Chapter No. 05:

State Bank India and Education Loan.

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Introduction:

Student financing are the method of support for students in higher education. Money is loaned to students at a subsidized rate to help towards their maintenance costs and to cover the cost of tuition fees. Graduates repay these loans to the bank after their income exceeds the threshold level. These loans are therefore a method for private contributions towards the costs of higher education. An aim of the student support system is to ensure that the upfront costs do not deter potential students. Graduates repay student loans and they generally have above average incomes. The boom in the banking sector has led to release of large amount of funds for education loans. Now, education loans are easily available from various banks in India and this change is encouraging more and more students to take up higher education despite their financial shortcomings. Many nationalized as well as private banks have come up with various educational loan schemes that students can benefit from.¹

Development of higher education depends on various factors, among which finance plays a major role. Financing higher education has attracted serious attention of policy makers and educational thinkers as higher education system is facing financial crunch in recent years. Alternative ways of financing higher education are being explored and implemented to overcome the problem of deficit finance and cost-recovery. Among them educational loan is increasingly
seen as an important source of finance. Higher education develops qualities that are valued by employers, such as problem-solving and communication skills. Doing a higher education course could give the students an edge in the job market.²

Student loans in India have become a popular method of funding higher education in India with the cost of educational degrees going higher. The spread of self-financing institutions for higher education in fields of engineering, medical and management which has higher fees than their government aided counterparts have encouraged the trend in India. Most large public sector and private sector banks offer educational loans. Education loan is becoming popular day by day because of rising fee structure of higher education. It came into existence in 1995 started by SBI Bank and after that many banks started offering student loans.

**State Bank of India:**

The bank founded in 1806, Bank of Calcutta was the first Bank established in India and over a period of time evolved into State Bank of India (SBI). SBI represents a sterling legacy of over 200 years. It is the oldest commercial Bank in the Indian subcontinent, strengthening the nation’s trillion-dollar economy and serving the aspirations of its vast population. The Bank is India’s largest commercial Bank in terms of assets, deposits, profits, branches,
number of customers and employees, enjoying the continuing faith of millions of customers across the social spectrum. SBI makes a profound contribution in driving all sectors of the Indian economy – primary, secondary and tertiary, in equal measure. It is one of India’s most familiar institutions of trust stretching from the remotest villages to the global financial hubs. SBI Education Loans has grown at 7.19 per cent during the year 2013-14. SBI has a total exposure of Rs. 14,740 crores as on March 2014. SBI is the market leader in Education Loans with a market share of around 24.9 per cent.³

In India the business of banking and credit was practiced even in very early times. The remittance of money through ‘Hundies’, an indigenous credit instrument, was very popular. The hundies were issued by bankers known as Shroffs, Sahukars, Shahus or Mahajans in different parts of the country.⁴ The modern type of banking, however, was developed by the Agency Houses of Calcutta and Bombay after the establishment of Rule by the East India Company in 18th and 19th Centuries. During the early part of the 19th Century, volume of foreign trade was relatively small. Later on as the trade expanded, the need for banks of the European type was felt and the Government of the East India Company took interest in having its own bank.

The establishment of the British Colonial Government in India brought with it calls for the formation of a Western-
style banking system, if only to serve the needs and interests of the British Imperial Government and of the European Trading Houses doing business there. The creation of a national banking system began at the beginning of the 19th century. The origin of the State Bank of India goes back to the first decade of the nineteenth century with the establishment of the Bank of Calcutta in Calcutta on 2nd June 1806. Three years later the bank received its charter and was re-designed as the Bank of Bengal on 2 January 1809. A unique institution, it was the first Joint-Stock Bank of British India sponsored by the Government of Bengal. The Bank of Bombay was established on 15th April 1840 and the Bank of Madras on 1st July 1843, followed the Bank of Bengal. These three banks remained at the apex of modern banking in India till their amalgamation as the Imperial Bank of India on 27th January 1921. The spread of colonial influence also extended the scope of government and commercial financial influence. Toward the middle of the century, the Imperial Government created two more regional banks. The Bank of Bombay was created in 1840, and was soon joined by the Bank of Madras in 1843. Together with the Bank of Bengal, they became known as the ‘Presidency Banks’. The rapid growth of the presidency banks came to an abrupt halt in 1876, when a new piece of legislation, the Presidency Banks Act, placed all three banks under a common charter and a common set of restrictions.
Presidency Banks Act: The Presidency Banks Act, which came into operation on 1 May 1876, brought the three presidency banks under a common statute with similar restrictions on business. The proprietary connection of the Government was, however, terminated, though the banks continued to hold charge of the public debt offices in the three presidency towns, and the custody of a part of the Government balances. The Act also stipulated the creation of Reserve Treasuries at Calcutta, Bombay and Madras into which sums above the specified minimum balances promised to the presidency banks at only their head offices were to be lodged. The Government could lend to the presidency banks from such Reserve Treasuries but the latter could look upon them more as a favour than as a right.

