Role of nationalized banks in financing education loan for professional and technical education in India and Bihar

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Abstract:

Education assumes importance as a provider of input in addition to a source of knowledge for economic, political, and social development. Higher education enrollment ratios and higher GDP per capita are strongly correlated. India's higher education system is the third-largest in the world and has been growing rapidly in the last few years. But unfortunately, there are many issues and challenges in higher education such as access, equity, efficiency, and excellence which have to be addressed efficiently. 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 financing education. This paper attempts to analyze the trends and patterns of educational loans in India and Bihar.

Keywords: Education, Finance, Economics, Loan, etc.

Introduction:

One of the main measures of the economic development of a country is to make education accessible to a large number of people. The state cannot provide higher education to the public alone. The Government of India's 1986 and 1992 education policies indicated private participation in higher education. Self-financing colleges and deemed universities were allowed to operate in the country. Tuition fees at self-financing colleges and deemed universities were not affordable for many. Some people took bank loans to study in them. There were no state-owned or aided colleges and universities. Ability to include all eligible students in their roles. To address this issue in 2001, public sector banks introduced an educational loan scheme at cheaper rates. The framework of this model proposed loans up to 0.4 million for educational loans without any security other than the personal security of the borrower. The repayment of the loan with interest can be started from one year. Within six months after completion of the course or whichever is earlier. The private sector and cooperative banks also joined this ground. In India, educational loans have grown from INR 51 billion to INR 437 billion over seven years from 2005 to 2011. The higher education sector has been experiencing a decline in public expenditure in comparison to primary and secondary education in the last two decades.

In the current scenario, the education sector has to be more concentrated by both the central and state governments to change the literacy rate in India. Also, many students are not going for higher education due to the inadequacy of funds in their family, for this, the government can support every student who is contacting for student loans and provide them so that they can go for their higher studies To carry forward. In this case, I am going to discuss the recovery of educational loans by banks in Tamil Nadu in the context of engineering and management courses and other banking factors.

This review of the literature focuses primarily on external factors that may influence educational credit factors that decrease employment opportunities, attain marques, low incomes, emotional burdens, and natural barriers, government policies, and parental policies. There is literacy among them, which all factors give a link. The recovery of educational loans and this factor reflect an increase in non-performing assets. Also, both internal and external factors will be structured in the review.

Education loan:

Education loan is a popular method of lending to young candidates who want to pursue higher education in India as well as abroad. The scheme provides financial assistance to a meritorious student or a deserving student to pursue their higher education with affordable terms and conditions. Educational loans in India came into existence in the year 1963 and later in 1971 started operations in Tamil Nadu. Education loans first came into force in FY 2000-2001. The financial year 2004-2005 was later revised on education. State Bank of India was the first bank to provide an education lion in the financial year 2005.

The pattern of Educational Loans:

The introduction of economic reforms has reduced government spending on higher education and allowed private sector participation. As a result, educational loans are becoming an important way of financing higher education while meeting the purpose of cost recovery. An analysis of educational credit is necessary to understand the pattern, its magnitude, etc., which is done in the following section. We have information on educational loans under priority lending by public sector banks. Priority sectors of public sector banks include agriculture, education, consumption, housing, and other sectors. However, the educational loan information is limited in nature as it does not indicate details such as whether this loan is given only to students or to educational institutions; Loan amount by courses; State-wise distribution; Loans by social categories, etc. Keeping in mind these limitations, and assuming that information related to student loans is available, attempted to understand the pattern of educational loans in terms of the number of accounts, amount and relative priority in related fields has gone lending by Public Sector Banks.

Education loan in India:

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. Therefore these loans are 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, 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 that students can benefit from.

According to the authors Sanyal and Martin, 2006 that some developing countries with a focus on basic education during the last decade may focus on higher education, however, most of them had reduced their share in higher education. As the number of gross enrollment expanded widely, there was also a large reduction in per-pupil funds from the government. Thus this situation has occurred worldwide while it is worse in developing and transitional countries.

(a) Increasing budget shortfalls in education in the overall context, and

(b) Growing evidence in favor of preference for lower levels of education against higher education, several influential reports, and renowned academics have reported public subsidies for higher education. Called for vigorously for doing it less. As a promoter of an integrated world economy, for example, the World Bank outlines its approach to financing higher education:

(i) Recovery of public costs of higher education and government spending at the primary level with high social returns.

(ii) To promote education loans through the development of the credit market with selective scholarships, especially in higher education; and

(iii) To decentralize the management of public education and encourage the expansion of non-governmental and community-supported schools. Even the approach of the 10th Five Year Plan and the 10th Plan document states that "Since budget resources are limited, and there are resources available that need to be allocated for the expansion of primary education, so universities must make maximum efforts to supplement resources from the government "(Government of India, 2001, 2002–2007). Therefore, public education of higher education has to be recovered through the search for alternative sources of overall financing costs.

