 Educational Loans in Asia

Shantakumar (1992) analyzed that Student loans for higher education system of Singapore are crucial for the economic prosperity of the country. The higher education is highly elitist, with fierce competition for limited places, and high private returns. In 1989, the government announced a policy of reducing subsidies for higher education, in order to reduce the financial burden on the tax payers, increase expenditure on other levels of education and achieve a more equitable distribution of costs. Tuition fee was increased sharply and a new Student Loan Scheme (SLS), the Tuition Loan Scheme (TLS) were introduced. There are in addition two other loan schemes, for students, SLF (Student Loan Fund) and central provident fund (CPF) approved education scheme, under which parents may borrow from their CPF savings in order to finance their children's higher education, but must repay the loan. This article examines the arguments for and against student loans in Singapore and concludes that the conditions necessary for a successful loan scheme are already in place, viz. full employment, high private returns to higher education, an efficient banking system and financial infrastructure.

Shen, Hong and Wenli Li. (2003) regret the fact that under the planned economy, higher education was totally free but the students had very little choice in China. The enrollment rate in higher education was 11.5 per cent by 2001. Many Chinese students joined higher education to improve their minority and social position. In order to deal with the financial constraints due to substantial rise in demand for higher education, the Chinese government has launched a two way attack- 1) enlarge the financial resources by exploring non-state channels and 2) better utilization of existing resources. China’s loan programs have undergone many modifications since their experimental beginnings in 6 cities in 1999. The Government Subsidized Student Loan Scheme (GSSLS) as modified in 2004 provides student loans in amounts up to [$109] a year to needy students (officially acknowledged to be 20 per cent of the enrollment). Interest rates are paid by the government during the in-school years. Borrowers pay one-half of the commercial interest rate after graduation, which is deferred (but not forgiven) for up to two year’s grace period. Repayment periods are 6 years, which is an increase over the prior 4-year repayment period that required far
too high monthly payments. The loans are disbursed by participating banks, and the risk is shared by the university, the government, and the bank. Co-signatories are not required for the GSSL. There is also a non-subsidized student loan program, the General-Commercial Student Loan Scheme (GCSLS), available for children of the more affluent families, requiring a parental co-signatory.

Shen, Hua (2010) has discussed that there is no panacea in the world in financing of higher education through student loans. Each repayment pattern has its advantages and disadvantages. There are many patterns of the student loans repayment, for example, the “Conventional Mortgage-type loan (CML)” , “Income contingent loan (ICL)”, graduates tax, employer tax, social pension, national forgiveness and so on. The CML and ICL are mostly performed right now. Many economists, policy makers and aid office staffs discussed the pros and cons of these two kinds of loan repayments. Different countries choose different repayment manner to improve their student loan efficiency. Shen, gives suggestions to improve the repayment of student loans in China. The Government Subsidized Student Loan (GSSL) in China could refine the repayment conditions, such as reducing interest and extending repayment periods in order to alleviate debt burden. Financial institutions and higher education institutions should help students to improve the awareness of paying off the loan, to improve credit reputation of education and to prevent loan default. He suggested inducting ICL in China, if China performs the ICL pattern for unemployed and low-income graduates, it could boost up their repayment trust and facilitate the student loan development. Tax department or social security bureau participate in collecting student loan in order to save the management cost. In addition, China could structure the specialization collecting companies for student loan, and invest the student loan to second financial market, and then allure more institutions and enterprises to invest in student loan. So the repayment manner choice should according to its state conditions, not blindly copy and follow other countries, or else it will result in the irreparable damage and even lead to the failure of student loan scheme.

Shibata (2006) and Johnstone (2006) concluded that the newly created independent administrative institution, Japan Student Services Organization (JASSO), administers the recently revised student loan system in Japan. The system is made up of two types of student loans: the first class scholarship loan that is interest free and awarded based on merit and need, and the second class scholarship that is interest free during in-school years (carries a maximum of 3 per cent interest rate after school has been
completed) and awarded based on economic need. When applying for the loan, students can choose between the personal guaranty system and the institutional system, whereby the Japan Educational Exchanges and Services (JEES) cosigns the loan and the student pays monthly default insurance ranging from ¥ 1,000 to ¥ 7,000 [$8-56 using 2006 ppp estimate]. The loans themselves range from ¥ 45,000 to ¥ 51,000 [$363-$411] per month based on residency (living at home or independently) in the first class scholarship program and from ¥ 30,000 to ¥ 100,000 [$241-$806] per month also based on residency in the second-class scholarship program. Loan repayment is on a fixed monthly schedule of payments and must be paid within 20 years. Loans are collected automatically from the student’s bank or postal account, the information for which the student must supply when applying for the loan.

Ziderman (2003) examined that the main institutions operating the student loan scheme in Thailand are the Student Loan Scheme Committee (SLSC), The Krung Thai Bank, Ministry of education (MOE) and Ministry of University Affairs (MUA). The actual allocation of loans to the students is done by the educational institutions by themselves. The objective of SLS’s of easing the financial burden on students and their families, meeting special manpower needs, and increasing equity and access to the poor and needy. The loan repayment conditions are very liberal and spread over a period of 15 years with two years grace period. The interest rate is very nominal, 1 per cent in most cases. Loan application process has been too lengthy and time consuming. The loan applications are received screened, processed at the individual education institution. It is because of the fact that loan officers work part-time in conjunction with their other responsibilities. The initial default rate was reported to be about 31 per cent of the 69.48 baht due in 2001. Since the loan scheme came into operation only in 1996. Loan schemes, not adequate attention is given to such pertinent issues. In Thailand only one third of the poor students were in receipt of the loans, the two third comprising the needy students were deprived of this facility for one or the other reason.

