Chapter No. 02: Objectives, Research Methodology and Review of Literature.

- Introduction.
- Maharashtra: Study Area Profile.
- Population of Maharashtra 2011 census.
- Importance of Study.
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- Hypotheses.
- Research Methodology.
- Tools for Collection of Data.
- Period of Study.
- Nature, Scope and Limitations of the Study.
- Chapter Scheme.
- A brief Review of Literature.
- References.
Introduction:

Education is the process of instruction aimed at the all round development of individuals, providing with necessary tools to participate in day-to-day activities. It dispels ignorance and boosts moral values in the individuals. It forms the basis for lifelong learning and inspires confidence to face challenges; besides providing skills to become more self-reliant and increases awareness. Education not only impacts the human development and economic growth, but is the fundamental requirement of democracy. Through education, people become more responsible and informed citizens, and can voice their concerns and issues in political system of their society. It is an essential element for democracy and eradicating poverty. It also helps people in improving productivity, thus playing greater roles in economic life and earning a better livelihood for themselves and the society. Therefore, education is the key, which allows people to move up in the world, seek better jobs and ultimately succeed in their life.

In India, getting education has been a big problem since long. A small minority in the elite class get access to excellent education facilities; whereas the poor practically get no education at all. One main reason for inadequate access to education in India is the high cost of education and lack of access to funding higher education. Over the years the government’s share in overall education
expenditure, which was 80 percent in 1983, went down drastically to 67 percent in 1999. The government spending as a percentage of GDP was a paltry 0.7 per cent in the year 2008. This shortfall has been made-up by the private sector expenditure on education, which has increased by about 11 times in the last 15 years. It is mainly after Indian policy-makers, without much choice in this regard, cast the dice in favour of privatization in the 1990s.¹

With the introduction of private player in education sector, the motive of revenue generation seems to have overtaken the social cause. This has probably led to a significant increase in the cost of pursuing higher education; resulting in, things getting out of reach of the masses. This has further led to the students looking for funding their higher education from external sources, like government and private sector banks, to meet their high education expenses. But this is easier said than done. Not all the students are fortunate to get the benefit of educational loans from banks. This not being a profitable business idea, the banks are reluctant to extend the study loans. According to a study by ASSOCHAM, less than 3 percentage students, mostly belonging to middle income families in India avail of education loans against 85 per cent in the UK, 77 per cent the US and 70 per cent in Germany and France.²
Many students desirous of pursuing higher education complain about difficulty in obtaining approval of educational loans by banks. This aspect became a motivating factor for pursuing this study on education loan. Therefore, the objective of this study is to analyze the prerequisites looked for by the government as well as private sector banks for grant of educational loans to students for their higher studies. At the same time this study also identifies the factors influencing the banks for sanction of educational loans. Besides, it tries to assess, as to which of these factors, have greater impact and which ones have lesser impact.

**Higher Education – Government’s Role:**

In India, education being concurrent subject since 1976, the commitment of the centre equally at all levels of education is important. Given the spillover benefits of higher education, it becomes mandatory for the center to finance an increasing share of expenditure on higher education. But, this has been declining in the recent years. Even in secondary education, center’s share of expenditure is minimal ranging around 5 per cent. However, federal role in elementary education is on the rise since the middle of 1980s. Indeed, the momentum of interest in universalizing elementary education began in the country in 1987 with a centrally sponsored scheme namely, Operation Blackboard to improve the educational infrastructure in primary schools.
all over the country. Around the same time another two important nationwide schemes have been initiated – on teacher education and non-formal education. As a result of all these efforts and initiatives by the federal government, the flow of plan transfers from central to states in elementary education have improved since the late 1980s.³

It is to be realised that while primary education is fundamental to the nation, higher education determines its economic and technological progress in the globalised era, which are the necessary and sufficient conditions for growth and development respectively. Even for very low enrolment ratios in higher education in India, it is increasingly realised that public budgets cannot adequately fund higher education, particularly when sectors of mass education are starved of even bare needs. Hence, the resources from higher education are being diverted to the development of primary education. But it is stressed that while it is mandatory that the nation achieves universal elementary education and total literacy, it cannot at the same time afford to relegate to a neglected position to achieve global standards in higher education.

One of the most important objectives of government policy since the nationalization of fourteen commercial banks in 1969 and that of six commercial banks in the year in 1980 was to extend and expand credit not only to those
sectors which were of crucial importance in terms of their contribution to national income and employment, but also to those sectors which had been severely neglected in terms of access to institutional credit. The sectors that were initially identified for this purpose were agriculture, small industry and self-employment. These sectors were to be accorded priority status in credit allocation by the banks. The commercial banks were advised to grant at least 40 percent of their total advances to the priority sector comprising of agriculture, small scale industries, small road and transport operators, retail trade, small business, professional and self employed persons, education etc. Under the priority sector advances, 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 do not include those granted to institutions.

Making education loans accessible to a wide section of students has been one of the priority areas of Government of India. Today around 18 lakh students all over India are enjoying benefits of education loans and education loans worth Rs. 16,000 crores have been disbursed to the needy students. Forty percent of total advances of the commercial banks are advanced to the priority sectors like agricultural loans, small scale industry, etc. Education loans also form a part of these priority sector advances of the Public Sector
Banks, as higher education has gained significance all across the world in the knowledge era and in these times of globalization. Moreover, India has comparative advantage in the higher education field. Therefore, the responsibility of the Government of India becomes larger as user charges in higher education have been increasing in the post-reforms era especially due to mushrooming growth of higher education institutions in the private sector and cut in the government finances going to higher education. Also that the access ratio in higher education in India is merely 12 per cent against the world average of 23 per cent. Higher education is seen as an instrument of upward mobility and still more than a quarter of population lives below poverty line.
Maharashtra: Study Area Profile:

Map No. 2.01: District Map of Maharashtra.

