Chapter No. 04: Schemes of Education loan of Commercial Banks.

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Introduction:

Higher education in India has been growing at a fast pace in recent years, partly fuelled by increasing completion rates and partly by rising aspirations. However, liberalization of the economy has made it difficult to find public resources that match the increasing demand for expansion and quality improvement of the system. There is indeed a fear that inept handling of higher education financing may seriously derail the economic growth process. The 12th Five Year Plan proposes to at least double the level of gross enrolment in higher education in the country, keeping expansion with equity and excellence as the overall vision. But, notwithstanding these pious intentions, rising and prohibitive costs of procuring higher education threaten to leave out a large section of the aspiring population from the ambit of higher education.¹

Resource crunch for higher education development is not unique to India. Most other developed as well as developing countries have also been experiencing a similar phenomenon. Governments across the world are exploring alternate routes to support the growth of the higher education system. It is this search for alternatives that has led India also to adopt student loan as a possible means of higher education funding. How has the programme of student loan fared in the Indian context? While the education loan schemes have been in operation for quite some time and several banks have been involved in
implementing the schemes, practically no systematic empirical evidence is available on their value in financing of higher education in the country.

**Need of Education Loan:**

There has been increasing recognition in all parts of the world including India of the need to have adequate access at affordable cost to good quality higher education for all eligible members of the society. It is reveal that universal higher education of high quality requires mindboggling resources. Higher education in India, like in many other developing countries, has not been inclusive of poorer sections of society especially from the rural areas. It is a matter of concern that the problem of finance is a major constraint for a significant section of students to pursue higher education. Among the major countries, India has one of the lowest proportions of young persons in the relevant age group who pursue higher education. Recent studies indicate the need for non-government sources of funds for higher education. In this context, there is an urgent need for enhanced use of education loan to augment resources for higher education within an appropriate framework of inclusiveness.
Alternate Source of Financing Higher Education:

The trend of financing higher education through education loan has spread far and wide in different parts of the developed world, while developing and underdeveloped nations have taken certain initiatives towards it. The recent trend clearly shows that higher education cannot be entirely funded from government funds and, so, developing countries are compelled to make education loan an alternate source of financing higher education. While grants and scholarships remain the two main sources of financing higher education, education loan has not been successful in attracting the attention of stakeholders as an alternate source of financing higher education in the developing and underdeveloped countries.

The educational system in India, a prominent developing country, is predominantly a state-funded and state-controlled activity. Given the financial constraints of various Indian states, it has become difficult to meet the ever-increasing financial needs of an expanding education system. The higher education system in India is the third largest after the United States and China. Without any doubt the Indian higher education system has been growing rapidly, covering all the major disciplines, and to a great extent, meeting the manpower requirements of India. It covers arts and science colleges, medical and engineering colleges, agricultural, pharmacy and management schools. However, it is a matter of serious concern that the Indian
higher educational system cannot meet the growing demand. According to the National Knowledge Commission, India would need 1,500 universities by 2015 to meet its growing human resource needs. At present, according to the UGC, there are 620 Universities in India (as on 2013).^3

While launching the Knowledge Commission, the then Prime Minister of India, Dr. Manmohan Singh, said - “At the bottom of the knowledge pyramid, the challenge is one of improving access to primary education. At the top of the pyramid there is a need to make our institutions of higher education and research world class. The time has come for India to embark on a second wave of nation building. Denied this investment, the youth will become a social and economic liability”. While the higher education system has helped India become self-reliant in many fields, concerns such as market mismatch, quality variations, diminishing and skewed public funding, system inefficiencies, poor accessibility, low quality and regional disparities need urgent attention. These issues are to be tackled to make India a knowledgeable society.

**Punnayya Committee:**

*Punnayya Committee* recommended an increase in the entire fee structure of the universities in 1993. At the same time it apprehended that such upward revision in the fee structure of the universities may result in denial of access to weaker sections particularly those who belong to socially
and economically backward sections. Therefore, the Committee proposed following schemes which were endorsed by almost all the later committees:

1. **Free or Concessional Studentship** - free ships or admitting meritorious students from socially and economically weaker sections of society at concessional rate of fee. The extent of such concession was proposed to be to be initially 10 per cent of the entire student strength of the institution which could be increased later.

2. **Scholarship Scheme for Post-graduate Student** - covering tuition and living costs where necessary; and tuition cost met fully or partly in relation to the income of guardians i.e. whose income falls below a prescribed level. In the first instance Post Graduate scholarships may be sanctioned to 20 per cent of the strength of students pursuing various courses of study in central universities at post graduate levels. The object of this fellowship programme should be to encourage meritorious students belonging to weaker sections from all parts of the country to seek admission in the central universities.

3. **Regarding Loan Scheme** - Punnayya Committee recommended that UGC may explore the possibilities of introducing a soft loan scheme in collaboration with the
nationalized banks. The sole criterion for selection of a student in this case must be merit and economic backwardness. The extent and manner of assistance may be determined by the universities. The bank would need to satisfy itself in regard to credit worthiness; and the university should not be made responsible for the recovery of the loan or pursuing of action for this purpose.