Chung, Yue Ping (2003) found that the Student Finance Agency (SFAA) supervises grants and loans to the students in Hongkong. The chief objective is to ensure that no student in Hongkong should be deprived the opportunity of studying at a university in Hongkong or abroad for want of funds. SLS provides support to the students seeking tertiary education to cover the tuition fees and living costs on the basis of realistic needs of the students. In 1969, the Local Students Finance Scheme (LSFS) was
introduced. In 1998, the Non-means-tested Loan Scheme (NLS) was introduced to support the regular (LSFS). The LSFS targets students from low income families. Since Hongkong economy has been doing well, most students are able to find jobs on graduation and repay their loans. It is advisable to involve commercial banks and loan agencies to ensure both adequacy and repayment.

Kim, Anna and Lee, Young (2003) identified that in the Republic of Korea, the quality of human resource stands out as the crucial factor behind its socio-economic and cultural development. The student population comprises one fourth of the total population and expansion at the territory level has been quite remarkable. The government provides half of the finance for the public colleges and universities. It provides only 5 per cent of finance for private institutions. The SLS come into operation in early 1960s. The main objective was to financially support the poor students enrolled in tertiary education. The students have to satisfy two conditions before they are considered for the loans a) they must be studying in university/college b) they must have obtained a grade within the upper 50 per cent of the students enrolled at that particular institution. Korea Teacher Pension (KTP), Korea Labor Welfare Corporation (KLWC), Korea Research Fund (KRF) and Government Employees Pension Corporation (GEPC) provided support to students. Annual interest rate is charged at 10.5 per cent on (MoE and HRD) loans, out of which the government subsidized 4.7 per cent and students and their families bear 5.75 per cent rate, there is no interest charged on GECP loans. The default and evasion rates are negligible in the Republic of Korea.

Kitaev et al. (2003) point out that Philippines is a middle-income country with fast growing population. Tax evasion and corruption are wide spread. The Philippines has the oldest scheme of student loans ‘student now, pay later plan (SNPLP) is ‘top down, government run, mortgage type scheme largely designed for public higher education institutions. The private institutions that dominate private higher education system (75 per cent of the enrollment and 80 per cent of the institutions) were neither involved nor interested to participate in (SNPLP)’s. The major hurdle comes from funding due to lack of allocation of the proper organizational role of state, universities and market. Many problems are due to people’s attitude towards educational loan schemes.

Chapman and Nicholls (2003) identified that in 1995 as a component of its Engineering Education Development Project designed to assist public-sector tertiary education institutions, the Asian Development Bank decided to pilot a small income
related student loan scheme as part of a student financial assistance package in Indonesia. Design commenced during the project’s planning phase in 1995. Due to the 1997 onset of the Asian economic crisis, however, project implementation was delayed until 1998. Indonesia lacks a sound public administrative infrastructure that might underpin a collection system for an income related student loan program. Indonesia is apparently beset by ongoing economic and political difficulties, its legislative system is weak, and the legal framework surrounding the financial system is particularly so. Thus Indonesia might seem to be a poor candidate for a program of student loans.

Ismail et al. (2008) bring out that Malaysia formed the National Higher Education Fund Corporation (NHEFC) in 1997 to organize and provide loans for higher education students (NHEFC, 2008). The functions of this body are to offer and give educational loans in the form of financial assistance to students, and to provide administration, supervision and collection of loan settlement services (NHEFC, 2008). Furthermore, this body also takes part in collecting deposits, and designing and offering saving schemes for higher education. The original objective of NHEFC is to ensure efficient loan financing for students who are eligible to pursue studies at institutions of higher learning. This is in line with government aspirations that no student should be denied access to higher education because of financial reasons. NHEFC has played the role for almost ten years in helping students to pursue to higher education. However, due to non-repayment of loans, NHEFC has to find alternatives to maintain the resources and the student loan backed securitization can be alternative way of creating resources.

2.1.3 Educational loans in Australia

Andrews (2005) compared the SLS in Australia and New Zealand. In Australia student loan scheme was established in 1989 (with substantial changes in 1996 and 2004). In the revised scheme in 2004 the students can obtain loans from the Higher Education Loan Program (HELP). In Australia loans were limited to fee, and generally paying the relevant amounts directly to learning institutions. Student loan repayment is income-contingent, i.e. it only commences when the borrower reaches a certain income threshold. The Australian system includes explicit incentives for voluntary early repayment. An Australian student completes repayment of his loan in the twelfth year after his study because an Australian threshold is higher throughout
the period. An Australian loan scheme is skewed to public benefits of supporting territory education.