Source: http://www.mapsofindia.com

Maharashtra is located in the western part of India. The capital of the state of Maharashtra is Mumbai. The state also has a winter capital, Nagpur. Maharashtra is the richest state in India and contributes the highest share in the country’s GDP. Mumbai is the financial capital of the country. The official language of Maharashtra is Marathi.
Maharashtra is one the leading states of India. Maharashtra's contribution to the Indian Economy is high and hence it is called as the Power House of India. Maharashtra contributes to less than ten per cent of the total population of the country, but accounts for nearly one-fourth of the gross value of India's industrial sector. The state has succeeded in achieving high levels of industrialization, demonstrated by the fact that the secondary and tertiary (manufacturing and service) sectors provide 78.8 per cent of Maharashtra's gross domestic product, as compared to the national average of 65.4 per cent for the same fields.  

The State has 35 districts which are divided into six revenue divisions viz. Konkan, Pune, Nashik, Aurangabad, Amravati and Nagpur for administrative purposes. The State has a long tradition of having statutory bodies for planning at the district. For local self-governance in rural areas, there are 33 Zilla Parishads, 351 Panchayat Samitis and 27,906 Gram Panchayats. The urban areas are governed through 23 Municipal Corporations, 221 Municipal Councils, 5 Nagar Panchayats and 7 Cantonment Boards. The State has given importance to primary education, which has resulted in consistent improvement in literacy rate. The literacy rate of the State is 82.9 per cent as against 74 per cent at national level as per Census 2011. The State has excellent higher educational institutions in the fields of
engineering, medical and management. Progress on Human Development Index is often depicted as a benchmark of a state’s progress of key development indicators. As per India Human Development Report, 2011 Human Development Index of India is 0.467 and State ranks 5th in the country with Human Development Index of 0.572.8

Population of Maharashtra 2011 census:9

As per the census carried out by the government of India in 2011, the population totals of Maharashtra are mentioned below:

- **Total Population:** The population of Maharashtra as per the 2011 census is 112,372,972 compared to 96,878,627 in the 2001 census. In this decade the state of Maharashtra has registered a growth of 15.99 per cent in total population. Maharashtra accounts for 9.29 per cent of the total population of India.

- **Sex Ratio:** There are a total of 58,361,397 males and 54,011,575 females in Maharashtra. As per the 2011 census, the sex ratio in Maharashtra stands at 946 compared to 922 in the 2001 census. As mentioned in the table below, the Child sex ratio for the state has dipped significantly compared to 2001.

- **Total Child Population:** The total child population (0-6 years) in Maharashtra in 2011 is 12,848,375 compared
to 13,671,126 in 2001. This has been a significant decline in child population when compared to the child population in 2001.

- **Urban and Rural Population:** Close to half of the population of Maharashtra resides in rural areas. The rural population makes up 54.77 per cent whereas the urban population makes up 45.23 per cent of the total population. The total rural & urban population as per the 2011 census is 61,545,441 & 50,827,531 respectively. The urban population has increased by 23.67 per cent whereas the rural population has increased by 10.34 per cent over the last decade.

- **Population Density:** The total area of Maharashtra is 307,713 Km$^2$. As per the 2011 census, population density is calculated at 365 persons per Km$^2$, which is almost equal to the national average of 382 per Km$^2$. As per the 2001 census population density was calculated at 315 persons per Km$^2$ which shows that there has been an increase of close to 15 per cent in population density over the last decade.

- **Literacy Rate:** As per the census study of 2011, Maharashtra has a literacy rate of 82.91 per cent. The male literacy is 89.82 per cent whereas the female literacy is 75.48 per cent. There is a slight improvement
in literacy rate as compared to 2001 when the literacy rate in Maharashtra was 76.88 per cent.

**Table No. 2.01:**

**Population Status of Maharashtra As per Census. (‘000)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Population</td>
<td>39,554</td>
<td>50,412</td>
<td>62,784</td>
<td>78,937</td>
<td>96,879</td>
<td>1,12,373</td>
</tr>
<tr>
<td>Male</td>
<td>20,429</td>
<td>26,116</td>
<td>32,415</td>
<td>40,826</td>
<td>50,401</td>
<td>58,361</td>
</tr>
<tr>
<td>Female</td>
<td>19,125</td>
<td>24,296</td>
<td>30,369</td>
<td>38,111</td>
<td>46,478</td>
<td>54,012</td>
</tr>
<tr>
<td>Rural</td>
<td>28,391</td>
<td>34,701</td>
<td>40,791</td>
<td>48,395</td>
<td>55,778</td>
<td>61,545</td>
</tr>
<tr>
<td>Urban</td>
<td>11,163</td>
<td>15,711</td>
<td>21,993</td>
<td>30,542</td>
<td>41,101</td>
<td>50,828</td>
</tr>
<tr>
<td>Schedule Caste</td>
<td>2,227</td>
<td>3,177</td>
<td>4,480</td>
<td>8,758</td>
<td>9,882</td>
<td>-</td>
</tr>
<tr>
<td>Schedule Tribes</td>
<td>2,397</td>
<td>3,841</td>
<td>5,772</td>
<td>7,318</td>
<td>8,577</td>
<td>--</td>
</tr>
<tr>
<td>Density of Population (Per Sq. Km.)</td>
<td>129</td>
<td>164</td>
<td>204</td>
<td>257</td>
<td>3,158</td>
<td>365</td>
</tr>
<tr>
<td>Literacy Rate (%)</td>
<td>35</td>
<td>46</td>
<td>57</td>
<td>65</td>
<td>77</td>
<td>83</td>
</tr>
<tr>
<td>Sex Ratio (Female per thousand males)</td>
<td>936</td>
<td>930</td>
<td>937</td>
<td>934</td>
<td>922</td>
<td>925</td>
</tr>
<tr>
<td>% of Urban Population</td>
<td>28</td>
<td>31</td>
<td>35</td>
<td>39</td>
<td>42</td>
<td>45</td>
</tr>
</tbody>
</table>