Like Punnayya Committee other committees namely, Swaminadhan Committee, Pylee Committee, Mahmood-ur-Rehman Committee, Ambani-Birla Committee, CABE Committee, Yashpal Committee, also recommended the same. The Swaminadhan Committee (1993) recommended setting up of an Educational Development Bank of India to float student loans to the needy students and also to the institutions. Ambani Birla Committee (2000) redefined the role of the government in higher education from a regulator to a facilitator and went far ahead in suggesting a gradual move to full cost recovery in higher education, encouraging the emergence of a largely self-financing private sector. They suggested a credit market for education so that those who cannot pay fees should be able to take loans or credit from the market. This drastic move was not acceptable to the policy makers and it went unheeded. Pylee and Mahmood-ur-Rehman Committees also recommended to raise fees and to revise them periodically. The CABE Committee (2005) in its report recommended increasing fees in the higher
education sector which had remained constant for decades. It strongly advocated student loans as an effective antidote to check the regressive effects of increase in fees. At the same time, it agrees that the poor performance of many countries with the student loan programmes is also well known. Obviously, it indicated towards the rate of recovery of the scheme. Towards the beginning of the year 2000, the new scheme of educational loans i.e. Educational Loan Scheme was floated by the scheduled commercial banks as per the guidelines of the Reserve Bank of India, though the first two recommendations of the Punnayya committee regarding free ships / concessional fees for higher education especially at post-graduate stage seem to have gone unheeded. Moreover, the special preference to the meritorious and needy has found no place in the present arrangement of loans.

Education loans include loans and advances granted to only individuals for educational purposes up to Rs. 10 lakh for studies in India and Rs. 20 lakh for studies abroad; and are categorized under priority sector loans by the Commercial Banks which comprises of agriculture, small scale industries, small road and transport operators, retail trade, small business, professional & self employed persons, education etc. The rationale of priority sector lending was one of the causes for nationalization of the top 14 banks in 1969. The rate of progress was quite rapid soon after nationalization but later progress was more modest. The
priority sector lending in India stood at 14 percent of the total advances in 1969, increased to 46 percent as at the end of 1988 and then to 35 percent in 1997 and then to 39.6 percent in 2007. The main emphasis of the scheme is that no deserving meritorious students should be denied the opportunity to pursue higher studies for want of financial assistance.

**Education Loan – Basic Information:**

The loans which are given to students to pursue studies beyond class XII are called education loan. Any student who has the required academic qualification but cannot pursue further studies due to financial constraints can take this loan. Though theoretically available for all higher studies, most education loans are given for management degrees or advanced technological degrees. Banks generally do not give loans to study Arts. It depends on the discretion of the bank who often considers the income of the parents to give loans for studying subjects where it feels the prospect of income is less. *Education loans were first started by SBI.* Since then, many other banks are also offering such loans. The students need to be within 30 years of age in order to qualify for an education loan. ⁵
Things to know before apply for education loan:
The student can apply for education loan in following cases:

- The student needs to apply for full time course. Most banks do not provide loans for part time or distance education courses or correspondence courses. For these, the student will need to consult the local banks.
- Graduate or post graduate courses in medicine, technology, engineering, management, architecture, pure and applied sciences, mathematics, statistics etc.
- The student can pursue this course in India or abroad.
- The student should also know that educational loans are tax deductible. When it comes to repayment, make sure of the tax angle.

Eligibility of educational loan:
The common criteria for eligibility are:

1. The student must be citizen of India.
2. The student must have obtained a specified amount of marks. He /She should have consistently high academic records.
3. The student should not be older than 30 years though some banks impose a limit of 28 years.
4. He /She must be doing the course from a recognized institution.
5. The student must already be in possession of the letter of admission.
6. Student’s parent or co-applicant should have enough income or there should be sufficient family assets.
The amount of educational loan:

One of the most vital questions that the student may wonder about is the amount of the educational loan. In general, the student can get up to Rs. 4 lakhs of educational loan without any collateral. Under education loan scheme, the student can get a maximum of Rs. 15 lakhs for studies in India and Rs. 25 lakhs for studies abroad. When the student take education loan up to Rs. 4 lakhs, only the student and the parent have to sign the document and no collateral are necessary. However, if the loan amount is between Rs. 4 lakhs and Rs. 7.5 lakhs, he /she will have to provide third party guarantee to the bank. If the loan is above Rs. 7.5 lakhs, the student will have to furnish the bank with collateral documents. These are documents of any securities like NSC which the bank can sell to recover the amount if you fail to pay.6

How to apply for an educational loan?

In order to apply for an educational loan, the student will have to prepare a number of documents beforehand. The process goes as follows:

- Once the student have determined to study at an institution and completed the process of admission, then he /she will have to concentrate on taking out an educational loan. Here are the documents which the student should keep ready:
  1. The student will have to provide a proof of admission to the selected recognized institution.
2. Proof of consistently high academic performance along with the last mark sheet will need to be produced. The cut-off marks generally differ from general students to reserved students.

3. The student needs to produce a schedule of fees.

4. Depending on the amount that the student is applying for, the student will need to produce income statement, statement of assets and liabilities etc.

5. If the student is going to study abroad, he/she need to produce the passport with a valid visa also.

- The education loan will cover a number of things in addition to tuition fees. These include hostel fees, exam fees, library fees, purchasing books, travel and other expenses for educational projects or thesis etc.
- After all the documents have been submitted and verified, the student will have to appear for an interview. It is best to know as much as possible about the course and the institutions that he/she have chosen.
- It takes around 15 days for an educational loan to be sanctioned.
- Once it has been sanctioned, the student will get a promissory note which he/she will have to sign.
- In most cases, banks pay the institution directly and or to the student.
- The student should check the repayment clause. In most cases, repayment starts six months after the end of the
course or as soon as the student gets a job – whichever comes earlier.

- Interest rates on educational loans depend on a number of factors. In general, they vary between 10 per cent and 15 per cent rates of interest.
- The student can claim tax deduction on the interest of the education loan. However, no deduction can be claimed on the principal.