The presidency Banks of Bengal, Bombay and Madras with their 70 branches were merged in 1921 to form the ‘Imperial Bank of India’. The triad had been transformed into a monolith and a giant among Indian commercial banks had emerged. The new bank took on the triple role of a commercial bank, a banker’s bank and a banker to the Government. But this creation was preceded by years of deliberations on the need for a ‘State Bank of India’. What eventually emerged was a ‘half-way house’ combining the functions of a commercial bank and a quasi-central bank. The RBI was established in 1935 as the Central Bank of the Country. In 1949, the Banking Regulation act was passed
and the RBI was nationalized and acquired extensive regulatory powers over the commercial banks. In 1950, the Indian Banking system comprised of the RBI, the Imperial Bank of India, Cooperative banks, Exchange banks and Indian Joint Stock banks. *The Imperial Bank of India was nationalized in 1955 as the State Bank of India.* The main objective of establishing SBI by nationalizing the Imperial Bank of India was to extend banking facilities on a large scale more particularly in the rural and semi-urban areas and to diverse other public purposes.

By the beginning of the 20th century, India's banking industry boasted a host of new arrivals, and particularly foreign banks authorized to exchange currency. The growth of the banking sector, and the development of indigenous banks, in turn created a need for a larger bankers' bank. At the same time, the Indian government had outgrown its colonial background and now required a more centralized banking institution. These factors led to the decision to merge the three presidency banks into a new, single and centralized banking institution, the Imperial Bank of India. The State Bank of India emerged as a pacesetter, with its operations carried out by the 480 offices comprising branches, sub offices and three Local Head Offices, inherited from the Imperial Bank. Instead of serving as mere repositories of the community's savings and lending to creditworthy parties, the State Bank of India catered to the needs of the customers, by banking purposefully. The bank
served the heterogeneous financial needs of the planned economic development.

An Overview of State Bank of India (SBI):

State Bank of India (SBI) is that country's largest commercial bank. The Government controlled bank - the Indian Government maintains a stake of nearly 60 percent in SBI through the Central Reserve Bank of India also operates the world's largest branch network, with more than 13,500 branch offices throughout India, staffed by nearly 2.20 lakh employees. SBI is also present worldwide, with seven international subsidiaries in the United States, Canada, Nepal, Bhutan, Nigeria, Mauritius, and the United Kingdom and more than 50 branch offices in 30 countries. Long an arm of the Indian Government's infrastructure, agricultural, and industrial development policies, SBI has been forced to revamp its operations since competition was introduced into the country's commercial banking system. As part of that effort, SBI has been rolling out its own network of automated teller machines (ATMs), as well as developing anytime-anywhere banking services through Internet and other technologies. SBI also has taken advantage of the deregulation of the Indian banking sector to enter the banc-assurance, assets management, and securities brokering sectors. In addition, SBI has been working on reigning in its branch network, reducing its payroll, and strengthening its loan portfolio.
The State Bank of India, the country’s oldest Bank and a premier in terms of balance sheet size, number of branches, market capitalization and profits is today going through a momentous phase of Change and Transformation – the two hundred year old Public sector behemoth is today stirring out of its Public Sector legacy and moving with an ability to give the Private and Foreign Banks a run for their money. The bank is entering into many new businesses with strategic tie-ups, Pension Funds, General Insurance, Custodian Services, Private Equity, Mobile Banking, Point of Sale Merchant Acquisition, Advisory Services, structured products etc., each one of these initiatives having a huge potential for growth.

The Bank is forging ahead with cutting edge technology and innovative new banking models, to expand its Rural Banking base, looking at the vast untapped potential in the hinterland and proposes to cover 1 lakh villages in the next two years. It is also focusing at the top end of the market, on whole sale banking capabilities to provide India’s growing large Corporate with a complete array of products and services. It is consolidating its global treasury operations and entering into structured products and derivative instruments. Today, the Bank is the largest provider of infrastructure debt and the largest arranger of external commercial borrowings in the country. It is the only Indian bank to feature in the Fortune 500 list.
The Bank is changing outdated front and back end processes to modern customer friendly processes to help improve the total customer experience. With about more than 13,500 branches and another 5,100 branches of its Associate Banks already networked, today it offers the largest banking network to the Indian customer. The Bank is also in the process of providing complete payment solution to its clientele with its over 10,000 ATMs, and other electronic channels such as Internet banking, debit cards, mobile banking, etc. State Bank of India has more than 80 offices in nearly 35 other countries, including multiple locations. The bank has other units devoted to capital markets, fund management, factoring and commercial services, credit cards, and brokerage services. The Reserve Bank of India owns about 60 per cent of State Bank of India. With four national level Apex Training Colleges and 54 learning Centers spread all over the country the Bank is continuously engaged in skill enhancement of its employees. Some of the training programmes are attended by bankers from banks in other countries. It has also 7 Subsidiaries in India, SBI Capital Markets, SBICAP Securities, SBI DFHI, SBI Factors, SBI Life and SBI Cards forming a formidable group in the Indian Banking scenario. It is in the process of raising capital for its growth and also consolidating its various holdings.

