

Importance of education loan's in Bihar's Scenario: A review paper.

Rajesh Kumar Srivastav PhD Research Scholar Faculty of Commerce Lalit Narayan Mithila University, Darbhanga

Abstract: The Indian Banks Association introduced a model framework for educational loans in the country in 2001. Access to these can only be achieved when higher education is affordable for all. To make it accessible and affordable, which was recommended to banks for implementation by the Reserve Bank of India. This education loan scheme is now gaining popularity. Public sector banks in India started teaching with the approval of the central government. Private and cooperative banks also came into the fray. These criteria were revised in 2011 due to increased NPAs and government intervention. The budget allocation for primary and higher secondary education in India is increasing. However, higher education is left late or at the mercy of private players. In higher education, from 2001 to 2011, private colleges and deemed universities were introduced and enrollment of students in higher education has steadily increased. Finance for education is raised from different sources such as government spending, fees, educational loans, and others. Educational loans have been seen as an alternative way of financing education. In this background, the present paper tries to analyze the trends and patterns of educational loans in India and Bihar.

Keywords: *Banks, Higher education, Education loan, Finance, etc*

Introduction:

Education is a major requirement for growth and development. The level of education in various countries is almost entirely linked to their economic status. It is also an important causal factor in growth. The higher the human capital of a country, the higher its standard of living. According to Tilak of 2002, education is also affected by poverty and development. It generates a wide range of other social benefits such as improved health, lower crime, and lower unemployment levels and it not only gives a higher social return but is also a significant attractive investment.

The Indian higher education system is the third-largest in the world, behind only China and the United States. The higher education system in the country grew rapidly after independence according to Agarwal, 2006. It has experienced unprecedented growth over the years. University education is in great demand and over the last few decades, India has seen unprecedented growth in the number of universities and colleges. In the case of vocational colleges like engineering, management, and medicine, etc. the growth is even more pronounced. All this was the growing trend towards privatization as per Gupte, 2015. Privatization has increased the fees for the introduction of the education loan scheme, allowing students to enter professional colleges. The present paper analyzes the development of higher education and education loans in India in light of the current education loan scheme.

Growth of higher education in India:

Recognizing the need, the Government of India paid significant attention to the higher education system, and consequently, a larger higher education system has been developed. As shown in Table 1, the number of colleges increased from 496 in 196–48 to 25951 in 2009–10,

while the number of universities increased from just 20 to 504 in the same period. Similarly, there has been a tremendous increase in the period of enrollment of students for higher education. During 1947-48, only 2 lakh students had enrolled for higher education, which increased to 136 lakhs in 2009-10, reflecting the rapid growth and increasing demand for higher education in India.

Definition Education loan:

It is offered to students who wish to study in India or pursue higher education abroad. The maximum amount offered for study in India and abroad varies and varies from bank to bank. An education loan is a money borrowed for post-secondary education or higher education-related expenses. The purpose of education loans is to cover the cost of tuition, books, and supplies, and to meet living expenses while the borrower is in the process of acquiring a degree. Payments are often deferred while students are in college, and are sometimes deferred for an additional six-month period, depending on the lender. This period is sometimes called the "grace period". Educational loans in India came into existence in the year 1963. Education loans first came into force in FY 2000-2001 and State Bank of India was the first bank to provide an education loan in the financial year 2005.

Indian Scenario of Education loan :

According to student funding, there is a method of assistance for students who are researching higher education. Students are given money in the form of subsidized loans to help them with their maintenance costs and to cover the cost of tuition fees. The government will have to repay these loans after the graduates exceed their income limits. These loans are therefore a method for a private contribution towards higher education costs. One objective of the student support system is to ensure that upfront costs do not deter potential students. Repay graduate student loans and they are generally above-average income. The boom in the banking sector has led to the release of large amounts of funds for education loans. Now a days education loans are easily available from various banks in India and this change is encouraging more and more students to pursue higher education despite their financial shortage. Many nationalized and private banks have come up with various educational loan schemes from which students can benefit.