**Axis Bank’s Higher Education Loan:**

Axis Bank’s Education Loan aims to provide the much needed financial support to deserving students for pursuing higher professional or technical education in India and abroad. The education loan would be provided to those students who have obtained admission to career-oriented courses e.g. medicine, engineering, management etc., either at the graduate or post-graduate level. The bank believes, given the right tools and aid every child has the potential to be successful. The education loans aim to be the very tool that will enable them to reach their goals in life. No more would a deserving student have to give away their pursuit of dreams due to lack of money. The student loans will ensure that worthy students are empowered to take their destiny in to their own hands. The endeavour is to help the future of our nation in education and prosperity.⁷
• **Quantum of Loan:** The quantum of finance under the scheme is capped at Rs 10.00 lacs for studies in India and Rs 20.00 lacs for studies abroad, which would cover tuition fees, hostel charges, cost of books, etc. The minimum amount of education loan would be Rs 50,000.

• **Margin:** No margin for education loans up to Rs 4 lacs. For loans above Rs 4 lacs, 5 per cent margin for studies within India and 15 per cent for higher studies overseas.

• **Role of the Guardian:** The parent or guardian of the student would be treated as a co-applicant of the student loan. His or her role would be, necessarily, like the primary debtor.

• **Security:** Third party guarantee and/or collateral security may be asked for in appropriate cases.

• **Additional Security:** Assignment of LIC policy in favour of the Bank for the sum assured being at least 100 per cent of the education loan amount. The policy is kept alive during the currency of the education loan. To ensure this, the annual premium may be included in the computation of the loan requirement, along with the tuition fees and other recurring charges. Further, the future income of the student needs to be assigned in favour of the Bank for meeting the installment obligations.
• **Disbursement:** The student loan will be disbursed in full or in suitable installments taking into account the requirement of funds and/or fee schedule as assessed by the Bank directly to the educational institution or vendor of books or equipment or instruments.

**Bank of Baroda Education Loan:**

Education is the most important investment one makes in life. Higher studies and specialization in certain fields call for additional financial support from time to time. Whether you are planning school education of your child, pursuing a graduate or post-graduate degree, the Bank of Baroda Education Loans, can help finance your ambitions and goals. Following are the loan options available:

- Baroda Vidya.
- Baroda Gyan.
- Baroda Scholar.
- Baroda Education Loan for Vocational Education & Training.
- Central Scheme of Interest Subsidy for Education Loans.
- The National Skill Certification and Monetary Reward scheme – covered under Baroda Education Loan for Vocational Education & Training.
State Bank of India Education Loan:⁹

1. **Purpose for which the loan can be availed:**

The loan will be sanctioned for extending financial assistance to deriving / meritorious students for pursuing higher education in India and abroad.

2. **Courses Eligible:**

   a) **Studies in India:** Graduation, Post-graduation including regular technical and professional Degree/Diploma courses conducted by colleges / universities approved by UGC/ AICTE/IMC/Govt. etc. Regular Degree/ Diploma Courses conducted by autonomous institutions like IIT, IIM etc. Teacher training/ Nursing courses approved by Central government or the State Government. Regular Degree/Diploma Courses like Aeronautical, pilot training, shipping etc. approved by Director General of Civil Aviation/Shipping. Vocational Training and skill development study courses will not be covered under the Education Loan Scheme, as the scheme is framed to provide bank loans for higher studies.

   b) **Studies Abroad:** Graduation/ Post-graduation for job oriented professional/ technical courses offered by reputed universities.

3. **Student Eligibility:** Should be an Indian National, Secured admission to Professional/Technical courses
through Entrance Test/Selection process, Secured admission to foreign university/Institutions. No minimum qualifying marks stipulated in the last qualifying examination.

4. **Expenses Considered for Loan:** Fee payable to college/school/hostel: Where the student will be making his own boarding and lodging arrangements, the sanctioning authority is authorized to fund boarding and lodging expenses on the basis of estimate submitted by the student/parent, provided such expenses are not more than those charged by the educational institution for boarders. Examination / Library / Laboratory fee. Purchase of books / equipments / instruments / uniforms. Caution deposit / building fund / refundable deposit supported by Institution bills / receipts the amount considered for loan should not exceed 10 per cent of the tuition fees for the entire course. Travel expenses/passage money for studies abroad. Purchase of computers - essential for completion of the course. Any other expense required to complete the course – like study tours, project work, thesis, etc. Cost of a two-wheeler up to Rs. 50,000 can be included in the expenses considered eligible for finance where the loan amount is secured by a suitable third party guarantee and/or tangible collateral security. Two wheeler can be necessary in some cases where hostel and college are far apart.
Premium of the insurance policy covering the life of the borrower for loan.

5. **Maximum Loan Amount:**

   Studies in India - Maximum Rs. 10.00 lacs
   
   Studies Abroad - Maximum Rs. 20.00 lacs

6. **Margin:**

   - Up to Rs.4 lacs: Nil
   - Above Rs.4 lacs: Studies in India: 5 %
   - Studies Abroad: 15 %
     - Scholarship/assistantship to be included in margin.
     - Margin may be brought in on year-to-year basis as and when disbursements are made, on a pro-rata basis

7. **Security:**

   a) Up to Rs. 4 lacs - Co-obligation of parents - No security
   b) Above Rs. 4 lacs and upto Rs.7.50 lacs - Co-obligation of parents together with collateral security in the form of suitable third party guarantee. The bank may, at its discretion, in exceptional cases, waive third party guarantee if satisfied with the net-worth/means of parent/s who
would be executing the documents as “joint borrower”.

c) Above Rs. 7.50 lacs - Co-obligation of parents together with tangible collateral security of suitable value, along with the assignment of future income of the student for payment of instalments

The documents should be executed by both the student and the parent/guardian as joint-borrower. It is clarified that if the student is a minor, the documents will be signed by the guardian acting `for self` as well as `for and on behalf of the minor`. The co-obligator should be parents of the student borrower. In case of married person, co-obligator can be spouse or the parent(s)/parents-in-law.