Throughout all this change, the Bank is also attempting to change old mindsets, attitudes and take all
employees together on this exciting road to Transformation. In a recently concluded mass internal communication programme termed ‘Parivartan’ the Bank rolled out over 3,300 workshops across the country and covered over 1,30,000 employees in a period of 100 days using about 400 Trainers, to drive home the message of change and inclusiveness. The workshops fired the imagination of the employees with some other banks in India as well as other Public Sector Organizations seeking to emulate the programme.

- **Branch Networks:** The corporate center of SBI is located in Mumbai. In order to cater to different functions, there are several other establishments in and outside Mumbai, apart from the corporate center. The bank boasts of having as many as 14 local head offices and 57 Zonal Offices, located at major cities throughout India. It is recorded that SBI has about 13,500 branches, well networked to cater to its customers throughout India. State Bank of India offers a wide range of banking products and services to corporate and retail customers through its branches.

- **Subsidiaries:** The State Bank Group includes a network of eight banking subsidiaries and several non-banking subsidiaries. Through the establishments, it offers various services including merchant banking
services, fund management, factoring services, primary dealership in government securities, credit cards and insurance. The Banking subsidiaries of SBI are:

- State Bank of Bikaner and Jaipur (SBBJ)
- State Bank of Hyderabad (SBH)
- State Bank of India (SBI)
- State Bank of Indore (SBIR)
- State Bank of Mysore (SBM)
- State Bank of Patiala (SBP)
- State Bank of Saurashtra (SBS)
- State Bank of Travancore (SBT)

Today, the State Bank of India, along with its seven associate banks form the State Bank Group, which does over 25 per cent of all banking business in India through a network of 13,767 branches in India and 54 overseas, and over 10,000 ATMs in India's metros, and urban and rural areas. The group serves over 100 million accounts and, in the last four years, deposits have grown with a compound annual growth rate (CAGR) of 12 per cent from Rs.3,514 billion in 2001 to Rs.5,061 billion in 2005. It was the only Indian bank to be listed among the top 100 banks of the world by The Banker in 2005. The shares of the banks are listed in the Indian stock exchanges and its global depository receipts are listed in Europe. SBI has a market capitalization of about Rs.441 Billion on the Indian bourses as of September 2008. The Government of Indian owns 59.73 per cent of the shares, through the country’s central
bank, the Reserve Bank of India. It is the only bank in Asia, other than the Bank of Japan, to have a rating, from international agencies, above the sovereign. The State Bank is a financial powerhouse with its arms in Insurance, mutual funds, investment banking, etc., and owns:

- SBI Capital Markets Ltd.
- SBI Mutual Fund.
- SBI Factors and Commercial Services Ltd.
- SBI DFHI Ltd.
- SBI Cards and Payment Services Pvt. Ltd.
- SBI Life Insurance Co Ltd.
- SBI Funds Management Pvt. Ltd.
Table 5.01: An overview of State Bank of India during 2007-08 to 2011-12.