According to Harsha Gandhar, 2010 defines educational loans as primary education loans for priority sector advances of public sector banks and most educational loans to pursue higher education courses. In the Enlightenment era, higher education has gained worldwide importance. Like other developing countries, India faced a financial crisis in the early nineties and terms of higher education allocation. And intending to increase the access ratio in higher education, private institutions entered the sector and in the post-reform period, user fees have increased in most business courses such as engineering and management in India.

The Swaminathan Committee, 1993 recommended the establishment of an Educational Development Bank of India to provide student loans to needy students and also to institutions.

The Ambani Birla Committee, 2000, redefined the role of government in higher education from a regulator to a facilitator and went much further in suggesting a gradual step towards full cost recovery in higher education, leading to large scale self - Financed privately emerged. The sector was encouraged.

According to Sanjeevaiya Puttaswamy 2011 education also holds importance as a source of knowledge for economic, political, and social development apart from being an input provider. Economic growth in recent years is based on the availability and quality of knowledge in any country, which in turn depends on the accessibility and capacity of education. Therefore, the importance of education to supply adequate and qualitative human capital has increased. The functioning of the education sector depends on the availability of various resources, of which to a large extent depends on financial resources. Finance for education is raised from different sources such as government spending, fees, educational loans, and others. Educational loans have been seen as an alternative method of education. In this background, the present paper tries to analyze the trends and patterns of educational loans in India. Also, an attempt has been made to understand the pattern of student loans offered by selected commercial banks. The study found that educational debt has been increasing over the years.

According to Srinivasan and Devrat Das 2011, Applicants faced problems; Problematic borrowers background, and the steps taken to overcome problems in obtaining loans. This research paper uses the probate model for statistical analysis. From the analysis, it can be concluded that a student pursuing postgraduate vocational courses is more likely to get an education loan than a student pursuing a graduate course. Similarly, banks prefer to give loans to students seeking admission to a government-owned / approved institute. However, for obtaining an education loan, there seems to be no discrimination between students with or without prior work experience. This study reveals the reluctance of private sector banks to expand loans. This paper is useful for interested students.

Table 1: Education Loan in Priority Sector Lending in India

Year	Number of Education Loan Accounts (in thousands)			Number of Education Loan Amounts (in Crore)		
	Total PSA	Education loan	% of education loan to total PSA	Total PSA	Education loan	% of education loan to total PSA
2001	28776	112	0.39	149116	1028	0.69
2002	25790	157	0.61	171485	1527	0.89
2003	27273	239	0.88	200169	2870	1.43
2004	30081	347	1.15	244456	4179	1.71
2005	31374	470	1.5	307046	6398	2.08
2006	35840	641	1.79	409748	10804	2.64
2007	38908	1002	2.58	521376	14012	2.69
2008	40074	1215	3.03	610450	19748	3.23
2009	42543	1568	3.69	724149	27002	3.73
2010	45783	1911	4.2	863778	35855	4.15
2011	48339	2211	4.6	1021495	41341	4.05

2012	53183	2373	4.5	1124148	46727	4.16
2013	58804	2479	4.2	1283411	50927	3.97

Source: Various Economic Surveys PSA stands for Priority Sector Advances

Bank Group-Wise Educational Loans in India:

The RBI divided all banks operating in Indian territories into five categories: State Bank of India and its affiliates, nationalized banks, foreign banks, regional rural banks and private banks. Table 1.1 shows the number of accounts, credit limits and outstanding balance in 2009 under the Performance of Educational Loans in India.

Table 1.1: Bank's Group-Wise Performance under Educational Loans in India-2009

(Amount in Rs. Crore)

Name of Bank	No. of Accounts	Credit Limit	Amount Outstanding
State Bank of India and its Associates	532813 (35.05)	14794.8 (42.8)	9742.91 (39.21)
Nationalized Banks	892556 (58.72)	17425.41 (51.59)	13907.22 (55.99)
Foreign Banks	7 (0.0004)	0.21 (0.0006)	0.16 (0.0006)
Regional Rural banks	48378 (3.18)	481.98 (1.48)	408.25 (1.64)
Private Banks	46234 (3.05)	1075.08	789.67 (3.18)
All Scheduled Commercial Banks	1519988 (100.00)	33777.47 (100.00)	24848.22 (100.00)

Note: Figures in parentheses are percentages

Source: Half-yearly returns on advances to priority sectors, Rural Planning and Credit Department, RBI.