Andrews (2005) studied that student loan program was introduced in 1992 in New Zealand. This scheme was available for students studying at accredited territory education providers (including those in public and private sector). This scheme covers fee, course related costs and living costs. Interest rate charged on student loans from the time they are taken out, and reviewed annually. Repayment of the loan commences when studies are completed that means repayment is income-contingent. In international terms, New Zealand has above average participation in territory education i.e. 66 per cent, compared to an OECD average of 51 per cent. In 1992, the introduction year of student loan scheme, there were 44,202 borrowers: by 2003 this had increased to 156,250. The New Zealand student loan scheme places a great emphasis on students meeting a fair share of the costs of investing in their education.

2.1.4 Educational Loans in Africa

Van Hart, Meagan (2001) observed that in South Africa The National Student Financial Aid Scheme (NSFAS) was launched education loan program to finance higher education. The money for NSFAS as provided through National Department of Education Funds and also include donor, institutional and private contributions. Educational loan scheme in South Africa was based on that the loans recovered will maintain the viability of the program. To qualify for a NSFAS loan required that students be admitted into a University/Technicon, be a South African citizen, be studying towards an undergraduate, first tertiary educational qualification practice in chosen profession, be academically able and be financially needy. NSFAS is serving a large number of financially needy and previously disadvantaged students, although it has kept its annual administration cost of fewer than 2 per cent in part through a good technological infrastructure that aids in good record keeping.

Chuta (1992) examined that student loan program in Nigeria under NSLB which was firstly established in 1972, and between 1973 and 1991, it provided loans totaling 46 million Naira, to help Nigerian students finance undergraduate or postgraduate study in Nigeria or abroad. There have been severe problems. The rate of recovery of loan repayments has been very disappointing. The NSLB seems to be determined to improve the operation and efficiency of student loans in order to achieve the desired objectives.
Atuahene (2008) reviewed that the student loans were first introduced in Ghana in 1971, but this scheme was abolished after a change of government in 1972. A revised scheme was introduced in 1975 with some modifications. During 11 years of its operation the scheme faced technical and administrative difficulties and problems of high rates of default. In 1989, the government of Ghana introduced a new SLS, which was administered by Social Security and National Insurance Trust (SSNIIT). This scheme also faced many problems such as high rate of defaulters, inability of government to subsidized interest rate, administrative inefficiencies etc. Against these backdrops, The Ghana Education Trust Fund (GETF) established the Student loan Trust Fund (SLTF) in 2000. The SLTF, which was replaced the SSNIT loan scheme became operational in 2006-07. This new scheme creates a huge improvement over the previous policy. This scheme provides a reasonable and substantial amount for individuals based needs to successfully complete their programs of study. Finally, it is important to stress that for SLS to be successful in Ghana, policy makers have to find a positive balance between government subsidies to needy students, and making student loan programs financially sustainable.

Herman and Joseph (2009) on the basis of study concluded that comprehensive loan program introduced in 1970s, but failed with virtually no cost recovery in Kenya. Program reinitiated in 1995 as Higher Education Loans Board, with mandate for “near self sufficiency.” Rate of interest is 4 per cent and non-payment is supposed to bring severe penalties to both borrower and employer. Capital is provided by the government with the hope that repayment on the “old loans”, buttressed by the vigorous collections on the new loans, will soon capitalize a revolving student loan fund.

Johnstone and Tekleselassie (2001) observed that in Ethiopia firstly education was a public sector subject. At that point, most students paid no tuition fee and were provided with accommodation, meals and certain other benefits free of charge. In 1990 the national government, assisted by World Bank, began exploring cost sharing for public higher education students. Therefore an alternative plan was considered, involving the application of a flat graduate tax collected as a percentage of salary over a set period of years. This was the simplest possible version of an income related system of deferred payments, and was introduced in 2003-04. The payments to be collected from ex-students on the basis of a formula calculated as a percentage (proposed as 10 per cent) of annual income, automatically deducted from salaries; the
exemption of around 35 per cent of students from payment of the tax, including teachers and other professionals deemed to be of public interest. There is a discount for an up-front payment for those paying on an on-going basis, which is apparently 5 per cent of expected future average payments. The payment and implementation remain big issue in Ethiopia.

**Chapman and Nicholls (2003)** have studied Student Loan Scheme that represented a radical change in higher education system of Namibia. It is of conventional mortgage type loan. It is universal, rather than selective, and requires those students choosing to take advantage of the assistance to repay the government on an income related basis following graduation. The scheme replaces grants with loans. The policy reform is designed to provide a leverage point, through financial incentives, to encourage students into courses where labor market needs are seen to be greatest. Two types of financial assistance are provided — scholarships, for students in greatest financial need and also for those prepared to undertake courses in areas of high economic priority, and loans for other students. These are in two categories: smaller loans covering tuition fees only, and larger ones that also cover to living costs. Thus, there is considerable flexibility both for students and for the government, and this presumably matters with respect to influencing student choice. The scheme is designed to enable students to select the level of financial assistance they need, and the government to adjust financial incentives and assistance levels as necessary. The new program is seen to be a potentially more effective means of assisting students than the former bursary regime.