<table>
<thead>
<tr>
<th>Items</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of offices</td>
<td>10683</td>
<td>12034</td>
<td>13094</td>
<td>14046</td>
<td>14316</td>
</tr>
<tr>
<td>No. of employees</td>
<td>179205</td>
<td>205896</td>
<td>200299</td>
<td>222933</td>
<td>215481</td>
</tr>
<tr>
<td>Business per employee</td>
<td>45.60</td>
<td>55.60</td>
<td>63.60</td>
<td>70.47</td>
<td>79.84</td>
</tr>
<tr>
<td>Profit per employee</td>
<td>0.37</td>
<td>0.47</td>
<td>0.45</td>
<td>0.39</td>
<td>0.53</td>
</tr>
<tr>
<td>Capital and Reserves &amp; Surplus</td>
<td>490327</td>
<td>579477</td>
<td>659492</td>
<td>649860</td>
<td>839512</td>
</tr>
<tr>
<td>Deposits</td>
<td>5374039</td>
<td>7420731</td>
<td>8041162</td>
<td>9339328</td>
<td>10436474</td>
</tr>
<tr>
<td>Investments</td>
<td>1895013</td>
<td>2759540</td>
<td>2957852</td>
<td>2956006</td>
<td>3121976</td>
</tr>
<tr>
<td>Advances</td>
<td>4167682</td>
<td>5425032</td>
<td>6319142</td>
<td>7567194</td>
<td>8675789</td>
</tr>
<tr>
<td>Interest income</td>
<td>489503</td>
<td>637884</td>
<td>709939</td>
<td>813944</td>
<td>1065215</td>
</tr>
<tr>
<td>Other income</td>
<td>86949</td>
<td>126908</td>
<td>149682</td>
<td>158246</td>
<td>143514</td>
</tr>
<tr>
<td>Interest expended</td>
<td>319291</td>
<td>429153</td>
<td>473225</td>
<td>488680</td>
<td>632304</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>126086</td>
<td>156487</td>
<td>203187</td>
<td>230154</td>
<td>260690</td>
</tr>
<tr>
<td>Cost of Funds (CoF)</td>
<td>5.64</td>
<td>5.72</td>
<td>5.14</td>
<td>4.67</td>
<td>5.35</td>
</tr>
<tr>
<td>Return on advances adjusted to CoF</td>
<td>3.70</td>
<td>3.95</td>
<td>3.48</td>
<td>3.97</td>
<td>4.63</td>
</tr>
<tr>
<td>Wages as % to total expenses</td>
<td>17.48</td>
<td>16.64</td>
<td>18.86</td>
<td>21.16</td>
<td>19.01</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>1.01</td>
<td>1.04</td>
<td>0.88</td>
<td>0.71</td>
<td>0.88</td>
</tr>
<tr>
<td>CRAR</td>
<td>13.54$</td>
<td>14.25</td>
<td>13.39</td>
<td>11.98</td>
<td>13.86</td>
</tr>
<tr>
<td>Net NPA ratio</td>
<td>1.78</td>
<td>1.79</td>
<td>1.72</td>
<td>1.63</td>
<td>1.82</td>
</tr>
</tbody>
</table>

Source: http://www.rbi.org.in
The above Table No. 4.01 provides the information about –No. of offices, No. of employees, business per employee, profit per employee, Capital, Reserves, Deposits, Investments, Advances, Income, expenditure of the State Bank of India during the year 2007-08 to 2011-12.

**Table No. 5.02:**

**Branch Network of SBI in Selected Districts of Maharashtra State.**

<table>
<thead>
<tr>
<th>Sr.</th>
<th>Name of District</th>
<th>No of Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aurangabad</td>
<td>46</td>
</tr>
<tr>
<td>2</td>
<td>Nanded</td>
<td>22</td>
</tr>
<tr>
<td>3</td>
<td>Amravati</td>
<td>55</td>
</tr>
<tr>
<td>4</td>
<td>Nagpur</td>
<td>92</td>
</tr>
<tr>
<td>5</td>
<td>Solapur</td>
<td>40</td>
</tr>
<tr>
<td>6</td>
<td>Pune</td>
<td>143</td>
</tr>
<tr>
<td>7</td>
<td>Kolhapur</td>
<td>39</td>
</tr>
<tr>
<td>8</td>
<td>Nashik</td>
<td>56</td>
</tr>
<tr>
<td>9</td>
<td>Jalgaon</td>
<td>51</td>
</tr>
<tr>
<td>10</td>
<td>Raigad</td>
<td>2</td>
</tr>
</tbody>
</table>

**Total:** 546


The above Table No. 4.02 shows the information about the bank branches of SBI in selected districts of Maharashtra State. The table shows that Pune district as on top position with 143 branches whereas Raigad district with 2 branches.
Role of State Bank of India in Indian Economy:

SBI played an extremely important role in developing India’s rural regions, providing the financing needed to modernize the country’s agricultural industry and develop new irrigation methods and cattle breeding techniques, and backing the creation of dairy farming, as well as pork and poultry industries. The bank also provided backing for the development of the country’s infrastructure, particularly on a local level, where it provided credit coverage and development assistance to villages. The nationalization of the banking sector itself, an event that occurred in 1969 under the government, gave SBI new prominence as the country’s leading bank. Even as it played a primary role in the Indian government’s industrial and agricultural development policies, SBI continued to develop its commercial banking operations. In 1972, for example, the bank began offering merchant banking services. By the mid-1980s, the bank’s merchant banking operations had grown sufficiently to support the creation of a dedicated subsidiary, SBI Capital Markets, in 1986. The following year, the company launched another subsidiary, SBI Home Finance, in collaboration with the Housing Development Finance Corporation. Then in the early 1990s, SBI added subsidiaries and Commercial Services, and then launched institutional investor services.

