



## INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT AND MANAGEMENT

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**Contributions to books**

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

**Journal and other articles**

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

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- Chandel K.S. (2009): "Ethics in Commerce Education." Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

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**EDUCATIONAL LOANS: A STUDY OF STUDENTS, EDUCATIONAL INSTITUTIONS AND BANKERS PERSPECTIVE****DR. BABLI DHIMAN****ASST. PROFESSOR****LOVELY HONORS SCHOOL OF BUSINESS****LOVELY PROFESSIONAL UNIVERSITY****PHAGWARA****DR. ASHOK KHURANA****ASSOCIATE PROFESSOR****DEPARTMENT OF COMMERCE****GURU NANAK KHALSA COLLEGE****YAMUNANAGAR****ABSTRACT**

*Higher education is one of the growing horizons in today's scenario. This paper has been designed with the objective that whether these education loans are beneficial for students, educational institutions or for banks. This paper is divided into three parts. Part one represents introduction, review of literature, research methodology and objectives of the study. Part two includes analysis and interpretation. The analysis in this paper is qualitative as well as quantitative. This paper is based on information obtained from primary sources which includes 200 students who have taken education loan from the selected banks in the paper. Secondary data is collected from relevant websites and reports. The null hypothesis has been rejected that there is no significant effect of education on education sector. Final and third part includes findings and conclusion that education loan scheme is beneficial for all whether these are students, educational organizations or banks.*

**KEYWORDS**

Banks, Beneficial, Educational organizations, Education loan, Students.

**INTRODUCTION**

The higher education in India has witnessed many fold increase in its institutional capacity since independence. The studies observed that notwithstanding this many fold increase in the enrolment; it is still relatively low by international comparison. Besides the studies bring to light the problem of regional imbalance as well as inter-social group's imbalances in enrolment rate, in term of male female, inter-caste, inter-religion, inter-occupation and poor non poor disparities in the attainment in enrolment. The studies also highlighted the issue of quality. Above all, the studies analyze the problem of under financing of higher education since the mid eighties. Till some year's back higher education and quality education was not affordable to some illustrious students because of the financial constraints. There was not any alternative but to jump in the job market prematurely. And this led to untimely end of budding talents and their forceful transformation into to the mediocrity. Scholarships were there, but those were so less in numbers that only luckier few could avail them. But now the scene has changed drastically. 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 banks have come up with various educational loan schemes that students can benefit from, even private banks are not lagging far behind. The wave of change could be well gauged from the amusing situation that immediately after the results announcements of CAT or PMT/ IIT JEE, the representatives of the banks queue up for giving education loans to the successful candidate even with very flexible conditions. This scenario is certainly helping the illustrious students to pursue higher education and realize their dreams.