**Chapman and Fraser (2000)** examined that like many African countries, Rwanda’s 7,000 higher education students receive free tuition and grants to cover the cost of board and lodging. Secondary school students, on the other hand, pay tuition fees, therefore, those eligible to enter university come from relatively privileged backgrounds. University students receive substantial public subsidies, and as graduates they also enjoy significantly higher average lifetime earnings than do non-graduates. The UK Department of International Development financed a consultancy to examine proposals for higher education reforms in 1999, involving Bruce Chapman and William Fraser. It was recognized at the time that there was an apparent need to expand the country’s higher education system and sources of finance other than government funding needed to be found. Resources could then be used to eliminate the up-front fees in secondary schooling, seen to be responsible in part for the very
low participation of poor young people in any form of post-primary education. Ideally, this would mean the introduction of deferred payment, not only for a share of tuition costs (for example, 20 per cent), but also for the grant provided for students’ board and lodging. This latter amount represents a sum almost equivalent to the full average course costs per capita.

Ishengoma (2000) brings out that in Tanzania cost-sharing officially begun 1992 but at a slow pace. Maintenance grants and lodging/food subsidies were reduced in mid 90s. A so-called “loan” scheme implemented in 1993-94 as part of phase II of cost sharing to cover a part of lodging and food costs. As of 2003, no interest rate was stipulated and no collection machinery, as well as no recovery has been reported. So the program has been interrupted and disbanded.

Mingat et al. (1985) studied that the student loan program was started in Malawi in 1988. At that time 50 per cent of the students availed this facility. From the recovery point of view, loan schemes take longer to become self-financing when a grace period is given. If the maximum size of repayment is set at 25 per cent of current income, full cost recovery would not materialize in a 10 year repayment period, after allowing for the incidence of repetition and dropout in Malawi. In Malawi, the average earnings of higher education graduates are around k4000 p.a. over the first ten years of working life. The corresponding figure for a secondary graduate is about k1500 p.a. thus, if 25 per cent of the earnings of a higher education graduate are devoted to loan repayment, the remaining income, k3000 p.a., would still be much higher than that of a secondary school graduate. On the whole, it is unlikely that student loans can be expected to recover fully the social cost of higher education in Malawi.

2.1.5 Educational loans in Latin America

Woodhall (1987) observed that the Student Revolving Fund (SRLF) of Barbados was established in 1976 with the help of a loan from the Inter-American Development Bank (IDB). The purpose of the fund is to provide long-term loans for students in higher education, in order to help meet the manpower needs of the economy. Initially, the number of loans provided by the SRLF was very small, but both the government of Barbados and IDB regarded the first stage of the loan program as successful, and the fund has therefore been expanded since 1983, with the help of a further loan from IDB. Between 1976 and 1983, 118 students financed their university education in Barbados or abroad by means of a loan from SRLF. The majority of students were
from below-average income families. The repayment terms for the loans depend on the level of study, the size of debt and the progress of the borrower. The length of repayment varies between 5 and 10 years, and the rate of interest between 6 per cent and 12 per cent. A new feature of the expanded scheme is ‘loan-grants” part of the loan can be cancelled if the borrower completes higher or vocational education successfully in the normal time, achieves satisfactory grades and subsequently works in Barbados for an agreed time.

Woodhall (1987) found that ICETEX was the first student loan program in Latin America, established in Colombia in 1953. Initially, loans were provided only for study abroad, but since 1958 loans have also been given for university study in Colombia, and the number of loans has increased rapidly since the program was established. Between 1953 and 1984 ICETEX provided over 2,60,000 loans, and in 1984 it made 29,209 loans to students in Colombia and nearly 1,000 loans for study abroad (mostly in Spain, France, Mexico, and the USA). ICETEX offers three types of loans: a) short-term loans which must be repaid during the course of study. b) medium-term loans, which are partly repaid during the course of study and partly after the studies are complete. c) Long-term loans, which are repaid after the student has completed a course of study. Other loans are also available to students in Colombia, at higher rate of interest. Commercial banks make short-term loans to students and charge interest rate slightly below commercial rates, and some private universities also offer loans to students to help them pay fee.

Palacios (2004) has examined that in 1994 Chile introduced an income-contingent loan scheme to replace the previous fixed-payment loan system. The loan carries a real interest rate of 2 per cent, and requires from the student annual payments of the lesser between 5 per cent of income and a fixed amount. Importantly, each university is responsible for collecting the payments from the University Credit resulting in widely varied collection results from institution to institution, with average country-wide cost-recovery levels at around 60 per cent. The system is not widely considered to be successful, for the following reasons: cost-recovery levels are low, and, the amounts available for lending are far from satisfying student demand. Chile’s example reinforces the notion that universities are poorly suited to debt collection, a point which seems to follow from the Yale ICL experience. That is, for an ICL scheme to work it is critical that repayment collections use a national tax or social security agency.
Gertel (1991) has identified that in 1986, in the wake of severe fiscal shortages, the government of Argentina drafted a proposal for a graduate income tax on higher education. The draft contained three essential elements. First, 3 per cent tax on all income from professionals after the third year of graduation, to be deposited in a special account for each university. Second, 1 per cent tax on all transactions for professional services involving university graduates, to be paid by the contractor of the service. Third, parents of the students would also be required to pay an additional 1 per cent of their income, beginning at the same time as student payments. The total income from the three components was expected to equal 15 per cent of the entire higher education budget only half of this revenue was to accrue to the universities, the rest would return to general treasury funds. The tax never received parliamentary approval.

Chapman (2005) has found the fact that the current Mexican public higher education system is one in which there are no tuition charges for students, and is characterized by excess demand (a large number of prospective and qualified students are unable to gain public sector places). Moreover, it is very likely to be the case that individuals from the least advantaged backgrounds have less access to the system than do others. There is a compelling case for increasing the financial resources available to allow increased enrolments and improvements in service, and that this should be financed in part by tuition charges.