**Source:** [http://www.census2011.co.in](http://www.census2011.co.in)
### Table No. 2.02:

**No. of HH, Total population, Per Capital Income and Literacy rate of Selected Districts of Maharashtra.**

<table>
<thead>
<tr>
<th>Sr.</th>
<th>District</th>
<th>No. of HH</th>
<th>Total Population</th>
<th>Per Capital Income</th>
<th>Literacy Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Amrawati</td>
<td>647451</td>
<td>2888445</td>
<td>63270</td>
<td>77.96</td>
</tr>
<tr>
<td>2</td>
<td>Aurangabad</td>
<td>751915</td>
<td>3701282</td>
<td>84295</td>
<td>67.65</td>
</tr>
<tr>
<td>3</td>
<td>Jalgaon</td>
<td>903643</td>
<td>4229917</td>
<td>68900</td>
<td>68.37</td>
</tr>
<tr>
<td>4</td>
<td>Kolhapur</td>
<td>840240</td>
<td>3876001</td>
<td>84095</td>
<td>72.91</td>
</tr>
<tr>
<td>5</td>
<td>Nagpur</td>
<td>1041544</td>
<td>4653570</td>
<td>96458</td>
<td>78.95</td>
</tr>
<tr>
<td>6</td>
<td>Nanded</td>
<td>665434</td>
<td>3361292</td>
<td>44978</td>
<td>65.14</td>
</tr>
<tr>
<td>7</td>
<td>Nashik</td>
<td>1222887</td>
<td>6107187</td>
<td>84982</td>
<td>71.15</td>
</tr>
<tr>
<td>8</td>
<td>Pune</td>
<td>2151503</td>
<td>9429408</td>
<td>127176</td>
<td>76.06</td>
</tr>
<tr>
<td>9</td>
<td>Raigad</td>
<td>611790</td>
<td>2634200</td>
<td>96468</td>
<td>73.65</td>
</tr>
<tr>
<td>10</td>
<td>Solapur</td>
<td>873167</td>
<td>4317756</td>
<td>70465</td>
<td>67.41</td>
</tr>
<tr>
<td></td>
<td>Total:</td>
<td>9709574</td>
<td>45199058</td>
<td>82109</td>
<td>71.93</td>
</tr>
</tbody>
</table>

Source: Population Census Abstract of Maharashtra 2011.
Importance of Study:

Higher education and professional degrees have now become quite expensive in India. As a result, most students need to take out education loan. The concept was first started in India by SBI. Today, the government of India gives educational loan through 27 Nationalized Banks. State Bank of India included in one of the leading nationalized
bank in India. The bank offer *educational loan* for the student who are unable to go for the study due to lack of money for the higher education. But providing of the educational loan for the student is based on some eligible criteria. The facility provided by the bank of providing education loan should be a very good relief for the student who had the ambition to full fill their studies but due to lack of money that ambition was broken. The bank thus provides a very good service for the student or the society. There is a good advantage for availing the bank loan, besides there is some disadvantage too. Some time the borrower may not able to repay the payment in the period. Or they may not get sufficient salary as they expected. This may lead to brake in the repayment and thus may lead to the suicide of the borrower. So always take an extra care before take any educational loan from any bank. And also should search for the better offer and analyze before availing the loan.

The study will be beneficial to the students and SBI for the timely disbursement of adequate finance to the needy students so that they can attain their higher education dream in this globally competitive environment. By understanding the needs of the students and benefits of quality education, SBI can grant loans for higher education, which should be seen as an investment for economic development and prosperity. The results of the study would act a feedback to the regulators so that they can correct
their pitfalls and thereby they can motivate the Indian banks in implementing the educational loan scheme without hurting the interest of the students/parents. The present study covers all the important aspects related to education loan. The researcher sure that students and teachers of commerce as well as education would find the study an essential source of reference on the subject.

Objectives of the study:

The following objectives are selected for the study.

1. To study the Need, Importance and Role of Education Loan.
2. To examine the factors driving the growth of Commercial Bank’s education loans.
3. To make a study of different schemes of promotions of educations and education loan of Commercial Banks.
4. To study the procedure of education loan of State Bank of India.
5. To know the impact of State Bank of India’s education loan on selected sample respondents in Maharashtra State.
6. To trace out the problems faced by sample respondents to availing the education loan from State Bank of India.
7. To suggest the remedial measures to improving the quality and procedure of education loan of SBI.
Hypotheses:
The following hypotheses were formulated for the present study.

1. Due to education loan; economically poor students were completed their higher education in India and abroad.
2. The students and their parents were satisfied with the SBI Education loan.
3. State Bank of India’s banking procedure of education loan is complicated; so students and their parents are faces various problems.
4. A family financial problem is one of the major reasons for education loan.

Research Methodology:
The present study is concerned with Education loan provided by Indian Banks in general and State Bank of India in particular hence mainly based on Primary sources of data as well as on Secondary data. Secondary data is collected from the Annual Report published by various Commercial Banks and State Bank of India, RBI Bulletin, Research Articles published in national and international journals, References books, various libraries, Government and NGOs Websites, etc.

As far the primary data is concerned the structured questionnaire is prepare. The prepared questionnaires were
filling up from selected sample respondents; therefore the answer given by them have been the basis of the qualitative analysis. The information collected by the respondents is analyzed in Tables and Graphs with the help of simple statistical tools. Also discussion is made with the responsible bank officers, managers, etc. 250 sample respondents (Borrowers) is selected by purposive sampling technique from the borrowers list provided by District Head office of State Bank of India from the selected Districts of Maharashtra State; who avails education loan facilities from State Bank of India and also to take the interview of 10 bank officers from the State. 250 sample respondents’ borrowers is selected on random basis from the 10 selected districts viz. Aurangabad, Nanded, Amravati, Nagpur, Solapur, Pune, Kolhapur, Nashik, Jalgaon and Raigad of Maharashtra State. The data used in this study was collected from primary sources through structured questionnaire based on fieldwork conducted during March to May 2013. The detailed procedure of selection of samples is displayed in Table No.
Table No. 2.03:

Selection Procedure of Sample Respondents.