According to Tilak (author) 1992, efforts to find alternative ways to finance higher education have started in many developing countries. Among the various options suggested, a system of financing higher education through student loans has been advocated as an innovative policy that promises a reduction in the financial burden of higher education on government funds, and the retrograde effect Also improves equity in higher education. Public financing of higher education, and improving access to higher education.

According to Tilak, J. in India. B. Yes. (1992) Student Loans in Financing Higher Education. Higher Education, 23 (4), 389–404. This article critically reviews the implementation of the National Debt Scholarship Scheme in India. It examines the program's strengths, weaknesses, and problems (such as a culture with negative attitudes towards debts). It concludes that student loans are contributing very little to higher education efficiency or equity in India.

Shatrughan's (2004) article "Financing Higher Education" focuses on the analysis of the pattern of higher education structure and the financing of government higher education debt. Since the 1950s higher education has been financed, higher education has been funded mainly by the central and state governments. Since the inauguration of the New Economic Policy 1991, there has been a major change in the financial commitment of the government. The demand for higher education is in great demand at various levels of society. To examine the pattern of use of the grant, the committee recommended that the UGC could find a mechanism to provide an appropriate incentive grant, perhaps the nature of granting as an incentive for universities to produce their resources. Primarily the committee was focusing on perceived assistance to provide appropriate financing for higher education and many students were running out of resources.

Tilak (1996) made several arguments against student loans to be legalized in India; And therefore, he did not support in favor of student loans. A policy created without due diligence can adversely affect students' debt, access, and equity. Even American critics of student loans expressed their apprehension in this regard, stating that student loans could lead to inequality of access by limiting the participation of (ethnic) minorities in higher education. He envisioned student loans as a method of generating finance for higher education to improve access and equity.

According to Narayana (2002), there are relatively few students availing of the loan scheme, which is considered to have a high-interest rate, short repayment period, the fact that they can use it only for government-approved programs and by it can be determined. Some banks that will not give loans to students whose families earn less than $ 209 per month disqualify most Indians, as there is no provision for government underwriting. To compensate for the increase in fees, the Government of India announced a new education loan program, the Educational Loan Scheme, in April 2001. The scheme provides basic education to "poor and needy" Indian citizens and loans to "meritorious students". Getting higher education at home or abroad. Compared to bank-specific education loan schemes in the past, the new scheme is a) non-bank specific as it can be adopted by all banks, b) broad in scope, as it covers a large number of courses and c) scope. Is broad because it includes both fee and non-fee expenses that are related to the study.

According to M.R.Narayana (2005) author, this book is a study on the empirical analysis of the role of student loans by commercial banks in financing the projected budgetary subsidy for general budgetary education by government and private aided colleges in the state of Karnataka (India). A major estimation result shows that the maximum fee, as a percentage of total estimated subsidies, is equal to 4.22 (or 4.74) percent in government or private aided colleges in 2000–201. Consequently, the student fee amendment is found to be inappropriate as a tool for the overall reduction of budgetary subsidies, even if it is fully financed by student loans. This paper has special relevance to other states in India as well as other developing countries for a policy framework for analyzing the relationship between student loans and regional fiscal policy, where regional governments can provide budgetary support for higher education through the student. Let's face the problem of reducing. Loan scheme, Also, the description of the Indian model of student loans is useful for comparative studies in international education.

Table 1: Education Loan in Priority Sector Lending in India

	Number of Education Loan Accounts (in thousands)			Number of Education Loan Amounts (in Crore)		
Year	**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*

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. Still, the government has done the work 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 that students as well as banks face 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; Applied for proof of suitability of university, college, and course; Timely approval of a loan to meet the entry-related deadlines; Post disbursement issues, etc.

In India, with a combined ratio, there is about 704 million population between 18-30 years old. Education loans are given to improve the economic condition of the country and to 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.

Education loan (EL) in Bihar:

The Bihar government has started giving loans up to Rs 4 lakh at a 1% interest rate. The main objective of this scheme is to provide education loans to students looking for courses other than engineering. Girls, transgenders, and especially disabled students of Bihar, who are ready to pursue higher education, now get Rs Can get education loan in 4 lakhs at just 1% interest rate. Students can avail of this loan under the Student Credit Card Scheme (SSC). Chief Minister Nitish Kumar inaugurated the State Education Finance Corporation so that the government can speed up the process of SCC planning. As per the scheme, the students will pay interest at the rate of 4% only for the education loan acquired by them.

This step has been taken because vocational banks give preference to students pursuing technical education in terms of providing education loans.

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

Conclusion:

Higher education creates and supplies knowledge, which is driving modern economic development. Therefore, the development of a qualitative higher education system becomes important, which can provide access to all those who wish to pursue higher studies. Access to higher education should not be limited to certain sections of society that create inequality. But many students do not get higher education due to a lack of money. 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. Educational loans have been seen as an alternative method of financing education. To overcome this financial problem, the government has started providing financial aid to students and has offered several schemes in the form of education loans (EL). The Bihar government has also started the Bihar Student Credit Card Scheme for higher education. Due to which a large number of students are getting help in getting a higher education.

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