2.1.6 Educational Loans in Northern America

Woodhall (1990) argued that loans and parental contributions are bedrocks of the very extensive reliance in the United States on cost-sharing. The scheme of student loans was started in 1964 in USA. Administration body of student loan scheme was commercial banks. The United States provides mainly conventional, fixed-schedule loans, available to all students with some financial need (including some students from upper-middle income families attending very expensive private colleges and universities) at minimally subsidized rates of interest. The federal government guarantees all student loans and pays all interest during the “in school” years and for a grace period for those with financial need. Also available are unsubsidized loans that do not require the demonstration of financial need and that carry only the implicit (but not insubstantial) subsidy of the governmental guarantee and the benefit of an interest rate near the government’s borrowing rate. Much of the capital and loan origination is
provided by the private banking sector, which in turn sells much of its student loan portfolio to private secondary markets. The federal government through participating colleges and universities can lend to students directly via the Direct Loan Program, in turn either selling the notes in the private capital market or tapping the federal government’s general borrowing capacity. Student borrowers in the Direct Loan Program can select to repay according to an income contingent repayment schedule, but as yet relatively few have used this repayment option (which is not collected by employers along with income tax withholding and insurance / pension contributions) and which features mainly a kind of “assured refinancing” that stretches out the repayment period, with very little ultimate low earnings protection. In 1987 the number of beneficiaries was 28 per cent.

Finnie and Schwartz (1997) discussed that Student Loan Scheme was started in Canada in 1963. It was conventional mortgage loan type, which was financed by commercial banks. It covers tuition fee and living expenses of the students who are studying in higher education. In 1990 the percentage of students was 59 who benefited from the scheme. The interest rate during the study is zero, and during repayment is 6.75 per cent. The grace period is of 6 months and total repayment period is 10 years.

2.2 Education Loan Experience in India

Tilak (1988) analyzed that the financial crises in universities of India was due to (a) inadequate resources, and (b) improper financial planning and management both at macro as well as university levels. There were about 130 universities and 5 thousand colleges in India at that time. About 1/5 of the plan expenditure and 1/3 of total government recurring expenditure on education go to this sector. While this was not adequate to provide meaningful higher education to the 3.5 million students enrolled, this was also not trivial. The resources that were being poured into the university system have been increasing at a fast rate, faster than the general economic indicators, but the requirements of the universities have been increasing at a much faster rate, widening the gap between the two continuously. This situation of 'increased cost and diminished income', leading to a crisis or a near-crisis has been a basic characteristic of the Indian universities.

Tilak and Varghese (1991) reviewed that total recurring expenditure on higher education in India increased from Rs. 172 million in 1950-51 to Rs.10, 532 million in
1980-81, i.e., it increased at a rate of growth of 14.7 per cent per annum. In real prices, the actual increase, however, was by 11 times only. In fact, recurring expenditure per student, declined in real prices between 1950-51 and 1980-81 by 10.5 per cent, meaning that India spent much less per student in 1980-81 than she did three decades ago. 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. It is argued that given the resource constraints and equity considerations, financing higher education mostly from the general tax revenue may not be a desirable policy in the long run. Accordingly some of the alternative policy choices discussed, including financing higher education from the public exchequer, student loans, graduate tax, student fee, and the role of the private sector. A scheme of loan scholarships of national and state governments has been in operation in India since 1963, and in 1991 about 20,000 scholarships were awarded every year at the rate of Rs.720-1750 per annum. The loan is recoverable in monthly installments, one year after the graduate secures employment or three years after the completion of the studies.

Woodhall (1992) concluded that Student loans have been widely advocated as a way of financing the private costs of investing in higher education and more than fifty countries now have loan schemes which enable students to borrow from government agencies or commercial banks in order to finance their tuition fees or living expenses, and to repay the loans after graduation. Most loan schemes offer government guarantees and some form of interest subsidy, and in many countries students receive financial support through a combination of loans, grants, scholarships or bursaries. Woodhall studied both positive and negative issues, and the countries represented where loan programs are regarded as successful (Japan and Hong Kong), countries which have encountered major problems, but which are embarking on attempts to improve and reform loan programs (Kenya and Nigeria), countries which have already introduced major changes to reform student loans (Sweden and Ghana), countries where loans are regarded as unsuccessful (India) or which have abandoned government financed student loans (Indonesia).

Tilak (1992) studied the student loan program in India. The National Loans Scholarship Scheme (NLSS) has been in operation since 1963. This article critically reviews the experience of implementation of the National Loan Scholarship scheme.
It examines strengths and weaknesses and problems specific to this program in India, with a view to identifying measures for marginal improvement in the program. Tilak reviewed the National Loans Scholarship Scheme from the starting year 1963 to 1992. The student population in higher education has increased from 1.3 million in 1963-64 when the scheme was started, to 9.2 million in 1988-89. Government expenditure on higher education increased by 45 times between 1963-64 (Rs. 408 million) and 1988-89 (Rs. 18210 million budget estimate). He listed problems related to NLSS: first, psychologically, loans in general are not welcome in the Indian society, when education does not guarantee employment and as repayment of loans becomes compulsory, people from relatively poorer families will be worst affected secondly non-repayment of the loan and huge administrative machinery and costs. Hence student loans must be judged more in terms of generating finances for higher education, rather than as a measure to improve access and equity in higher education, and this article suggests that the existing loan program in India is disappointing in this regard also.