<table>
<thead>
<tr>
<th>Sr.</th>
<th>Name of District</th>
<th>No of SBI Branches</th>
<th>No. of Cases Sanctioned</th>
<th>% to Total</th>
<th>No. of Respondents.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Aurangabad</td>
<td>46</td>
<td>4128</td>
<td>13.11</td>
<td>33</td>
</tr>
<tr>
<td>2</td>
<td>Nanded</td>
<td>22</td>
<td>2137</td>
<td>6.79</td>
<td>17</td>
</tr>
<tr>
<td>3</td>
<td>Amravati</td>
<td>55</td>
<td>1959</td>
<td>6.22</td>
<td>16</td>
</tr>
<tr>
<td>4</td>
<td>Nagpur</td>
<td>92</td>
<td>4109</td>
<td>13.05</td>
<td>33</td>
</tr>
<tr>
<td>5</td>
<td>Solapur</td>
<td>40</td>
<td>2637</td>
<td>8.37</td>
<td>21</td>
</tr>
<tr>
<td>6</td>
<td>Pune</td>
<td>143</td>
<td>5847</td>
<td>18.57</td>
<td>46</td>
</tr>
<tr>
<td>7</td>
<td>Kolhapur</td>
<td>39</td>
<td>3255</td>
<td>10.34</td>
<td>26</td>
</tr>
<tr>
<td>8</td>
<td>Nashik</td>
<td>56</td>
<td>3926</td>
<td>12.47</td>
<td>31</td>
</tr>
<tr>
<td>9</td>
<td>Jalgaon</td>
<td>51</td>
<td>2851</td>
<td>9.05</td>
<td>23</td>
</tr>
<tr>
<td>10</td>
<td>Raigad</td>
<td>2</td>
<td>641</td>
<td>2.03</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td><strong>Total:</strong></td>
<td><strong>546</strong></td>
<td><strong>31,490</strong></td>
<td><strong>100</strong></td>
<td><strong>250</strong></td>
</tr>
</tbody>
</table>

Total population size for this research is 250 respondents to whom the education loan was sanctioned and disbursed. These 250 sample respondents were selected from the 10 districts of Maharashtra State. Total 31,490 cases were sanctioned and disbursed by SBI branches in the selected districts. District wise percentage is calculated with the total sanctioned and total respondents were allocated as per the percentage of the selected districts.
Both the secondary and primary data were used in the study. The secondary data pertaining to different indicators of higher education were collected and analyzed. The indicators include number of universities and colleges of higher education, enrolment in higher education, budgetary allocation and expenditure pattern for higher education in different years for India and the study state i.e. Maharashtra. In order to know the socio-economic impact of education loan, its determinants and the rate of interest, mode of repayment etc used. Primary data collected from the students already taken loan from State Bank of India in the selected district. We took 250 beneficiaries availing bank loan for the purpose of pursuing their higher education. The list of beneficiaries was collected from the records of the SBI Bank branches and they were selected purposively. The researcher contacted the selected beneficiaries to provide the required information. The beneficiaries are from different branches of faculty like, B. Tech, M. Tech, MBA, MBBS and MCA etc. The information like their socio-economic background, educational qualification and their parent's education, occupation, residential status and mode of repayment of loan etc were collected.

Purposive sampling technique was used to select students and the selection of samples is primarily based on the following factors:
a) Annual income of families who had taken loan: the sample covered families of low, medium and large income groups.

b) All courses which are funded by the banks are covered: job-oriented professional courses, technical courses, graduation and post-graduation.

c) Financing of courses in India and abroad are covered.

d) Only State Bank of India Education loans is covered.

e) Geographical location: Only urban areas are covered.

**Tools for Collection of Data:**

To collect primary data from the respondents under the sample, interview schedules were prepared with Education Loan Beneficiaries. The primary data was collected through a questionnaire designed for the purpose. Besides many of the issues were captured though discussions with bank managers of different banks. Simple and cross tabular method were used to analyze the data of the socio-economic and educational variables of the students taken loan. In order to examine the effect of socio-economic determinants of loan, a simple statistical and mathematical tool is used. The collected data were processed and presented in the form of tables and figures and the analysis was made with help of relevant statistical tools.
Period of Study:

The study is proposed to be limited to the analysis of the educational loans provided by commercial banks in general and SBI bank in particulars during the period of 2002-03 – 2011-12.

Nature, Scope and Limitations of the Study:

The nature of the present study necessitates the collection of primary data from educational loan beneficiaries as well as SBI bank branch managers. Due to time and resource constraints a census type of enquiry is not possible in this kind of studies and also not warranted, hence a purposive random sampling method was designed for the collection of primary data from the beneficiaries and branch managers.

The whole study is intended to help in knowing education loan provided by commercial banks in general and State Bank of India in particular and their importance in Indian higher education environment. Bank provided many types of loans to customer; only education loan is consider for the micro level study. Number of commercial banks are providing education loan to Indian students; the researcher is select only State Bank of India (District Offices) as a detailed study. The study is limited to only 10 district of Maharashtra State. Evaluation of performance based on relevant published data and information is
collected. It is not possible to evaluation whole performance of SBI in relation with the other factors. Only 250 cases of educational loans are studied. As only 1 per cent of the total loans advanced by banks were educational loans, it was difficult to study it at a larger scale. The study is limited to the period for 2002-03 to 2011-12. There are some other limitations in this research; these limitations are Time limitation and Expenditure on research.

- The study involves very extensive use of primary data for drawing inferences. Due to resource and time constraints inherent in studies like this, only ten districts in the state of Maharashtra has been taken as representative samples for detailed investigation.

- There is statistical bias due to non-availability of systematic records kept by the beneficiaries and lapse of memory. However, maximum care has been taken to ensure the reliability of the information obtained from them through counter questions, counter verifications etc.
Chapter Scheme:

The present research work is divided into following seven chapters.

1. Introduction.
2. Objectives, Research Methodology and Review of Literature.
3. Need and Importance of Education Loan.
5. State Bank India and Education Loan.
6. Impact of Education Loan on Sample Respondents.
7. Findings, Conclusions and Suggestions.