8. **Processing Charges:** No processing/upfront charges may be collected on educational loans. For loans to students going abroad: All those students who approach us for an education loan of more than Rs.4.00 lacs for studies abroad will be required to make a deposit of Rs.5000/- which will be adjusted against the contribution of margin money or the interest payable on the loan, in case the loan is availed by the applicant. If the applicant does not avail the loan within a period of 4 months of sanction of the loan, the amount will be forfeited.
9. **Interest Charges:**
   a. 0.50 per cent concession in interest rate for girl students availing Education Loans with effect from 2nd March 2009.
   b. 1 per cent concession in rate of interest to be provided for full tenure of the loan if full interest is serviced during the moratorium period (including course duration).
   c. Simple interest to be charged during moratorium period.
   d. Penal interest @ 2 per cent to be charged for loans above Rs.4 lacs for the overdue amount and overdue period.

10. **Sanction & Disbursement:**
   o The loan is generally sanctioned at the branch nearest to the permanent residential address/place of domicile of the student/parent.
   o The loan to be disbursed in stages as per the requirement/demand directly to the Institutions/Vendors of books/equipments/instruments to the extent possible.

11. **Repayment:** Repayment Holiday/ Moratorium: Course period + 1 year, or 6 months after getting job, whichever is earlier. Repayment: The loan is to be repaid in 5-7 years, after commencement of repayment. If the student is not able to complete the
course within the scheduled time, extension of time for completion of course may be permitted for a maximum period of 2 years. If the student is not able to complete the course for reasons beyond his control, the sanctioning authority may at his discretion consider such extensions as may be deemed necessary to complete the course. The accrued interest during the moratorium period/repayment holiday period to be added to the principal and repayment to be fixed in Equated Monthly Installments (EMI).

12. **Top Up Loan**: Second Loan within the overall limit is now permitted to pursue a professional course in India or abroad provided the projected income of the student, after placement, is sufficient to cover full loan repayment, and subject to the second loan being allowed with the security requirements as applicable to the aggregate loan limit. Since the student will not be able to take up a job after completion of the first course, his obligation to repay the loan after one year of completion of the first course would also need to be deferred. In such cases, the moratorium period may be extended for the duration of the second course and the combined repayment shifted to one year after the completion of the second course, or 6 months after taking up a job whichever is earlier.
Bank of Maharashtra Education Loan scheme:\(^\text{10}\)

- Eligibility for Bank of Maharashtra Education Loan: Student should be Indian national, have secured admission by Entrance test / Merit bases selection. Job oriented Prof./Technical / PG courses/ Post Graduation: - MCA, MBA, MS etc.

- Quantum of Loan: Maximum Amount for India: Rs 10 lakhs Maximum Amount Overseas: Rs 20 lakhs.

- Margin for Bank of Maharashtra Education Loan: Up to Rs. 4.00 lac – Nil above Rs.4.00 lac - 15 per cent for studies abroad.

- Security for Bank of Maharashtra Education Loan: Up to Rs. 4.00 lac – Clean Above Rs.4.00 lac to Rs.7.50 lac - Satisfactory third party Guarantee Above Rs. 7.50 lac - Value of collateral security after providing requisite margin as below should be equal to the quantum of finance plus 2 acceptable guarantor.
### Table No. 4.01:

**Comparative statement of Loan, Margin and Interests of SBI, HDFC, Axis Bank and Bank of Baroda.**

<table>
<thead>
<tr>
<th>Name of the Bank</th>
<th>Maximum loan amount</th>
<th>Margin</th>
<th>Interest Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Studies in India (in lakhs)</td>
<td>Studies Abroad (in lakhs)</td>
<td>Up to Rs. 4 lakhs</td>
</tr>
<tr>
<td>SBI</td>
<td>10</td>
<td>30</td>
<td>- No</td>
</tr>
<tr>
<td>HDFC</td>
<td>15</td>
<td>20</td>
<td>- No</td>
</tr>
<tr>
<td>AXIS</td>
<td>10</td>
<td>20</td>
<td>- No</td>
</tr>
<tr>
<td>Bank of Baroda</td>
<td>10</td>
<td>20</td>
<td>- No</td>
</tr>
</tbody>
</table>
Role of Financial Institutions in Providing Educational Loans for Overseas Study:

- Much to the relief of aspiring students, banks and large scale financial institutions are coming up to provide monetary help to such students.

- It is worth noting that such institutions have expanded their range and variety of educational loans.

- Privately run overseas banks are even coming forward to grant financial assistance in forms of scholarships on counts of merit.

- While nationalized banks impose variable rates of interests, privatized banks generally prefer fixed rates of interests on educational loans for overseas study.

- Certain Indian banks including the State Bank of India offer an option between fixed and variable rates of interest.

- As far as the specific interest rate is concerned- it obviously varies from bank to bank. The sum and the kind of loan you have applied for also influence the interest rate.