**REVIEW OF LITERATURE**

Ziderman (2009) studied the influence of student loans on the accessibility of disadvantaged groups to higher education. Three key conditions are necessary for success, but are often neglected. These are: that effective eligibility and screening criteria are in place and that pro-active targeting measures are employed to reach out to the most deserving sections of the target population defined in terms of those most in need of help; that the scheme is sufficiently sizeable to achieve an impact nationally; and individual loans are sufficiently large to cover the needs of the students at whom the scheme is directed. The varied experience of loans schemes in Asia, aimed directly at enhancing the access of students from low-income backgrounds, is examined. These schemes are often to be faulted because they lack a number of necessary prior conditions for success. Chapman et al. (2009) explored that in recent times there has been considerable change and instability with respect to Thailand student loans policy. The contribution of what follows is to compare and contrast the consequences of disparate possible approaches to the payment of tuition in two main respects: the effect on internal rates of return for higher education investments; and the implications of different approaches for the time stream, and thus the present value, of tuition payments to the government. The authors find that, in general, income contingent loans are preferred to the current scheme, although this would not be the case if such a policy reform is poorly designed. Shamsuddoha (2008) stated that after the liberty, Bangladeshi Economy has moved towards industrialized based. Bangladesh had also adopted open economy by the grace of heavy tide of globalization. Consequently, competition of the domestic and foreign industrialized market, organizations need skilled management which highlight on the development of management education and the need for suitable managerial, leadership, administrative and decision making skills. This could support TQM as both a valuable tool and a fad. By getting a MBA degree from an institution, an executive can handle the total wants of an organization. There are lots of MBA program giving through private and public institutions. This study is fully focused on the various MBA programs, which can keep a vital contribution to build a skilled executive after that who can handle the things properly in the organization. Chapman (2006) explored that higher education rates are increasing throughout the Western world, yet at the same time, government budgets face increasing constraints. This has ensured that the importance of student support is recognized in many countries. In recent years there has been a world-wide movement towards the use of income contingent loans (ICL) for higher education. ICLs are now used in six countries following the Australian innovation of 1989, with the governments of many more countries looking very seriously at the model. This impressive new book by Bruce Chapman analyses ICLs (particularly their use in supporting students), exploring the experiences of a number of other countries adopting them. Chapman presents analysis of a number of disparate case studies to illustrate how ICLs can aid risk management policy reforming in both progressive and administratively feasible ways. Georgescu (2005) stated that in today's world, a new level of commitment is required in order to educate the young generation and e-learning perhaps emerges as an important tool of imparting knowledge and information. The challenge, however, is to provide a suitable means to disseminate disparate information in a dynamic, open and distributed e-learning environment. While there still exists some uncertainty about its role in education and professional training, there is a growing concern about the issues and strategies of e-learning that may be faced by both providers and learners of e-learning in future. E-learning is here to stay as the fast changing pace of technology, the shortening product development



cycles, lack of skilled personnel, competitive global economy, the shift from the industrial to the knowledge era. E-Learning seeks to mobilize the educational and cultural communities, as well as the economic and social players in Europe, in order to speed up changes in the education and training systems for Europe's move to a knowledge-based society. Hanushek et al. (2004) explored that the current level and form of subsidization of college education is often rationalized by appeal to capital constraints on individuals. Because borrowing against human capital is difficult, capital constraints can lead to non optimal outcomes unless government intervenes. He develop a simple dynamic general equilibrium model of the economy that permits to explore the impact of alternative ways of subsidizing higher education. The key features of this model include endogenously determined bequests from parents that can be used to finance schooling, uncertainty in college completion related to differences in ability, and wage determination based upon the amount of schooling in the economy. Because policies toward college lead to large changes in schooling, it is very important to consider the general equilibrium effects on wages. Vossensteyn (2002) explored that students now have to contribute more to the costs of higher education than in the past. The Netherlands provides an interesting example of the global trend towards 'cost sharing'. Tuition fees are going up; general subsidies to students have gone down and/or have been replaced by means-tested grants and loans. All in all, there is reason to expect that enrolment in higher education and student choice will come under pressure.

## NEED FOR THE STUDY

Education is the most important investment one makes in life. Higher studies and specialization in certain fields call for additional financial support from time to time. Student loans make it easier for those who are from financially weak backgrounds to acquire a respectable college education. The clinch is that escalating educational loan rates cause a high burden of debt. The study attempts to focus on higher education through banking services (loans) which includes the role of various banks in providing education loan service and its effect on the education system. The study mainly focuses on the service sector. Therefore the services provided by the selected banks have been studied in order to identify the effect of availability of education loans on education system of India. And also know that education loans had some benefits for the banks or not.

## OBJECTIVES

- To know the benefit of education loans on education sector prior and post availability of banking services (education loans schemes).
- To know the benefits of education loan schemes to the students.
- To compare the education loans schemes provided by selected banks (PNB and SBI).
- To know the income generated by concerned banks from education loans.

## METHODOLOGY

### SOURCES OF DATA

The data has been collected by personally interviewing the bank officials in order to know the role of education loans in developing the banking sector. For this purpose we choose SBI & PNB as a sample for representing the whole banking sector. The secondary data was collected from various sources like Annual reports, internet, newspapers, journals, and articles.