A brief Review of Literature:

International Studies:

1. Chung (2003) states that the allocation of student loans in Hong Kong has been mainly based on considerations of equity, efficiency and adequacy. The students from less well-off families receive greater financial assistance. The loan entitlement varies according to a formula, which takes each applicant’s family financial situation into consideration. The goal of the system is to ensure that no qualified student is deprived of higher education because of lack of funds which fulfils the social objectives. Second, the maximum amount of loan is adjusted so as to
correspond to the general living needs of a student through regular surveys of student expenses and the compilation of a Student Price Index. The allocation of financial assistance has also been used to encourage development in areas of study required by society. At different stages, various grants and loans in Hong Kong have been targeted at students in teacher training, information technology, financial services and creative media. Moreover, the development of the government student loans scheme has not reduced the government’s financial commitment to higher education.

3. The most important and common objectives of student loan are equity and access for the poor and cost-sharing has an implicit budgetary objective in regard to public funding replacement in higher education. That is, reduction in public expenditure on higher education and reallocation of education expenditure from higher to lower levels of education. Notwithstanding the importance for budgetary objectives, however, the studies do not offer a supporting or confronting empirical evidence on achieving the budgetary objectives.

4. **Ziderman (2003)** states that the Thai loans scheme, which began operating in 1996, is aimed at disadvantaged students, enrolled in upper secondary general and vocational schooling as well as tertiary education, in both the public and the private sector. While the scheme is aimed at the needy student, targeting is not effective. The family income ceiling set for loan eligibility is three times the income officially designated as defining poverty. Loan budget allocation to educational institutions is only very loosely tied to the social profile of the student population at a given institution. The Thai loans scheme receives a considerably higher level of government subsidy than the loans schemes in the other case study countries.
5. **Erik Cantona and Andreas Blom (2004)** - Financial aid to students in tertiary education can contribute to human capital accumulation through two channels: increased enrollment and improved student performance. The author analyzes the quantitative importance of both channels in the context of a student loan program implemented at private universities in Mexico. With regard to the first channel, enrollment, results from the Mexican household survey indicate that financial support has a strong positive effect on university enrollment. Given completion of upper secondary education, the probability of entering higher education rises 24 percent. Two data sources are used to investigate the second channel, student performance. Administrative data provided by SOFES are analyzed using a regression-discontinuity design, and survey data enable us to perform a similar analysis using a different control group. Empirical results suggest that SOFES recipients show better academic performance than students without a credit from SOFES. However, the results cannot be interpreted as a purely causal impact of the student loan program, since the impacts also could reflect selection of students.
6. **Jamie Hyatt, Paul Gini and Roger Smyth (2005)**\(^{11}\) - This report provides new information on the impacts of the Student Loan Scheme by looking at the income of those who used the Scheme between 1997 and 2000. One of two analytical reports published using previously unavailable information from Statistics New Zealand's Integrated Dataset on Student Loan Scheme Borrowers. This report, *Income of Student Loan Scheme Borrowers*, analyses the incomes of those who used the Student Loan Scheme between 1997 and 2000. It looks at the income of people while they are studying, their income in their first year out of study and, for those who last borrowed and studied in 1997, and their income three years after they left study. It also looks at how incomes change over time and it examines the composition of borrower's post-study income - including the incidence of social welfare benefits. The report also analyses patterns of residence overseas by borrowers.

7. **Salmi and Hauptman (2006)** argue that need-based grants and merit-based scholarships can be an important means to promote greater access, equity, and quality and can be used to increase cost sharing regardless of whether the grants and scholarships are funded by government or through cross subsidies from other wealthier students. In higher education systems
across the world, the trend toward increased cost sharing in public universities and the growth of private institutions have led to the creation of many ways to assist students in paying ever more of their own education and related expenses.

8. **Claire Callender and Jonathan Jackson (2010)** - Concerns over the impact of debt on participation in higher education have dominated much of the debate surrounding the most recent reforms of financial support for full-time students in England, including the introduction of variable tuition fees. This study examines the relationship between prospective HE students’ attitudes to debt and their decisions about whether or not to enter HE. Using data derived from a survey of just under 2,000 prospective students, it shows how those from low social classes are more debt averse than those from other social classes, and are far more likely to be deterred from going to university because of their fear of debt, even after controlling for a wide range of other factors. The paper concludes that these findings pose a serious policy dilemma for the Westminster government. Their student funding policies are predicated on the accumulation of debt and thus are in danger of deterring the very students at the heart of their widening participation policies.
9. **Veronica R. Nyahende (2013)** - This study is to examine the factors indicating the success of students’ loans in financing higher education in Tanzania. Using data collected from a larger cross sectional survey in Tanzania, this study found that students loans in financing higher education in Tanzania is successful as it increases enrollment of students in higher learning institutions, the study also revealed that Higher Education Students’ Loans Board is employing enough efforts to recover loans granted to loans beneficiaries since 1994 as well as the guidelines and criteria for granting loans was found to be satisfactory. The study recommend that, enrollment decision making has been affected by other factors other than a successful students’ loan financing, these factors includes political factors, economical factors, family influences and school impacts. Therefore for better understanding of the successful students’ loans financing in Tanzania these factors need to be considered too. To ensure more effective recovery of already issued students loans since.

10. **Jason N. Houle (2014)** - In this study the researcher focuses how parents’ income and education are linked to young adults’ student loan debt. For this purpose develop and test two perspectives regarding the functional form of the association between parents’
income, parents’ education, and student loan debt. The researcher has four key findings. First, the relationship between parents’ income and student loan debt is non-linear, such that young adults from middle-income families have a higher risk for debt than do those from low and high-income families. Second, young adults from college-educated and high-income families are relatively protected from debt. Third, the association between parents’ socioeconomic status (SES) and debt is modified by post-secondary institutional characteristics and is strongest at private and high-cost institutions. Finally, the effect of parents’ SES on debt varies across the debt distribution. Parents’ SES is strongly predictive of entry into debt, but there are few differences conditional on going into debt. This suggests that socioeconomic disparities in debt are primarily driven by the probability of going into debt rather than differences among debtors. However, compared to their more advantaged counterparts, young adults from low-SES backgrounds have a higher risk of accruing debt burdens that exceed the national average.
Review of Literature National level studies:

1. **Jandhyala B. G. Tilak and N. V. Varghese (1991)** - It is argued here that given the resource constraints and equity considerations, financing higher education mostly from the general tax revenue may not be a desirable policy in the long run. Accordingly some of the alternative policy choices are discussed, including financing higher education from the public exchequer, student loans, graduate tax, student fees, and the role of the private sector. Among the available alternatives, it is argued that a discriminatory pricing mechanism would be relatively more efficient and equitable. While given the socio-economic and political realities, the government has to continue to bear a large responsibility for funding higher education, instead of relying on a single form of funding, efforts should be made to evolve a model of funding that provides a mix of the various methods. It is also argued that fee and subsidy policies need to make distinctions across various layers and forms of higher education.