SBI was allowed to dominate the Indian banking sector for more than two decades. In the early 1990s, the Indian
Government kicked off a series of reforms aimed at deregulating the banking and financial industries. SBI was now forced to brace itself for the arrival of a new wave of competitors eager to enter the fast-growing Indian economy's commercial banking sector. Yet years as a government-run institution had left SBI bloated the civil servant status of its employees had encouraged its payroll to swell to more than 2,30,000. The bureaucratic nature of the bank's management left little room for personal initiative, nor incentive for controlling costs. The bank also had been encouraged to increase its branch network, with little concern for profitability. In the aftermath of bank nationalization everyone lost sight of the fact that banks had to be profitable. Banking was more to do with social policy and perhaps that was relevant at the time. For the last two decades the emphasis was on physical expansion.

In 1994, the bank hired consulting group McKinsey & Co. to help it restructure its operations. R McKinsey then led SBI through a massive restructuring effort that lasted through much of the decade and into the beginning of the next, an effort that helped SBI develop a new corporate culture focused more on profitability than on social and political policy. SBI also stepped up its international trade operations, such as foreign exchange trading, as well as corporate finance, export credit, and international banking. SBI had long been present overseas, including full-fledged subsidiaries in the United Kingdom, the United States, and
elsewhere. In 1995 the bank set up a new subsidiary, SBI Commercial and International Bank Ltd., to back its corporate and international banking services. The bank also extended its international network into new markets such as Russia, China, and South Africa.

In the meantime, SBI began addressing the technology gap that existed between it and its foreign-backed competitors. Into the 1990s, SBI had yet to establish an automated teller network; indeed, it had not even automated its information systems. SBI responded by launching an ambitious technology drive, rolling out its own ATM network, then teaming up with GE Capital to issue its own credit card. In the early 2000, the bank began cross-linking its banking network with its ATM network and Internet and telephone access, rolling out anytime-anywhere banking access.

The implementation of new technology helped the bank achieve strong profit gains into the early years of the new century. SBI also adopted new human resources and retirement policies, helping trim its payroll by some 20,000, almost entirely through voluntary retirement in a country where joblessness remained a decided problem. By the beginning of 2004, SBI appeared to be well on its way to meeting the challenges offered by the deregulated Indian banking sector. In a twist, the bank had become an aggressor into new territories, launching its own line of
banc-assurance products, and also initiating securities brokering services. In the meantime, SBI continued its technology rollout, boosting the number of networked branches. SBI promised to remain a central figure in the Indian banking sector as it entered its third century.

**Products and Services of State Bank of India:**

Customers are the most important part of a bank and provide the raw materials of deposits and the demand for loans. They are valuable to a bank in terms of revenue generations. The success of a bank depends upon its ability to attract and retain its customers and the business it attracts. The following products and services are offered by State Bank of India to its customer.

- **Personal Banking:** SBI Term Deposits, SBI Loan for Pensioners, SBI Recurring Deposits, Loan Against Mortgage Of Property, SBI Housing Loan, Loans Against Shares and Debentures, SBI Car Loan, Rent Plus Scheme, SBI Educational Loan, Medi-Plus Scheme.

- **Other Services:** Agriculture/Rural Banking, NRI Services, ATM Services, Demat Services, Corporate Banking, Internet Banking, Mobile Banking, International Banking, Safe Deposit Locker, RBIEFT, E-Pay, E-Rail, SBI Vishwa Yatra Foreign Travel Card, Broking Services, Gift Cheques, etc.
State Bank of India (SBI) Study Loan:

State Bank of India (SBI) provides its customers with a variety of personal banking services. SBI, which is actively engaged in Community Services Banking, also offers education loans to students aspiring to continue higher education. SBI Study Loans are sanctioned only to Indian students. A study loan is sanctioned for studies both in India and abroad. With the boom in banking sector in the recent past, several banks offer education loans in India these days. State Bank of India is no exception and offer education loans to students interested to pursue education in India or abroad. Students can take a loan for pursuing studies in recognized schools / colleges / institutions to meet the Tuition and other fees, Maintenance costs, books and equipments, etc. Cost of passage (for studies abroad), Caution fund / building fund / refundable deposit.