### HYPOTHESIS

H<sub>0</sub>: There is no significant effect on education sector prior and post availability of banking services (education loan).

H<sub>a</sub>: There is significant difference in the banking services (education loans) provided by various banks (education loan).

## FINDINGS AND SUGGESTIONS

### 1. EDUCATION SECTOR PRIOR AVAILABILITY OF EDUCATION LOANS

TABLE 1: NO. OF EDUCATIONAL INSTITUTES PRIOR EDUCATION LOAN AVAILABILITY

Year	Colleges for General Education	Colleges for Professional Education	Universities/Deemed Univ./ Institutes of National Importance	Total	Change	% Change
1950-1951	370	208	27	605	nil	nil
1955-56	466	218	31	715	110	15.38
1960-61	967	852	45	1864	1149	61.64
1965-66	1536	770	64	2370	506	21.35
1970-71	2285	992	82	3359	989	29.44
1975-76	3667	3276	101	7044	3685	52.31
1980-81	3421	3542	110	7073	29	0.41
1985-86	4067	1533	126	5726	-1347	-23.52
1990-91	4862	886	184	5932	206	3.47
1991-92	5058	950	196	6204	272	4.38
1992-93	5334	989	207	6530	326	4.99
1993-94	5639	1125	213	6977	447	6.4
1994-95	6089	1230	219	7538	561	7.44

Source: Statistical Abstract

Table 1 represents the percentage change in the number of educational institutes before the availability of education loan facility. The table shows that the education sector was poorly developed before the loan service availability. In the year 1985-86 this rate became negative 1347 educational institutes were closed due to non-availability of the students. Therefore, students were not able to take quality education because of their poor financial position which causes reduction in number of educational institutions.

### 2. EDUCATION SECTOR POST AVAILABILITY OF EDUCATION LOANS

Student loans in India (popularly known as Education loans) 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.

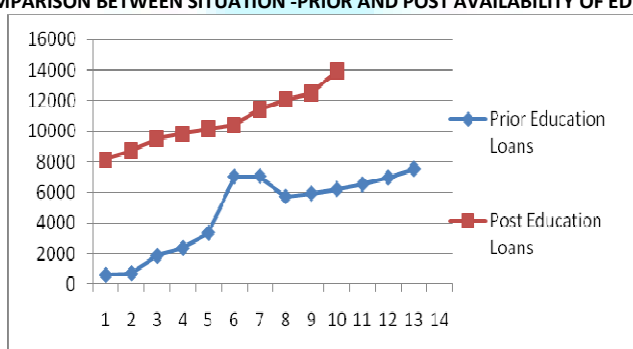
TABLE 2: NO. OF EDUCATIONAL INSTITUTES POST AVAILABILITY OF EDUCATION LOANS

Year	Colleges for General Education	Colleges for Professional Education	Universities/Deemed Univ./ Institutes of National Importance	Total	Change	% Change
1995-96	6569	1354	226	8149	611	7.5
1996-97	6759	1770	228	8757	608	6.94
1997-98	7199	2075	229	9503	746	7.85
1998-99	7494	2113	237	9844	341	3.45
1999-00	7782	2124	244	10150	306	3.01
2000-01	7929	2223	254	10406	256	2.46
2001-02	8737	2409	272	11418	1012	8.86
2002-03	9166	2610	304	12080	662	5.48
2003-04	9427	2751	304	12482	402	3.22
2004-05	10377	3201	364	13942	1460	10.47

Source: Statistical Abstract

The table 2 shows the education sector after availability of education loans. It clearly depicts that the education sector started growing consistently after loans schemes were provided to the students. Moreover during this era many private players entered into education sector and number of institutes providing professional education rose to great extent. The no. of education institutes increased from 8149 in the year 1995-96 to 13942 in the year 2004-05. This shows that after availability of education loans profession education actually increased and started developing.