2. **Jandhyala BG Tilak (2003)** - Analysis of educational finances assumes crucial importance in educational policy, planning, and administration, as finances form a necessary. Though not a sufficient condition, for the success of education development plans and
programmes. Of late, issues relating to financing of education are gaining attention, essentially because of dwindling resource base on the one hand and increasing financial needs of the education sector on the other. Various alternative mechanisms of funding and mobilization of resources are being explored in India and in many developing countries. Presenting a rich flavor of current issues and emerging perspectives on financing education in India, the study provides a detailed review of the pattern of financing education at the centre and in different states and critically examines the pros and cons of the changing approaches to financing education. It makes a significant contribution to a wider discussion on several issues on financing education and contributes to sound and effective policy making in education.

3. **T. Lakshmanasamy (2003)**

   The educational expansion of higher education is vast in India, it is inadequate to cater to the growing demand for education arising from greater awareness among the public about the positive returns from education. The increasing number also creates the problem of quality. Almost every section of the society feels that the present higher education does not provide quality education. Any further effort to improve quality needs huge investment which, in the presence of resource
crunch, is beyond the limits of available government resources. Hence, an increasing burden of education has to be borne by the beneficiary. The analysis of a sample of college students in Tamilnadu shows that the household burden of costs of higher education is also substantial and the government student subsidization programmes reduce their burden only to limited extent. The analysis of willingness to pay for educational quality reveals that they are WTP nearly 20-40 per cent additionally, if quality of higher education is improved, which is higher than the required recovery rate. Thus, the results reveal that there is greater awareness among the student that the quality of education they receive at present is low, and they are willing to pay for educational quality improvement. Though the present cost of higher education is burdensome to the households, the positive returns of quality education still encourage them to pay more additionally.

4. Ved Prakash (2007) - The Indian higher education system is presently facing several challenges. The challenge of global competitiveness has been added to other demanding tasks such as access, equity, relevance, quality, privatization and internationalization in the face of a resource crunch. This article gives an overview of trends in the
expansion of higher education and examines variations in participation across states, gender and social groups. An attempt has also been made to discuss the trends in the financing of higher education and the required resources to meet the target of allocating 6 per cent of the GDP to education. It argues that without appropriate policy interventions in school education, it would be of little use to have interventions at the higher educational level, which discriminate in favour of girls, SCs and STs.\textsuperscript{18}

5. **Sudhanshu Bhushan (2008)\textsuperscript{19}** - The study is one of several studies, commissioned by UGC, with the objective to provide inputs to the plan preparation so that the Planning Commission could assess it more objectively while making actual allocation. This study makes an attempt to estimate the huge investment and expenditure gap after allowing for plan support and the present level of privatization which generates potential for commercialization. The inadequate plan support is understood in terms of policy failure. It is attempted to show that huge financial gap needs to be managed through a proper strategy. Ways and means should be found to bridge this gap so that inclusive growth is taken care of. Given huge investment gap, the absence of a proper strategy will have adverse consequences on higher education. Therefore, managing investment gap
through cost sharing with students should be given utmost attention.


   The Indian higher education system has undergone phenomenal qualitative change and expansion since the advent of the modern system in the first half of the nineteenth century. The first universities in the three presidencies of Madras, Calcutta and Bombay were formed in 1857 and were followed by the universities in Lahore and Allahabad in 1882 and 1887 respectively. In the early part of the 20th century, nationalistic and social aspirations led to the creation of a few universities, such as Banaras Hindu University (1916), Viswabharati (1921), Aligarh Muslim University (1920), Delhi University (1922) and a large number of colleges. The funding of these universities and colleges depended primarily on philanthropic effort, with some support from the state. By 1951, India had 28 universities and less than colleges imparting higher education with less than half a million enrolled students. By 2005-06, there were over 325 universities, including Central, State, and deemed and more than 17,000 colleges, enrolling an estimated ten to fifteen million students.
7. **Jagdish Lal Azad (2008)** - This study analyzing the various contours of financing of higher education, attempts to bring into sharp focus the likely impact of privatization and marketization of higher education with particular reference to access, efficiency and equity in the system. It also discusses the implications of globalization and internationalization of higher education. The study examines, among other, the nature and extent of involvement of private sector, particularly of the industrial and commercial house, in establishing, funding and managing of institutions of higher education. It is expected to help the academic community, educational planners and administrators to work out strategies to promote private participation, keeping in view the continuing resource crunch that the university system is facing. It will also help in evolving policy guidelines to meet the global challenges posed by the onset of globalization and its corollary of internationalization of higher education.

8. **P. Geetha Rani (2009)** - It is unambiguous that Policy of the Government of India now encourages augmentation of resources for covering a larger portion of cost of higher education. Recent policy changes in India often favour to divert resources from higher to primary level of education and favours for full cost recovery from students even in public higher education.
institutions. Cost recovery measures comprising of increase in fees, student loans currently operated by commercial banks and privatization will exacerbate inequality in the society. Indeed, there seems to be a nexus between the present student loan scheme and full cost recovery. Increasing reliance on student fees, student loans and privatization without considering the low-income groups may produce regressive effects in the society. Under the deep waves of globalization and competition, important economic rationale for government funding especially for higher education is neglected. Public support for higher education remains essential to ensure a balanced achievement of educational and social missions, apart from surviving in the knowledge-based society. It is essential that funding sources must be diversified but cost-sharing with students has social and political limits, and excessive commercialization of higher education should be forbidden.