Education is becoming dearer, year by year, and the common man in India finds it very difficult to meet the higher educational expenses of their children. However, State Banks of India have come to the rescue of those who cannot afford higher education. Through Education Loans, people have easy access for financing their children’s higher education. The monthly repayment options through EMI have been a boon for students, who wish to pursue their higher education abroad or in India. Hitherto many were not able to pursue higher education, due to financial constraints. The following table shows the details of interest
rate, Minimum and maximum amount of loan, margin money and tenure of loan of various commercial banks in India. The state bank of India charges the interest on loan showing on the following Table No. 5.03.

**Table No. 5.03:**

**SBI Student Loan Scheme**

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>Rate of Interest*</th>
</tr>
</thead>
<tbody>
<tr>
<td>For loans up to Rs.4 lacs</td>
<td>3.50% above Base Rate, currently 13.50% p.a.</td>
</tr>
<tr>
<td>Above Rs.4 lacs and up to Rs.7.50 lacs</td>
<td>3.75% above Base Rate, currently 13.75% p.a.</td>
</tr>
<tr>
<td>Above Rs.7.50 lacs</td>
<td>1.75% above Base Rate, currently 11.75% p.a.</td>
</tr>
</tbody>
</table>

Source: [https://www.sbi.co.in](https://www.sbi.co.in)

**Courses Eligible for Education Loans:**

A candidate, who applies for a program with prospects of employment, can apply for the loan. Whether the students apply for a graduate, professional or postgraduate program or any other course sanctioned by UGC, AICTE or the Government, students will be considered eligible for the loan. Expenses taken into account: The student loan covers school, college or hostel fees as well as cost for buying books and other necessary items. Apart from the library, exam or library fees, even caution deposit, refundable deposit and building fund are considered for the loan. Other expenses,
which are mandatory for completing the course, travel expense as well as a maximum cost of Rs 50,000 for buying a 2 wheeler, are taken into account.

**Quantum of Loan and Security:**

An applicant is sanctioned a loan of maximum Rs 10 lakh for studying in India and Rs 20 lakh for studying in abroad. On a loan above Rs 4 lacs, there is a margin of 5 percent and 15 percent for studying in India and abroad respectively. No security is required for loan amount up to Rs 4 lacs. A borrower should present a 3rd party as guarantee for a loan amount above Rs 4 lakh. However, on SBI discretion, this clause of 3rd party guarantee may be waived off in certain cases. The guardians or parents of a borrowing student should secure an education loan. If the borrower is married, his or her spouse, parents-in-law or parents can act as the co-obligator.

**SBI Student Loan Documents required:**

1. Three Passport size photographs
2. Confirmed admission offer
3. Schedule of expenses
4. Copy of prospectus
5. Mark sheets 10th onwards
6. Copy of passport/ID proof
7. Proof of gaps in studies, if any
8. PAN card of the student is mandatory
Guardian:
1. Three Passport size photographs
2. Bank A/C statement last 12 months
3. Copy of Pan Card/passport
4. Residence proof (Electricity bill/telephone bill/credit card statement/I Tax, Wealth Tax assessment order
5. Income proof

Salaried
- Latest salary slip
- Form 16 & ITR for last 2 years

Businessman/SE/Professionals
- Three years ITR along with computation of Income, P&L statement, Balance sheet, Business proof
- Asset & Liability statement along with supporting documents
- Papers of Collateral Security offered, if applicable
- Affidavit on a stamp paper of Rs 10.00 regarding non-availment of education loan from any other bank/financial institute.
- Cheque for Processing fee, if applicable
- Cheque for Valuation & Advocate fee, if applicable
Repayment of loan:

While interest is not required to be paid during moratorium period, payment of the same before start of repayment would entitle you to concession in interest rate applied during the repayment holiday. Repayment Holiday - Course period + 1 year or 6 months after getting job, whichever is earlier. The loan to be repaid within 5-7 years after commencement of repayment. Prepayments permitted without any penalty. The borrower can begin repaying 6 months after getting job or one year after the course is completed, whichever happens earlier.

Appraisal / Sanction/ Disbursement:

In the normal course, while appraising the loan the future income prospects of the student will be looked into. However, where required, the means of parent / guardian could also be taken into account to evaluate re-payment capability. The loan to be sanctioned as per delegation of powers preferably by the Branch nearest to the place of residence of parents. No application for educational loan received should be rejected without the concurrence of the next higher authority. 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. Banks may arrange for life insurance policy on the students availing Educational Loan. Individual Banks may work out the modalities with insurance companies.
Education is central to the Human Resources Development and empowerment in any country. The success of any nation depends on the skill and competence of its human resources. National and State level policies are framed to ensure that this basic need of the population is met through appropriate public and private sector initiatives. While government endeavors to provide primary education to all on a universal basis, higher education is progressively moving into the domain of private sector. The cost of higher education too is growing fast. In the present day competitive scenario, where professional courses and education abroad are considered as the key to success, quality education has no longer remained within affordable limits of an average middle class family. With a gradual reduction in government subsidies higher education is getting more and more costly and hence the need for institutional funding in this area.