- For loans exceeding Rs. four lakhs banks require the guarantee of a security
**Education Loans - Amount offered by banks and its use:**

- The sum offered as loan and terms of repayment again vary from bank to bank.
- In general the maximum amount of education loan offered by banks is Rs.20 lakhs.
- The sum doled out as educational loan is supposed to take care of expenses on counts of tuition fee, hostel fees, examination fee, purchase of stationary, equipments, books & uniform, besides cost related to travelling.

**Education Loan Eligibility & Application for Overseas Education Loans:**

- In order to be eligible for loans for overseas study, the student need to be the citizen/resident of India.
- Usually banks maintain an enlisted record of overseas courses, educational institutions and universities. Your admission to the course of study/college/university should tally with that of the list maintained by the bank.
- In order to apply for loans for overseas study, first and foremost step is to fill in the application forms meant for the purpose. Do not overlook its minor details.
- The student needs to enclose the mark sheet or pass certificate of the qualifying examinations.
- The student also needs to attach proofs/testimonials validating your admission to overseas course. Besides
enclosing two photographs of passport size; you also need to enclose certificate validating your age

- If The student are doing a job and qualify for the payment of income tax, you need to provide proofs for both- in forms of salary slips and income tax receipts
- The bank in question will also ask for relevant statements as to your bank account, credit status, position of assets and associated liabilities.
- It is important to bear in mind that bank/ or the financial institution also takes into account you or your family's ability for repayment.
- The money provided by your family as the 'margin money' is also taken into account before sanctioning loans for overseas study

**Choosing the best Education loan for Overseas Education**

- Go through the available options to see which offers the least possible rate of interest
- It is also important to compare and contrast the benefits of your course of study with that of the money sought as loan
- Consider the terms of payment as well.
- See if you can defer its payment and if so the maximum time limit to which you can defer
- Go through the possible options/ or option for delaying in case of a hardship
Repayment of education loans for overseas study

- Repayment is evaluated in terms of 'EMIs' or equated monthly installments
- As far as the commencement of repayment is concerned, it starts following one year of your course completion.
- There is another option for repayment as well. You can start repaying once you land yourself with a job- six months following your employment
- It all depends on your luck and pluck, if you are lucky enough to get a job before the completion of the course; you can start paying before its completion. In case you don't; you have a year's time to wait for

Rates of interests of different banks on educational loans to study abroad:

- State Bank of India with its standardized benchmark usually charges 14.75 per cent of floating interest for quantum equivalent to Rs.4.75 lakhs.
- Punjab National and Allahabad Bank charge 1.50 per cent & .75 per cent on the borrowed quantum of Rs. four lakhs
- Bank of Maharashtra imposes 12 per cent of interest for quantum within four lakhs
Chart No. 4.01:  
Public and Private Sector Educational Loans and Bank Accounts during the year 2003 to 2012.

The data also shows that the number of accounts has been rising sharply. The number of educational loan accounts has zoomed from just 2,49,000 accounts in 2003 to 24,81,000 accounts in 2012.
Table No. 4.02:
NPA in Education Loan of Nationalized Banks as on 31st March, 2012.

<table>
<thead>
<tr>
<th>Sr.</th>
<th>Name of Bank</th>
<th>NPA Amount</th>
<th>% of NPA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>State Bank of India</td>
<td>161.77</td>
<td>8.36</td>
</tr>
<tr>
<td>2</td>
<td>State Bank of J &amp; K.</td>
<td>0.19</td>
<td>0.86</td>
</tr>
<tr>
<td>3</td>
<td>State Bank of Hyderabad</td>
<td>0.41</td>
<td>1.2</td>
</tr>
<tr>
<td>4</td>
<td>State Bank of Mysore</td>
<td>1.86</td>
<td>2.26</td>
</tr>
<tr>
<td>5</td>
<td>State Bank of Patiala</td>
<td>0.07</td>
<td>1.09</td>
</tr>
<tr>
<td>6</td>
<td>State Bank of Travankore</td>
<td>1.43</td>
<td>0.77</td>
</tr>
<tr>
<td>7</td>
<td>Allahabad Bank</td>
<td>1.19</td>
<td>2.6</td>
</tr>
<tr>
<td>8</td>
<td>Andhra Bank</td>
<td>7.88</td>
<td>8.62</td>
</tr>
<tr>
<td>9</td>
<td>Bank of Baroda</td>
<td>16.21</td>
<td>7.41</td>
</tr>
<tr>
<td>10</td>
<td>Bank of India</td>
<td>15.6</td>
<td>4.24</td>
</tr>
<tr>
<td>11</td>
<td>Bank of Maharashtra</td>
<td>0.67</td>
<td>4.39</td>
</tr>
<tr>
<td>12</td>
<td>Canara Bank</td>
<td>24.17</td>
<td>1.96</td>
</tr>
<tr>
<td>13</td>
<td>Central Bank of India</td>
<td>2.83</td>
<td>0.9</td>
</tr>
<tr>
<td>14</td>
<td>Corporation Bank</td>
<td>13.03</td>
<td>6.47</td>
</tr>
<tr>
<td>15</td>
<td>Dena Bank</td>
<td>2.44</td>
<td>9.37</td>
</tr>
<tr>
<td>16</td>
<td>Indian Bank</td>
<td>103.26</td>
<td>4.93</td>
</tr>
<tr>
<td>17</td>
<td>Indian Overseas Bank</td>
<td>33.64</td>
<td>2.43</td>
</tr>
<tr>
<td>18</td>
<td>Oriental Bank of Commerce.</td>
<td>5.01</td>
<td>9.12</td>
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<td>19</td>
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<td>20</td>
<td>Punjab and Sindh Bank.</td>
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<tr>
<td>21</td>
<td>Syndicate Bank</td>
<td>11.38</td>
<td>3.93</td>
</tr>
<tr>
<td>22</td>
<td>UCO Bank</td>
<td>1.29</td>
<td>0.75</td>
</tr>
</tbody>
</table>
Choosing Best University for Higher Education:

Higher education, which follows elementary and secondary education is supposed to be a privilege. As a privilege it is one of covetous desirability. Having a needful role to play in the larger social context, higher education includes an extensive purview. But, perhaps the epithet extensive will be too little to describe the same. With the passage of each and every day; one comes across new additions, new inputs to add to the ever expanding domain of higher education. Generally speaking; technical areas, teaching, vocational studies, research work, applied work, advanced facets of learning geared to the areas of science, commerce and humanities are catered to by higher education.

University- an important channel of higher education:

There is little need to show the nexus between universities and higher learning. University as an important instrument of institutionalized higher learning includes several colleges underneath its administrative domain. Forums such as academies, technological institutes and centers for career development also come under its all encompassing purview.

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<table>
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</thead>
<tbody>
<tr>
<td>23</td>
<td>Union Bank of India</td>
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<td>7.35</td>
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<td>24</td>
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<td>25</td>
<td>Vijaya Bank</td>
<td>5.89</td>
<td>9.48</td>
</tr>
<tr>
<td>26</td>
<td>IDBI Bank Ltd.</td>
<td>0.11</td>
<td>1.01</td>
</tr>
</tbody>
</table>

Source: [http://www.slbctn.com](http://www.slbctn.com)
Choice of universities:

University as a stepping stone to career building calls for careful and judicious selection. The prospect of selection may prove to be pretty baffling for the concerned students and guardians as well. Though there are no hard and fast rules guiding the selection of universities; from a broad perspective; a few parameters may be worth considering.

Compatibility with area of study:

- First and foremost, it makes listing out seats of advanced learning; bearing in mind your area of interest.
- Streams of study as determined by area of interest must be relevant to the list drawn out.
- In other words, the preferred colleges or universities must be adequately equipped to cater to your selected stream of learning.
- Rather than go by name or fame; it is important that you go by curriculum or programs it has in the offing.
- Infrastructural facilities of the university should live up to the needs of your study.
- The same holds true for faculty requirement.
- Program or academic stream of your choice may not be on priority list of a so called famous university.
- In such a case; it is imperative that you stick to your inclination and consider the second best option.
**Criterion for admission:**

- With the increasing accessibility to higher education; criteria or norms guiding admission have become proportionately stiff.
- Before exercising your option as to the most preferred one; it is important to access detailed whereabouts marking their eligibility of selection.
- As one of the prospective learners make sure that you have the bare minimum eligibility.
- Go for a chosen list with a few names included therein.
- It is desirable to make a judicious comparison regarding their norms of selection.
- Norms leading to selection generally differ according to variations in stream, subjects of study, place of locations, prevalent marking schemes and expected student strength.
- As far as Indian universities are concerned there is yet to be a standardized ground of selection.
- Bearing in mind the aforementioned factors; the bare minimum cut of marks is decided.
- Depending on the course of choice; individual entrance test, common entrance or joint entrance are held thereafter
- Positions or placement of ranking serves to determine your final entry.
Accreditation of a university:

- While exercising your choice, it is very important to focus on its official status.
- Do consider, if it is authorized by commissions or technical councils authorized to certify seats of higher learning.
- The course of learning should also be similarly approved by certifying bodies.
- This issue is of paramount significance from the point of view of your career prospects.
- It is often found that courses or vocational training offered by certain institutions or universities fail to fetch jobs, in spite, of successful completion.
- The issue assumes greater significance in recent times as one comes across hordes of universities mushrooming all over the country, staking their respective claims.

Reputation of a university:

- Bearing in mind prospects of future and that of job; it is relevant that you attach due importance to its overall reputation.
- Reputation not only relates to its external appearance, upgraded infrastructural amenities and overall maintenance; but also gears to nature of faculty, ambience of study and yearly performance.
• Do consider to what extent it relates to your career goal with facilities for group discussion, workshops and placement opportunities.

**Education Loans: The Indian Banks’ Association (IBA) Revised Policy from September 2012:**

**The Basics:**

Indian students can take out education loans from private or nationalized banks for pursuing higher studies in India or overseas, at colleges and universities approved by the banks. A student, 16 years and above, having completed the basic academic 12 years of schooling, must have secured admission into a recognized institution before applying for a loan. The course of study for which a loan may be taken out, can include graduate or post-graduate study programs, professional or technical course in any discipline, including courses conducted by international professional bodies; degree or diploma courses such as aeronautical, pilot training, shipping, nursing or any other discipline approved and recognised by competent regulatory bodies in India/abroad for the purpose of employment, and even approved courses offered in India by reputed foreign universities. Students of any age can apply for an education loan. Management, hospitality, healthcare and IT disciplines enjoy an edge while universities in the U.S., U.K., Canada, Australia and New Zealand are popular destinations among loan applicants.11
**Coverage:**

Expenses considered under an education loan include fees payable for the course - to the university, accommodation, examination, library and laboratory fees, purchase of books, equipment, instruments, and uniforms, travel expenses, purchase of computer, building fund or security deposit not exceeding 10 per cent of the total tuition fees for the entire course and supported by bills and receipts, insurance premium for the student borrower – as well as other expenses required to complete the course, such as study tours, project and thesis work.