9. R Srinivasan, and Debabrata Das (2011) - The objectives of this paper is to study the practices followed in selecting the beneficiary student for grant of education loan for pursuing higher studies in India; problems faced by applicants; background of the problematic borrowers and steps taken to overcome the problems in getting loans. This research paper
uses probity model for statistical analysis. From the analysis the study concluded that a student pursuing postgraduate professional courses is more likely to get education loan than a student pursuing undergraduate course. Similarly, banks prefer giving loans to students seeking admission in government owned/approved institution. However, there does not seem to be any discrimination between students with or without prior work experience, for getting education loan. The study further reveals the reluctance of private sector banks in extending loans.

10. **Sailabala Debi (2010)**24 - Education is widely accepted as a basic human right. The goal of achieving UEE is now at the fore front of international policy agenda particularly in the context of Globalization and MDG. Government of India and all the state governments have also taken up this agenda seriously and striving hard to achieve the goal. But one cannot ignore the role of higher education in general and technical higher education in particular to meet the competing challenges of Globalization. Even within the education sector, relative priority assigned to higher education has been on the decline. It is to be realized that higher education institutions play an important role in setting the academic standard for primary and secondary education. They are also responsible for not only
providing the specialized human capital in order to corner the gains from globalization, but also for training the manpower inside the country, provide policy advice and so forth. Education is necessary for the development but higher education is essential for sustainable development.

11. Harsh Gandhar (2010) - Education loans form a part of the priority sector advances of the Public Sector Banks and most of the educational loans are taken for pursuing higher education courses. In the knowledge era, higher education has gained significance all across the world. Like other developing nations, India also faced financial crunch in the early nineties and higher education suffered in terms of allocations. And in the pursuit of raising access ratio in higher education, private institutions entered the field and there has been steep rise in user charges in most-sought-after professional courses like engineering and management in India in the post-reforms period. In the light of the facts that scholarships going to higher education have declined, in real terms, and it is a vehicle of upward mobility, the education loan scheme comes in to focus in order to raise access ratio in higher education. The main conclusion of the study is that the scheme is run purely on commercial basis and does not offer any soft options for the meritorious and the needy.
12. Piyush Prakash and Shikha Agarwal (2010) - In recent years, the Indian economy has grown remarkably and caught the world's attention. It has become a world center for the IT industry and IT services. India's economic success is mainly due to its investment in education, especially higher and professional education. Despite economic constraints, India has built world standard IITs. This experience needs to be shared, internationally, especially with the developing countries. In the age of economic globalization, India is planning to boost its economic strength by using comparative advantages in its labour force and its consumption market. The government plans to transform its big population into huge human capital. This can be only achieved through continued investment in education in general and higher and professional education in particular. Indeed, this investment is also necessary to sustain India's current level of growth. India is conscious that barriers must be overcome to meet these goals. They include a shortfall in professional and technological personnel, a misalignment between the content and emphasis in current higher education and the needs of the economy, as well as diminishing quality due to rapid expansion in institutions of higher and professional education. India is taking steps to inform its system, as it has done in the past. India's successful
experiences in solving problems of higher and professional education that are common to many countries should be learned and shared in international community.

13. Suresha. R and B. C. Mylarappa (2012)\textsuperscript{27} - Increased need to universalize elementary education has resulted in serious focus on elementary education and at the same time rather total neglect of higher education. A few countries or states could succeed in providing universal elementary education by ignoring higher education; giving an impression to the educational planners that universalisation of elementary education is possible only if one ignores higher education. The paper has also briefly reviewed some general presumptions about higher education– higher education – development relationship, the level of expansion of higher education and the policy reforms being attempted in financing higher education. It has been strongly argued here that India has to enhance its priority for higher education.

14. Joshi K.M. and Kinjal Vijay Ahir (2013)\textsuperscript{28} - The higher education system in India is complex. The regulators associated with governance are overlapping and entangled across various ministries and regulatory bodies. With a Gross Enrolment Ratio of 15 per cent,
India is still below the world average. With relatively stagnant growth of public sector, private sector now accounts for 63 per cent of the total higher education institutions and 52 per cent of the total enrolments in Indian higher education. Despite various intervention measures to address equity objectives, disparity still exists in terms of gender, ethnic groups, and economic criteria and by location. Quality and efficiency policy responses and their endeavours have been insufficient accompanied by poor regulations and its subsequent implementation. Multiple regulations and measures have been envisaged by different commissions and committees to enhance the access, quality and equity to face the challenges of opening-up this sector globally.

15. Jacob John (2013)²⁹ - Higher education sector in most developing countries faces a major crisis of funding. This crisis threatens the fundamental right of a person to higher education. A paradigm shift in the pattern of funding of higher education is urgently needed. Education loan can be popularized as an alternate source of funding of higher education. The study talks about equity issues in higher education and the relevance of education loan in India, a developing country. It also discusses the distinguishing features of educational loan schemes of select countries in a
comparative perspective. There are wide variations among countries in respect of administration of education loan. These disparities are mainly in respect of targeting of the loan programme and loan recovery. From the experiences of different countries, four different models of education loan schemes can be drawn: (1) education loan: government guarantee to commercial bank, (2) education loan: government direct lending, (3) education loan: outsourced with core public management and (4) education loan: loan repayment integrated with the taxation system. The Indian model of student loan is in an evolutionary stage. However, the Indian education loan system has similarities with Model 1 that provides a guarantee of repayment of student loan to the commercial bank by the government. As a case study of a developing country, the salient features of education loan in India with special reference to procedures for availing education loan, student loan schemes of select banks and operational issues of its implementation are also discussed in the study.

16. **Rajeev Darolia (2013)** - Student loan debt and defaults have been steadily rising, igniting public worry about the associated public and private risks. This has led to controversial attempts to curb defaults by holding colleges, particularly those in the for-profit
sector, increasingly accountable for the student loan repayment behavior of their students. These efforts attempt to protect taxpayers against the misuse of public money used to encourage college enrollment and to safeguard students against potentially risky human capital investments. Recent policy proposals penalize colleges for students’ poor repayment performance, raising questions about institutions’ power to influence this behavior. Extant research does not conclusively establish a causal link between type of college and loan default. Available evidence, moreover, suggests that student demographics and family financial resources are related to default. As a result, policies targeting schools where students default on loans at high rates may disproportionately affect the postsecondary decisions of certain categories of students, such as low income, minority, and financially independent students. Policymakers therefore face the challenge of promoting the efficient use of public funds and protecting students while also encouraging access to higher education.