The scope of education has widened both in India and abroad covering new courses in diversified areas. 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. Loans for education should be seen as an investment for economic development and prosperity. Knowledge and information would be the driving force for economic growth in the coming years. Based on recommendations made by a Study Group, IBA had
prepared a Model Educational Loan Scheme in the year 2001 which was advised to banks for implementations by Reserve Bank of India along with certain modifications suggested by the Government of India. In line with the announcement made by the Finance Minister in his Budget Speech for the year 2004-05, IBA had communicated certain changes in the security norms applicable to educational loans with limits above Rs.4 lakh and up to Rs. 7.5 lakh.

**Interest Subsidy (CSIS) on Educational Loans:**

The Government of India has launched a scheme to provide full interest subsidy during the period of moratorium i.e., Course Period plus one year or six months after getting job, whichever is earlier, on loans taken by students belonging to Economically Weaker Sections from scheduled banks under the Educational Loan scheme of the Indian Banks’ Association, for pursuing any of the approved courses of studies in technical and professional streams, from recognised institutions in India.

**Top Up Loan:**

Second loan (Top Up) 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.\textsuperscript{9}

\textbf{SBI Loan Scheme for Vocational Education and Training:}

A term loan granted to Indian Nationals for pursuing Vocational Education and Training in India where admission has been secured.\textsuperscript{10}

\textbf{Eligibility:}

- The student should be an Indian National
- The student should have secured admission in a Course run or supported by a Ministry/Dept./Organisation of the Govt. or a Company/Society/Organization supported by National Skill Development Corporation or State Skill Missions/State Skill Corporations, preferably leading to a Certificate/Diploma/Degree, etc. issued by a Govt. Organization or an Organization recognized/authorized by the Govt. to do so.
**Eligible Courses:**

Vocational/ Skill Development Courses of duration from 2 months to 3 years run or supported by a Ministry/ Dept./ Organisation of the Govt. or a Company/ Society/ Organization supported by National Skill Development Corporation or State Skill Missions/ State Skill Corporations, preferably leading to a Certificate/ Diploma/ Degree, etc. issued by a Govt. Organization or an organization recognized/ authorized by the Govt. to do so.

**Expenses considered for loan:**

- Tuition / Course Fee
- Examination / Library / Laboratory fee
- Caution deposit
- Purchase of books, equipments and instruments

Any other reasonable expenditure found necessary for completion of the Course. (As such courses are localized boarding, lodging may not be necessary. However, wherever it is found necessary, the same could be considered on merits)

**Amount of Loan:**

- For Courses of duration upto 6 months Rs. 50,000/-
- For Courses of duration above 6 months Rs. 1,00,000/-
Central Scheme to provide full interest subsidy on Education Loan:

A Central Sector Scheme of Interest Subsidy on Educational Loans has been launched. Under the Scheme full interest subsidy is provided during the period of moratorium (i.e. duration of a recognised professional course plus 1 year, or 6 months after employment – whichever is earlier) on educational loans availed by all students belonging to economically weaker sections from scheduled banks under the Educational Loan Scheme of the Indian Banks’ Association (IBA). The interest subsidy shall be linked with the existing Educational Loan Scheme of IBA and restricted to students enrolled in recognised professional courses in India in Educational Institutions established by Acts of Parliament, other Institutions recognized by the concerned Statutory Bodies, Indian Institutes of Management (IIMs) and other institutions set up by the Central Government. The scheme is effective from the academic year 2009-10. It is based solely on income criteria and not social background.  

Deficiencies in the Education Loan Scheme of the State Banks of India:

In this section, the problems faced by the public at large have been discussed. The results have been come out of the discussions with the bankers reports mainly.
1. **Insufficient Amount of Educational Loan**: Under the Education loan Scheme, amount given is sometimes awfully low and procedures to get this aid are very cumbersome.

2. **Stringent and Inflexible Terms and Conditions**: The terms and conditions of the collateral security followed by Indian Banking system are very stringent and not people friendly. Bankers when contacted put forth the view that though they do not seek any security for loans up to Rs 4 lakhs yet repayment necessarily becomes the primary issue before sanctioning a loan, as reported by Bank Manager.

3. **No Consideration for Needy and Meritorious Students**: 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.