Rao (1992) estimated that the implicit and explicit public subsidies involved in the provision of social and economic services in 14 major states in India altogether amounted to Rs 27,000 crore in 1987-88, which formed 8.3 per cent of GDP, and over the period 1977-78 to 1987-88, it increased at the rate of 18 per cent per year in nominal terms. On higher education alone, the subsidy amounted to about Rs 2,000 crore, and recovery rate was as low as 1.7 per cent. Rao himself argued: "proper fee for post-secondary education... must be levied" He argued further: "Quite a large proportion of this subsidy [in higher education] accrues to economically affluent sections. There is a clear case for reducing this subsidy in the next five years by one half, even if the remaining is retained to help economically weaker sections with scholarships. This can be done by reducing assistance to colleges and universities annually by 10 per cent for the next five years, and let the colleges and universities find the remaining resources by enhancing fee. The state government should not interfere in the determination of the fee and the regulatory mechanism should be confined merely to the extent of ensuring that meritorious and economically backward students get the benefit of scholarships. Adequate cost recovery is extremely important to ensure better quality of education".

Albrecht and Ziderman (1993) analyzed that more than fifty countries have used various forms of student loan programs. Albrecht and Ziderman have identified
twenty programs in Latin America and the Caribbean, eight in Asia, four in the
Middle East and Northern Africa, seven in Sub-Saharan Africa, and fourteen in
industrial countries. In India loan scheme was started in 1963 under the name The
National Loan Scholarship Scheme, covers the expenses of tuition and living. In 1989
only 1 per cent of the students get benefit from this scheme. Albrecht and Ziderman
also discussed the government losses in student loan programs in different countries.
The main purpose of a loan program, unlike a grant program, is to require students to
share the costs of tuition or living expenses or both with the government through
payments from their future earnings. The financial efficacy of any loan program
depends centrally on the extent to which the loans are re-paid. The relationship
between amounts lent to students and amounts returned in repayments is an indicator
of the program's efficiency.

Tilak (1995) has argued that the state cannot abandon its responsibility of funding
higher education, and shift it to market forces. The state should continue to play a
dominant role in financing higher education in India, there is need to improve the
mechanism of UGC/ government grants to universities and institutions of higher
education. Grants mechanism based on unit cost formula is a minimum needed reform
in this direction. This requires estimation of costs of education in great detail; efforts
can be made to raise resources from non-governmental sources to supplement
governmental resources, without affecting equity and efficiency in education, one
important measure in this regard is a modest and gradual increase in fee to cover
about 20-25 per cent of the recurring costs of higher education, along with
introduction of a well designed scholarship and student loan program. Another
important measure refers to generation of resources through voluntary donations, and
other contributions from corporate sector, through tax incentives on one side, and
incentives in use of these funds by the institutions on the other side, a basic need of
the whole system is a strong, reliable and up-to-date statistical information system in
the UGC, AICTE, central and state governments and higher education institutions and
all aspects of financing of higher education-grants, costs, fee, cost recovery,
scholarships, other direct and indirect subsidies, generation of other internal
resources, etc. - should be completely transparent.

Mathew (1996) argues that the subsidy is favored on equity grounds as education is
considered to be a major source of inequality in developing countries. He further
argues that the well-to-do parents are apt to be better educated and that they
presumably face lower costs than poor parents probably in absolute terms and certainly in relation to their income. Therefore, he suggests that the entire cost of providing higher education should not be recovered from the immediate beneficiaries (which is exactly what the self-financing colleges seek to accomplish). Instead, the supporting agencies such as alumni, industry, foundation, trusts and endowments should be involved in financing higher education.

Tilak (1997) examined that in absolute terms, the increase in expenditure on education in India during the 50 years of independence is very impressive: the educational expenditure increased in current prices from Rs. 55 crore in 1947 to Rs. 25,000 crore as per the available statistics - a phenomenal 450 times increases. But this impressive growth is belittled by (a) rapid growth in population, (b) phenomenal increase in student numbers, and above all, (c) escalation in prices. The real increase in expenditure per student has been rather very modest. A frequent and inexplicable shift in priorities is quite obvious. In the First Five-Year Plan, 56 per cent of the total plan resources to education were allocated to elementary education, 13 per cent to secondary, 9 per cent to university education and 13 per cent to technical education. The relative importance given to elementary education declined to 35 per cent in the second plan, to 34 per cent in the third plan, and gradually to 30 per cent in the sixth plan. It is only again during the Seventh and the Eighth Plans significant efforts were made to increase the allocation substantially, though the Eighth Plan allocation (42 per cent) was still less than the corresponding one in the first plan in percentage terms.