**17. Varghese K. X. and Manoj P. K (2013)³¹** - The Education sector is in the concurrent list in India such that both the Centre and the State Governments have the responsibility to make budgetary allocations for its growth. Primary and Secondary education in India
receive comparatively better allocation than the higher education. With the advent of the Educational Loan Scheme of the Public Sector Banks in India in 2001, there has been a fillip in the enrollment in higher education institutions. The educational loans paved the way for pursuing professional and job oriented courses offered at the self financing colleges and Universities to deserving students. An empirical study of 600 borrowers in the State of Kerala in India reveals that the lion’s shares of the Non Performing Assets are traceable to the borrowers belonging to the General Nursing and Midwifery and B. Tech Engineering courses.

18. Aarti Dewan; Rekha Goel and Ruchi Malhotra (2013)  - The study is carried out in the Palwal and Faridabad District of Haryana, regarding the student perception about education loan. The education loan is to provide financial support to deserving students for pursuing education loan in India and abroad. The study examine the student’s perception towards education loan and compare male and female students with respect to various loan features like Value Addition, Mortgage, Effectiveness, Eligibility Criteria, Procedure or Convenience, Disbursement and Rate of Interest regarding education loan. The research was
conduction in Palwal and Faridabad District of Haryana on undergraduates and graduates students.

19. Rajesh Tiwari And Bimal Anjum (2013)³³ - The paper explores the role of educational loans for development of human capital in India. For a country with the largest population of young people, combined with a poor gross enrollment ratio, availability of educational loan is a necessity to ensure supply of skilled manpower for the economic progress of the country and to improve wealth distribution. The move towards privatization of higher education and poor budgetary support further increases the importance of educational loans for the country. For every 1% rise in GDP, demand for education loan rises by 3%. In spite of consistent rise in outstanding amount and accounts of educational loans the issues of poor access to banking services, complaints regarding rejection of loans by banks and neglect of vocational education require urgent attention by the stakeholders. The proactive and student friendly approach by the new finance minister provides hope to millions of deserving students to get access to educational loans. The paper concludes with recommendations on enhancing the utility of the educational loans to improve access and employability of the students.
20. **Manoj P.K. (2013)** - In 2001 the Indian Banks Association have come up with a model framework for educational loans in the country. With the approval of the Central Government the public sector banks in India started to give education loans. The private and cooperative banks also joined the fray. Due to growing NPAs and the intervention of the Government these norms were modified in 2011. The budget allocation for the primary and higher secondary education is on the increase in India. However, higher education has been of late relegated or left to the mercy of the private players. There has been a steady growth of educational loans disbursed, private colleges and deemed universities started and enrolments of students in higher education during the years 2001 to 2011. This paper is analyse the growth of the educational loans vis-à-vis other forms of personal loans at the national level, showcase the disbursements of educational loans in Kerala State, to assess the growth of educational institutions and enrolment of students in higher education in India from secondary data and to make suggestions based on the findings.

21. **Misha Sharma (2014)** - Declining public expenditure in the education sector, increasing cost per student without the support from credit markets, and dominance of private sector in higher education
worsens the problems of finance in higher education. While on one hand, it argue that Government of India should play a pivotal role in financing higher education, on the other hand, heavy public subsidization of higher education could lead to unequal distribution of welfare, since public expenditure on higher education is made out of general taxes, which essentially means transfer of resources from poor to rich. Therefore, an ideal situation is that of a public-private partnership, where Government acts as an anchor to the sector and aims to provide equitable access to education.

22. Varghese N.V. (2014)\(^{36}\) - Most of the reform measures recommended in higher education centre around two major propositions – improving efficiency in the functioning of public institutions on the one hand, and mobilizing resources from non-governmental sources on the other. The former category of reform measures focus on efficiency in resource use so that more resources are available even when additional resources are not allocated to the sector. Measures like changing the staff-student ratio, increasing the teaching workload, and so on belong to the former category. Measures to diversify the sources of funding or develop alternative arrangements to provide higher education belong to the latter category of reforms. A general trend
in these reform measures is to shift the burden of cost from the public to private and household domains.

23. B. Navaneetha (2014)\textsuperscript{37} - Education has a significant role in the Indian Economy. Higher education is increasing with the new paradigm. Higher education involves creation of intellects of world standards and also training of skilled human power at mass level without compromising on quality. Education has become a costly affair recently. There are different fee structures, followed by different institutions. Most of the students find it difficult to just enter in to the field of education. The problem of finance for education has been prevailing matter now. It is met by the nationalized and private sector banks through educational system. The study has been approached from the point of view students / customers in Coimbatore, who intended to avail the education loan offered by the State Bank of India. The study discusses on detail about the factors motivating the students to borrow their money from state Bank of India.

24. The book entitled \textit{Education Loan and Inclusive Growth: India in Comparative Perspective} by \textbf{Jacob John} is perhaps the first and the only comprehensive analysis of the operational features, issues of implementation and impact of student loans in India.
The study is timely and illuminating as it not only makes a critical assessment of the Indian scene but also examines it in the context of experiences from several other countries. It is indeed an invaluable addition to the scanty literature available on the subject of educational financing in India and should serve as a guide for policy makers and planners on higher education. While Dr. Jacob John endorses the idea of expanding the student loan scheme and even recommends for establishing a national body for coordinating all such efforts across the country, he cautions us of the undesirable effects of this approach for raising resources on issues of equity if it is not carefully calibrated and implemented with sensitivity to the needs of students from socially and economically marginalized sections of the society.

The limited number of studies reviewed showed different results and so far no serious research based study has come out in respect of student loan financing particularly bank loan for educational finance in Maharashtra State. The present study makes an attempt to fill this gap in a limited way. But the study will be an eye opener to many of the issues which can be taken up as further research.
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