Table 1.1 shows that the maximum number of accounts under educational loans was in absolute terms (892556) and (58.72 percent) with nationalized banks. The second place was that of the State Bank Group, which in 2009 included 35.05 percent education loan accounts. The banks that contributed least to the total educational loan accounts were foreign banks (0.0004 percent). The banks that contributed least to the total educational loan accounts were foreign banks (0.0004 percent). The highest lending limit was for nationalized banks, which is 51.59 percent of the total lending limit. State Bank Group occupied the second position in the credit limit with a 42.8 percent share. The lowest position was of foreign banks which contributed only 0.0006 percent of the total loan limit in 2009. The same case was repeated in the case of arrears, as nationalized banks have shown the largest contribution with Rs. 13907.22 crores, which was 55.99 percent of the total amount outstanding, while State Bank Group's share was 39.21 percent (with an outstanding amount of Rs 9742.91 crores) and the

share of foreign banks was only 0.0006 percent (Rs 0.16 crores).) In college. Thus, Table 3.5 shows that the performance of nationalized banks was the best in terms of the number of accounts, credit limit, and outstanding balance, while foreign banks contribute the lowest in these three terms.

Role of education loan (EL) in India:

Getting an educational loan in India may seem easy but it is one of the most difficult tasks filled with obstacles with unclear formalities. Nevertheless, the government has acted in a very simple way, but still, it is very difficult to get educational loans both in rural and urban places. Some students are facing challenges in banks as well as institutions. Some challenges facing students as well as banks include the adaptation of the loan product to suit the needs of the students and the requirements of the courses; Margin money requirements; Sufficient collateral security to cover the loan amount; Applicable for proof of suitability of university, college, and course; Timely approval of the loan to meet the entry-related deadlines; Post disbursement issues, etc.

In India, with a combined ratio, there is a population of about 704 million between the ages of 18-30. Education loans are given to improve the economic condition of the country and improve wealth distribution. For a 1% increase in GDP, the demand for education loans increases to 3%. There are a total of 21 public sector banks (PSBs) in India that provide educational loans.

Educational loan Scenario in Bihar:

Bihar government has started giving loans up to Rs 4 lakh for further education in Bihar at a 1% interest rate. The main objective of this scheme is to provide education loans to students looking for courses other than engineering, such as management, medicine, law, agriculture, etc. Girls, transgenders, and especially disabled students from Bihar, who are ready to pursue higher education, now get Rs. You can get an education loan for 4 lakhs at only a 1% interest rate. Students can avail of this loan under the Student Credit Card Scheme. Chief Minister Nitish Kumar inaugurated the State Education Finance Corporation so that the government can speed up the process of student credit card scheme. As per the plan, the students will pay interest only at the rate of 4% for the education loan acquired by them.

However, as per the Student Credit Card Scheme, loans will also be provided to those students who are willing to pursue general education after passing the 12th standard examination. The main objective of the scheme is to provide education loans to students seeking general education, polytechnic institutes, and not to students from a technical education background. The Bihar government further stated that even after meeting all the criteria, banks were taking a long time to approve loans under the SSC scheme. The main objective of the SSC scheme is to improve the state's gross enrollment ratio - GER in higher education.

Conclusion:

Many students were not able to get higher education due to a lack of money, while there was no shortage of skills. The Indian Banks Association introduced a model framework for educational loans in the country in 2001. Access to these can only be achieved when higher education is affordable for all. The introduction of economic reforms has reduced

government spending on higher education and new sources of financing are being explored. In this direction, the student loan scheme for higher education has received much attention as a method of finance and cost recovery. The study showed that educational loans by public sector banks in India have been increasing over the years, reflecting the increasing demand for higher education loans. The Bihar government has also started giving loans up to Rs 4 lakh for further education in Bihar at a 1% interest rate. The main objective of this scheme is to provide education loans to students looking for courses other than engineering, management, medicine, law, agriculture, etc. As a result, in India other states of India like Bihar, students are getting the facility to get higher education with the help of education loans.

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