Tilak (1999) discussed that the major expectations of governments with regard to student loan programs are: (a) huge funds can be mobilized in a short time, with the repayments of loans by the graduates. (b) Governments can do away with budgetary allocations for higher education and eventually withdraw from financing higher education and (c) higher education can be made self-financing with the revolving funds. The student loan programs are also based on several unrealistic assumptions: (a) demand for higher education will not get adversely affected; (b) poor will have enough access to loans and thereby to higher education; (c) loan amounts can be fully recovered in a reasonable period; and most importantly (d) well developed education credit markets exist in the developing countries. Further, it is also implicitly assumed that strong links exist between education and employment in the labor markets in the developing countries. The experience of many developing and developed countries in the past has shown that these are elusive gains. The experience has also shown that
there are serious weaknesses associated with the student loans. (a) The experience of countries with regard to recovery of loans is very poor. Several studies of the World Bank and others have shown that the highest rate of recovery was 67 per cent in Barbados, but in many countries it was below 40 per cent, and in some countries the rate of recovery was in fact negative as the real rates of interest were low and even negative. It was estimated that it would take 14 years to recover 50 per cent of the loan amounts in advanced countries such as UK. Cost of administration of loans is very high, if not prohibitive, in some countries. It was also found that launching of student loan programs in developing countries require huge initial funds (e.g. an estimated Rs. 3,000 crore in India for higher technical education). Access to loans is guided more by the ability to repay (measured in terms of mortgages, security and collateral arrangements for repayment) than either by educational merit or by economic need of the students. As a result, the loans turn out to be highly regressive; severely restricting the access of the poor to higher education. Huge loan burdens may not necessarily make students more diligent and serious and may in fact contribute to growth in some avoidable social problems including mental stress and suicides. 

Kanitkar (2004) studied two cases in India, one related to Rajni, a dalit engineering student in Kerala, who committed suicide as her family could not afford the fee for her education. Rajani’s application for a student loan had reportedly been turned down by several banks. The other story was also about the financial troubles dogging Vaishali, a medical student of Nagpur. The author declared these incidents as of national shame and disgrace. It is a clear signal for Indians, to do something urgently to address issues of equity in Indian education system. The myth that the ‘poor are not bankable’ has been destroyed. The SHGs have demonstrated with conviction that poor men and women make good clients because the poor understand the need to build self-esteem and credibility for themselves. India need to shake-up the lethargy that is gripping the banking system to make sure that such type of incidents never repeat themselves.

Narayana (2005) studied the student loan scheme in Karnataka state. The empirical results of Karnataka have two important policy implications. First, a proposal to reduce budgetary subsidy only through fee increase, even if the entire fee increase is financed by student loan by commercial banks, may not be supported by empirical evidence in Karnataka State. Second, the student loan may not be a perfect substitute for budgetary subsidy to help the students in collegiate education. Student loan
scheme is not limited to payment of fee. Rather, it includes fee plus other expenses for completing the course of study. Hence, demand for student loan will be higher than the amount of fee to be paid by the students in the State.

**CABE (2005)** this report discussed that higher education in India is in a deep crisis, with escalating costs and increasing needs of the system on the one hand, and shrinking provisions of the public budgetary resources on the other. As a result, several universities and institutions of higher education are in continuous deficit. This report reviews some of the important trends in financing higher and technical education since the beginning of the 1990s. SLP has been one of the most prominent methods that are advocated as an effective solution to the problem of financing higher education. A scheme of interest free national loan scholarships was introduced in 1963 in India. Basically student loans shift the responsibility of higher education from social domain (state responsibility) to household domain and within households from parents to the children, from present to the future. Severely restricted and weaker sections of the society may not be able to benefit from the loan scheme because collateral and conditions are similar with others. There is a suggestion to set up an education development bank of India (by Dr. Swamindhan committee) or a higher education finance corporation, with contributions from union and state governments and from corporate sector, to float soft loans to students.

**Tilak (2005)** found that, essential due to the critical role played by the state in higher education in India in past, the today’s higher education is no more elitist, rather it has become somewhat ‘democratized’ with a large proportion of socio-economic weaker sections participating in it. Similarly, it also helped in attaining self-reliance in manpower needs of the economy. But, he repents that the higher education system today is at the crossroads since there is a gradual shift from education being a state responsibility to its privatization and commercialization. Many consider the public sector to be inefficient in the field of education and correspondingly the private sector as efficient and therefore desirable. Nevertheless, the case for public provisioning of education remains strong. It is imperative for the state to play a dominant role in this field since it is also widely recognized that higher education is an important of economic growth, and it is education that makes the basic difference between the developed and developing countries. Many factors, e.g. low levels of living of the people, imperfect and incomplete markets, and given other socio-political considerations, makes it imperative on the part of the state to play a dominant role in
the provision of higher education in countries like India, and to yield no place to market mechanisms in higher education.

**Agarwal (2006)** A comprehensive paper on higher education in India that provides an overview of its structure, the regulatory environment in which it works, its financing and other important issues including governance, academics and technology. It argues that while the higher education system (particularly the private sector) in India has expanded rapidly over the last 20 years, it has done so with little regulation and decreasing standards in all but a few quality institutions. Moreover the expansion in enrollments has taken place at a time when public funding has declined (in real terms) and public universities have started to charge higher tuition fees. These changes have had a negative impact on access for the poor given the absence of substantial student financial aid programs. The paper consolidates a number of recommendations into a broad framework for action. Within this framework it identifies several strategies for making higher education affordable and accessible to everyone including the introduction of an income contingent loan program and the establishment of a Social Equity Fund that would administer financial aid programs for poor students.