FIGURE 1: COMPARISON BETWEEN SITUATION -PRIOR AND POST AVAILABILITY OF EDUCATION LOANS



Education loan is becoming popular day by day because of the rising fee structure of higher education. It came into existence in 1995 started first by SBI and after that many banks started offering study loan. The table no.1 and 2 above show the scenario of the education sector before and after the availability of education loans. Before the availability of banking services there was a decrease in educational institutes but since the educational loans have started in 1995 there is a year on year increase in the development of educational sector. Therefore, the null hypothesis is rejected. There is a significant effect of education loans in development of Indian education sector because educational institutes started increasing after education loans were introduced.

**EDUCATION LOAN SCHEME BENEFITS FOR THE STUDENTS**

- Helpful in getting higher education.
- Helpful for better future due to easy availability of higher education.
- Improvement in existing living standards.
- Contribution to the society.
- Improvement in the financial position.
- Fulfillment of family responsibilities.
- Contribution to the economy.

**COMPARISON BETWEEN EDUCATION LOAN FROM SBI AND PNB**

➤ **AMOUNT OF LOAN**

This is co-related to expenses involved in taking up the course and the expected earnings after qualifying, subject to a maximum of:

TABLE 3: MAXIMUM AMOUNT OF LOAN BY PNB & SBI

	Punjab National Bank	State Bank of India
For studies in India	Rs. 7.50 lacs	Maximum Rs.7.50 lacs
For studies abroad	Rs.15.00 lacs	Maximum Rs.15 lacs

In case of part time computer courses, the extent of loan should not exceed Rs. 50,000/- per annum or fee fixed by the particular institution whichever is less.

➤ **RATE OF INTEREST**

TABLE 4: RATE OF INTEREST ON LOAN BY PNB

Loan up to Rs. 4 lacs	12.25% p.a
Loan over Rs. 2 lacs up to Rs. 15 lacs	13.25% p.a
Loan over Rs. 15 lacs	15.25% p.a.

TABLE 5: INTEREST RATES FOR LOAN BY SBI

Loan Amount	Interest Rate
Loans up to Rs. 4 lacs	presently 13.25%
Loans over Rs. 4 lacs	1% above SBMTLR presently 14.25%

Rate of interest is subject to change from time to time. The Interest shall be charged at simple rate from the date of disbursement till the commencement of repayment of loan and thereafter, compound Interest will be charged on reducing balance basis. 1/2% interest concession may be provided for the borrowers if the interest is serviced during the study period.

➤ **MARGIN**



TABLE 6: MARGIN BY SBI & PNB

Punjab National Bank	State Bank of India
Nil	Up to Rs.4 lacs: No margin Above Rs.4 lacs: Studies in India: 5% Studies Abroad: 15%

➤ REPAYMENT OF LOAN

TABLE 7: REPAYMENT OF LOAN

Punjab National Bank	State Bank of India
<ul style="list-style-type: none"> <li>➤ Principal and Interest is repayable in 84 monthly instalments.</li> <li>➤ Repayment will commence after two years of the completion of studies by the borrower or one month after his/her getting employment, whichever is earlier.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Repayment Holiday - Course period + 1 year or 6 months after getting job, whichever is earlier.</li> <li>➤ The loan is to be repaid in 5-7 years after commencement of repayment</li> </ul>

BENEFITS OF EDUCATION LOANS FOR THE BANKS-INCOME GENERATED BY SBI AND PNB FROM EDUCATION LOANS

State Bank of India and Punjab National Bank has also generated income through education loans. Both these banks provide education loans according to their policies. Here it has been find out that how much the banks have earned the income from these loans.