4. **Misuse of Scheme for Going Abroad**: Education loans are more or less beyond the reach of those who are actually in need of funds to meet the high expenses of quality education. At the same time, a large number of applicants, bankers say, are those who do not need money, but seek loans to facilitate visa issuance for going abroad. With most of the banks, on the other hand, there have been cases where loans, which were
sanctioned for doing courses in foreign countries, have been repaid within a few months of starting the course. In addition, there have been instances with the Bank, where the bank loans obtained for overseas education have been returned even before the course has begun. The experience of countries with regard to recovery of loans is very poor.

5. **Provisional Receipt - a Hindrance**: Many higher education aspirants could not get loans sanctioned due to his failure to bring a provisional receipt of fee from the institution while the institutions maintain that there is no such thing as a provisional receipt.

**Strategies to Make Education Loan Scheme Of the State Banks of India More Effective:**

Though there has been appreciable growth in the educational loans advanced by the commercial banks during the period 2002-03 to 2011-12, yet the existent income structure of the country and the growing significance of knowledge in the times of globalization call for some necessary reforms in the scheme. This section, accordingly, brings forth the strategies to make the Educational Loan Scheme more effective and inclusive:

1. The Educational Loan Scheme is run purely on commercial basis. A part of the profit earned through this scheme can be made mandatory to be spent on poor sections.
2. Instituting some fund for collecting contributions from different agencies with a purpose to provide softer loans for the needy groups should be incorporated into the scheme, for example the recommendation of Punnayya (1993) Committee for setting up a fund like State Education Fund (SEF); that of Swaminandhan (1994) Committee to set up Educational Development Bank of India (EDBI); and that of CABE (2005) Committee for setting up a body like Higher Education Finance (HEFC). Industrial contributions, international assistance, donations from NRIs, contributions from financial institutions & commercial banks, education cess etc. should be deposited in this fund. These finances should be used exclusively for promotion of higher education.

3. The terms and conditions concerning collateral security need to be made flexible so as to accommodate the meritorious amongst the economically weaker sections.

4. In order to check that people may not use Educational Loan Scheme as a vehicle to go abroad, some stricter conditions can be imposed on them. Nevertheless, this aspect needs careful monitoring.

5. Some link needs to be worked out between the institute of study and the bank which advances
educational loan. Imposition of some stringent regulations can motivate the students to perform well academically.

6. As higher education institutions do not provide any provisional receipt of admission without depositing the requisite course fee (*the purpose for which loan is required*), this clause needs to be dropped or altered.

7. As education loans under the Educational Loan Scheme form a part of the priority sector advances, the scheduled commercial banks should be directed to extend advances to poor and meritorious higher education aspirants under Differential Rate of Interest Scheme to the weakest of the weaker sections at a rate of interest of 4.0 per cent.

**Opinion of SBI Officials about Education Loan:**

Students who have secured a good rank in and those with an excellent academic track-record need not worry about the hefty hike in tuition fee for engineering courses. The State Bank of India is looking for meritorious students to fund the cost of higher education for four years including hostel fees, mess charges, purchase of books, computers, travel expenses, study tours, project work and thesis. Merit is the criteria for sanctioning education loan. Apart from rank, the academic profile of the student, including marks
scored in 10th and in junior and senior intermediate to ascertain consistency of the student's performance.

- SBI Education loan is a boon for talented students especially those belonging to the weaker sections of the society who have the will to pursue higher education but lack enough financial support to pursue it. The loan is interest free for those students with an annual family income of less than Rs 4.50 lakh. In case the student decides study post-graduate course within the country or abroad, the bank is ready sanction a second loan.

- Explaining the salient features of the scheme, SBI Main Branch Chief Manager said students who wanted to obtain educational loans from the bank needed to be Indian nationals and should have secured admissions to professional/technical courses. In case of studies abroad, they should have secured admission into foreign universities. For studies in India, the bank would offer a maximum loan of Rs. 10 lakh and for studies abroad, up to Rs. 30 lakh.

- For loans up to Rs. 4 lakh, the interest rate was 13.50 per cent a year and for above Rs. 4 lakh to Rs. 7 lakhs 13.25 per cent a year and above 7.50 lakhs. One per cent concession would be provided if the interest is fully serviced during the five-year moratorium period. Girl students would get another 0.50 per cent concession.
• They said no security was required for loan up to Rs. 4 lakhs and only parent/guardian should be a co-borrower. But for amounts above Rs. 4 lakh, co-obligation of parents together with collateral security in the form of a suitable third party guarantee had to be provided. For amounts above Rs 7.50 lakh co-obligation of parents along with collateral security for full value of the loan should be provided.

• There was no margin money for loans up to Rs. 4 lakhs, but above that amount, the borrower had to pay 5 per cent for study in India and 15 per cent for study abroad, they explained.

• Students would have to begin repaying the loan a year after completing the course or six months after getting a job, whichever was earlier. Repayment could be done over five to seven years.

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