**Tilak (2006 a)** examined percentage share of government expenditure on education in Gross National Product (GNP) for the period from 1951-52 to 2004-2005. He observed that the goal of allocating resources equivalent to 6 per cent of GNP is realizable provided there is a political will. He also suggested that the allocations to education could be increased either by reallocating resources from other sectors or by raising more resources by the government for the common pool or especially for the education sector or both.

**Tilak (2006 b)** studied the importance accorded to the education sector in the budget 2006-07 and found that the budgetary allocations to education showed a significant 32 per cent increase in revised estimate over the last year’s budgetary allocations. At the same time, it is also found that nearly 75 per cent of the union government’s budget on education is allocated to elementary education and the relative share of higher education has been reduced from 12.4 per cent to 11.5 per cent. Similarly, it was also found that more than 90 per cent of the budget of higher education goes to UGC, which goes, thus, to central universities only. Besides, the plan allocation for IGNOU is doubled to encourage the distant learning in the country.
Chattopadhyay (2007) argued that higher education holds the key to “inclusive growth” and to lead in the world of knowledge production. The mode of financing higher education is crucial for understanding how higher education is provided to society and at what price. Despite recent increases in budgetary allocation for higher education, the importance of exploring alternative sources of financing higher education as deregulation of fee, educational loans, graduate tax, human capital contract, income-contingent loans, education vouchers and tax financing. These sources should conform to the two acceptable norms of the economy-efficiency and equity. Education loans because of inherent weaknesses of the credit market may cater to only a narrow section of the student community depending on their choice of courses and socio-economic background. Whatever the means of funding higher education the government seeks to explore in the context of historical and socio-economic specificity, budgetary support for higher education has to increase. Otherwise, achieving equity and provision of quality education would be seriously compromised.

Mukherjee (2007) thesis examined the growth and disbursement of educational loan in India using yearly data over the period from 1998 to 2004. In addition to this, the researcher also highlights the major characteristics of the borrowers of nationalized banks of Mumbai by a primary survey of 125 students. The results show that the loan amount sanctioned by the banks depends on the family income of the students as well as their educational background. The empirical study shows that both the future stream of study as well as the past streams of study is having an effect on the loan amount. The researcher suggested that effort should be done by government and RBI to make the educational loan scheme a unique way of providing greater access to the higher and professional studies for meritorious and needy students.

ASSOCHAM (2008) an industrial body presented a study on Educational loans in India. Only 3 per cent of students seek educational loan in India as against 85 per cent in UK and 77 per cent in US. The reasons are a cumbersome procedure and the small amount offered. ASSOCHAM said every year the government spend Rs. 500 billion on the nearly 1, 20,000 students who leave the country to study abroad. This money can be spent in improving the education system within the country. GDP spend on higher education remains at 0.37 per cent despite all possible efforts and initiatives by the Government of India. The percentage of its GDP spending on higher education in the last couple of years has remained stagnant at around 0.37 per cent against 1.4 per
cent and 1.07 per cent in UK and US respectively. It announced that an additional investment is needed in higher education.

Tilak (2008) studied that the report of Kothari Commission was a landmark in the history of Indian education since the recommendations of the commission are, even after forty seven years, relevant for educational development. Tilak points out that the two most important recommendations of the commission for financing of education were, a) there should be for a free common school system of public education up to the end of grade X and the adoption of neighborhood school concept at elementary stage b) increase in the allocation of resources to education to the level of 6 per cent of GNP. But, the government looked at the recommendations as piecemeal suggestions and even after forty seven years, not able to achieve the elusive target of spending 6 per cent of GNP to education.

Shen & Ziderman (2008) most loan schemes benefit from sizeable built-in government subsidies and, in addition, are subject to repayment default and administrative costs that are not passed on to student borrowers. Discussed two issues in this paper, for 44 loans schemes in 39 countries: how much of the original loan is an individual student required to repay (the "repayment ratio") and what percentage of the total costs of loans schemes can the lending body expect to receive back in repayments (the "recovery ratio")? The analysis shows considerable variation in the size of the repayment and recovery ratios across schemes. Moreover, many loan schemes exhibit sizeable built-in subsidies accruing to student borrowers-in over 40 per cent of the schemes examined; the repayment ratio is 40 per cent or less. In India hidden grant is 19.77 per cent and repayment ratio is 80.23 per cent. Out of 44 loan schemes the repayment ratio is above 80 per cent in 13 schemes, 61-80 per cent is in 13, from 41-60 per cent is in 8, from 21-40 per cent is in 7 schemes, and 20 per cent or less is in 3 schemes. Overall loans recovery is considerably lower.

To sum up, all the above discussed Student Loan Scheme related studies vary from one another in their basic objectives, scope, coverage and time frame. But a general consensus, which has emerged from these studies, is that every country faces the scarcity of resources to finance higher education. As many as 80 countries in world started SLS to finance higher education in one form or the other. But in very few countries this scheme is getting success. It also emerges from the studies reviewed that the student loan programs are successful in countries where recovery mechanism is strict, probability of employment in post study period is high and
agencies in loan recovery are competent and autonomous. The scarcity funds in higher education and success stories in some countries are making SLP in several countries (including India) popular. To make these schemes successful the choice of pattern of scheme should be according to its state conditions, not blindly copy and follow other countries, or else it will result in the irreparable damage and even lead to the failure of student loan scheme.