**Maximum Loan Amounts:**

Most banks give loans of up to Rs. 10 lakh for studies in India and up to Rs. 20 lakh for studies overseas. Some banks do however offer educational loans up to Rs. 30 lakh for studies abroad, subject to the repayment capacity of the parents.

**The Interest Rate effect:**

Interest rates are linked to the base rate as decided by individual banks and so vary from bank to bank, falling between 12 and 15 percent. Banks offer various interest rates on education loans, based on the rating of courses/institutions/students. The current interest rate, as of August 2013, for loans up to Rs. 4 lakh, is around 13.45 per cent, with higher figure loans charged at 13.2 per cent. Nationalized Indian banks offer a one percent concession for
female students. There is also a one percent rebate if repayments have been regular.

**Subsidies for Some:**

Students from families with an annual income of less than Rs. 4.5 lakh, are eligible for an interest subsidy during the *moratorium period*, that is the time period after the loan is given and before the student starts repayment, for which the borrower is usually charged the accumulated interest. If the student is eligible for interest subsidy, the accumulated interest will be paid to the bank by the central government. No payment on the education loan’s interest is required while the student is enrolled in an Indian institution.

**Paying Back the Loan:**

Repayment starts one year after the completion of a course, or six months after getting a job, whichever comes first. However, to ease the interest burden, you may choose to pay the interest during the moratorium period, and receive an interest rate concession. If the student is not able to complete the course within the scheduled time, extension of time for completion of course may be permitted for a maximum period of 2 years. In case the student discontinues the course midway, an appropriate repayment schedule will be worked out by the bank in consultation with the student/parent.
Collateral Requirements:

There is no collateral required for a loan up to Rs. 4 lakh for education in India. For higher amounts, suitable collateral security must be provided – this includes: the equivalent amount of fixed deposits in the name of the student, public sector bonds, gold shares, mutual fund units, national savings certificates, home or property mortgages, or a pledge of a portion of the student’s future income for payment in installments. Parents or guardians are generally named joint borrowers. The bank may also insist on a third party guarantor for the entire loan amount.

Margin Money: The Expenses:

Margin Money is the amount to be given by the student - calculated as a percentage of the loan. There is no margin money requirement for a study loan up to Rs. 4 lakh. For a higher loan amount, for a course within India, around five percent of the loan is requested as margin money. For study overseas, around 15 percent is required. If a student needs a loan of Rs 15 lakh and has received a scholarship worth US$10,000 then the margin money requirement is covered by showing proof of the scholarship.

Processing Fees on Student Loans:

Nationalized banks do not charge any processing fees or charges on loans for studies in India. However, these banks may charge a processing fee for considering loans for studies abroad. This fee may be refunded upon the loan
approval. Private Banks charge around 2 percent of the loan amount in processing fees - this may be negotiable.

**Loans for studying further:**

Banks may consider further loans to students pursuing advanced studies starting during the moratorium period of the first loan and after the proper completion of the undergraduate degree for which the first loan was taken out. The repayment of the top-up loan will commence after the completion of the second course.

**What happens after a Loan is approved?**

Once the loan is given the green light, it is disbursed in stages according to the stated needs of the student. It is all sent directly to where it needs to go.

**Tax Benefits on Educational Loans:**

Repayment of an education loan taken for full-time study is deductible under section 80E of the Income Tax Act. The yearly limit for deduction is Rs. 40,000 (for both the principal and the interest), which is available for a maximum period of eight years after starting repayment.

**Checklist that the student needs to take to get approved for the Education Loan:**

- Completed loan application form.
- Proof of university admission.
• Grade reports/Exam mark sheets from high school.
• Test Scores: TOEFL/SAT/GRE/GMAT etc.
• Proof of Scholarship, if secured.
• Proof of employability post education.
• Statement of course related expenses.
• Visa approval papers.
• Travel documents.
• Bank Account statement; for the past six months.
• Details for the co-borrower.
• Statement of Assets and Liabilities of the Student or guardian
• Proof of Parents Income.
• Income tax returns for the past two years.
• Passport size photographs.

**List of Bank Who Offer Educational Loan in India:**

Most of the banks are now provide educational loan for the student. Here I give some of the nationalized bank that offers educational loans in India. You can compare the loan procedure of those banks with the loan procedure of the SBI.\textsuperscript{12}

1. Axis Bank Study Loan
2. Allahabad Bank Loan
3. Bank of India Loan
4. Bank of Maharashtra Loan
5. Bank of Baroda Loan
6. Bank of Rajasthan Loan
7. Canara Bank Student Loans
8. Federal Bank Vidya Loan
9. IDBI Bank Education Loans
10. HDFC Education Loan
11. UCO Bank Education Loan
12. ICICI Bank Education Loan
13. Punjab National Bank Loan
14. Syndicate Bank Loans
15. Indian Overseas Bank Loan
16. Oriental Bank of Commerce
17. United Bank of India Loans

**Education Loan Scheme of the Commercial Banks of India: Growth & Performance:**

Education Loan Scheme is being run by the Public Sector Banks of India since 2001 under different names and with small variations. For example-

- Bank of Baroda has named the scheme for education with in India as *Baroda Vidya* and for education from abroad as *Baroda Scholar*.

- The Punjab National Bank has two schemes- (1)*Vidya Lakshya Purti*, and (2)*Sarvottam Shiksha*. The latter scheme provides loans at concessional rate of interest for specified educational institutions.