TABLE 8: INCOME FROM EDUCATION LOANS TO SBI AND PNB (Rs. Crores)

Year	SBI			PNB		
	Education Loan Income	Total Income	% income from education loan	Education Loan Income	Total Income	% income from education loan
2002	533.85	34003.77	1.57	107.57	7683.76	1.39
2003	674.03	36832.34	1.83	140	8805.41	1.59
2004	852.85	38073.16	2.24	139.75	7764.38	1.79
2005	794.91	39547.9	2.01	206.28	10314.4	1.99
2006	1010.49	43183.62	2.34	230.09	11062.4	2.08
2007	1201.6	46937.79	2.56	257.62	12881.1	1.99
2008	1692.11	58348.74	2.90	522.02	16262.6	3.21
2009	2393.81	76479.78	3.13	734.11	22245.9	3.29

FIGURE 2: INCOMES FROM EDUCATION LOANS TO SBI AND PNB (RS. CRORES)

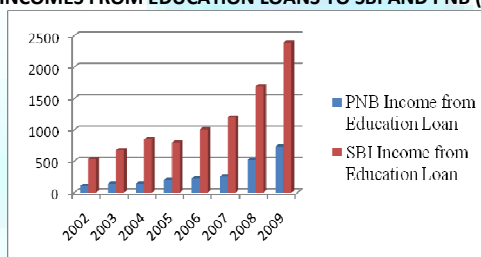


Table 8 clearly show the incomes of both the banks generated from education loans. This also depicts that SBI & PNB both have education loans income at increasing rate which is the significant part of the total income. Therefore, the banks should have to encourage more the education loans for the growth of the banks as well as for the education developments. SBI being market leader in education loans generates much higher income than PNB as shown in figure 2.

FIGURE 3: COMPARISON OF TOTAL INCOME & INCOME FROM EDUCATION LOANS TO SBI (RS. CRORES)

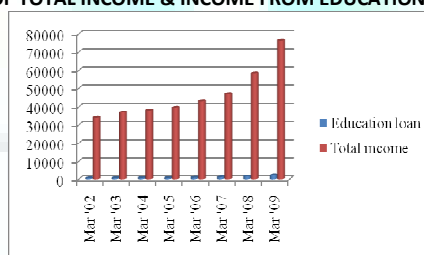


Figure 3 shows the income that State Bank of India has earned from education loans in past years. The income from education loans is derived on the interest rate percentage. Interest amount is taken on average of 12%. Income to the bank from education loans is the 12 percent of total education loans every year. So this is the approximate income that State Bank of India generates from education loans. The figure and table 8 clearly depict that each year education loans form an important part in total income. The amount being less but still is very significant in improving operational efficiency of the bank. The income earned has increased every year but only in the year 2005 these loans did not contribute much into the total income of the bank.

FIGURE 4: COMPARISON OF TOTAL INCOME & INCOME FROM EDUCATION LOANS TO PNB (RS. CRORES)

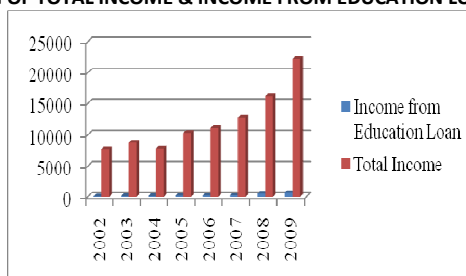


Figure 4 shows the income earned by Punjab National Bank in past years and contribution of education loan income to the total income of the bank. Similar is the case with this bank is too. The income from education loans is less but still is very essential portion of income generation and overall development of banks. The income from education loans for this bank has shown a consistent increase in every year. So it can be said that in some way or the other education loans are a part of income generation for banks. Banks derive good amount of income from lending of education loans.

## CONCLUSION

Education is the backbone of a cultured society, but it has become more commercial or money-making and in order to ensure the best possible education, it is an expensive affair. Therefore, the education loans are biggest support for the needy persons. The current study attempts to focus on professional education through banking services (loans) which includes the role of various banks in providing education loan service and its effect on the education system of Indian economy. The comparative part of the banking services (education loans) provided by the various banks shows the significant effect on education sector prior and post availability of banking services. The findings of the study reveal that the null hypothesis is rejected. Therefore there is a significant effect of education loans in development of Indian education sector because educational institutes started increasing after education loans were introduced. So that students are also benefited from education loan schemes. It also inferred that SBI & PNB both have education loans income at increasing rate which is the significant part of the total income. Therefore, the banks should have to encourage more the education loans for the growth of the banks as well as for the education developments.

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