- Same type of scheme is run by the State Bank of India under the name *Gyan Jyoti Scheme*. 
Education loans extended by public sector banks are a hit with the student community and have been witnessing steady increase ever since the scheme was introduced in 2001, as shown in the following table. Over the years the ratio of educational loans as a percentage of Public sector banks’ total advances has shown an improvement from 0.64 per cent in 2004 to 1.25 per cent in 2008, almost doubled. The loan is mostly taken for higher studies. The performance of Public Sector Banks under Education Loan Scheme of Indian Banks’ Association (IBA) shows continuous growth in educational loans, in terms of amount, as well as, number of accounts. Moreover, educational loans still remain largely in the domain of public sector banks, as they offer better terms than the private banks. The total education loan disbursed by PSB’s have reached around Rs. 34,192 crores with 27.60 lakh benefactors till March, 31st, 2012. Education loans are now popular across all segments of society and are extended to only those students who have confirmed admission.
### Table No. 4.03: Growth of Educational Loans Accounts.

<table>
<thead>
<tr>
<th>Sr.</th>
<th>Year</th>
<th>No. of A/c</th>
<th>% increase</th>
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<tbody>
<tr>
<td>1</td>
<td>2005</td>
<td>4,68,207</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>2006</td>
<td>6,79,945</td>
<td>45.22</td>
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<tr>
<td>3</td>
<td>2007</td>
<td>9,44,397</td>
<td>38.89</td>
</tr>
<tr>
<td>4</td>
<td>2008</td>
<td>12,46,870</td>
<td>32.03</td>
</tr>
<tr>
<td>5</td>
<td>2009</td>
<td>16,03,385</td>
<td>28.59</td>
</tr>
<tr>
<td>6</td>
<td>2010</td>
<td>19,11,460</td>
<td>19.21</td>
</tr>
<tr>
<td>7</td>
<td>2011</td>
<td>23,26,812</td>
<td>21.73</td>
</tr>
<tr>
<td>8</td>
<td>2012</td>
<td>27,60,927</td>
<td>18.66</td>
</tr>
</tbody>
</table>

Source: [http://www.indiastudychannel.com](http://www.indiastudychannel.com)

### Table No. 4.04:

#### Growth Trend of Outstanding Amount of Educational Loan.

<table>
<thead>
<tr>
<th>Sr.</th>
<th>Year</th>
<th>Outstanding Amount (Rs. Crores)</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2005</td>
<td>6,713</td>
<td>--</td>
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<tr>
<td>2</td>
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<td>10,012</td>
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<td>2007</td>
<td>14,283</td>
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<td>4</td>
<td>2008</td>
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<td>47,591</td>
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<tr>
<td>8</td>
<td>2012</td>
<td>59,069</td>
<td>24.12</td>
</tr>
</tbody>
</table>

[http://www.indiastudychannel.com](http://www.indiastudychannel.com)
The performance of Public Sector Banks under Education Loan Scheme of Indian Banks’ Association shows continuous growth in educational loans, in terms of amount, as well as, number of accounts. Despite the developments, education loans still largely remain the domain of public sector banks. The main emphasis of banks is that no deserving meritorious students should be denied the opportunity to pursue higher studies for want of financial assistance. Education loans are now popular across all segments of society and are extended to only those students who have confirmed admission. Study loans in India experienced a strong growth in the fiscal years 2005-06 and 2006-07. As per data of IBA, education loans outstanding to Public Sector Banks were to the tune of Rs. 6713 crores in March, 2005. The increase in total loans outstanding over 31st March, 2008 in absolute and percentage terms, was Rs.7829 crores and 39% respectively. Similarly, the number of accounts increased by 3, 56,515 registering a growth of about 29% during the same period. In 2008-09, the educational loans witnessed an impressive growth of 39 percent.

The average size of about 70 percent of the loans was up to Rs. 4 lakh. A reason for this sector continuing to be attractive over the last ten years is negligible defaults. Loan defaults are placed at less than 3 percent. This has been a growing sector and is bound to expand further. Banks are also looking for opportunities to introduce demand-based
schemes. Study loans in India are seeing a strong growth in the current fiscal; the demand is robust with private colleges offering courses such as engineering and management. Now that the limit of education loan has been increased to 10 lakhs for availing higher education within the country and to Rs. 15 lakhs for education abroad, the average size of the domestic education loan is Rs 2 to 8 lakh, while that for overseas education is around Rs 5 to 15 lakh.

The number of Indian students travelling abroad for higher studies has almost doubled during the study period. Correspondingly, the banks have seen a similar trend in the quantum of education loans. The State Bank of India and its seven associate banks – leaders in education loans – have recently upgraded their products portfolio to expand their market share. Almost all the branches have been authorized to disburse education loans. According to official reports, the revamp of the educational loan product has resulted in a nearly 30 to 40 per cent growth during the financial year 2007-08. The SBI and its associate banks now expect the demand for education loans to further go up with the hike in fees by IIMs and IITs across the country and other B-schools also overhauling their fee structure.

Although the banks have loosened their purse strings for education loans, they are not going to let students default so easily. The government is considering a host of
measures, including a bar code or even radio frequency identification on passports, put forward by banks, so that students availing such loans can be tracked. Though education loans are now popular across all segments of Indian society, yet less than 3 per cent students in India avail of education loans against 85 per cent in UK, 77 per cent US and 70 per cent in Germany and France and most of these education loanees in India belong to middle income families. There are many schemes for providing financial aid to poor students, the amount given is awfully low and procedures are very cumbersome.

References:


8. http://www.bankofbaroda.co.in

9. http://www.sbi.co.in

10. http://www.bankofmaharashtra.in
