



A STUDY OF INDIAN SBIBANKS POLICIES FOR STUDENT LOAN

Atul Gupta

Research Scholar Sunrise University Alwar

Dr.Raghuvendra Raman Bhardwaj

Professor, Sunrise University Alwar

ABSTRACT

A loan programme for education was developed and widely disseminated by public and private sector banks, as well as other financial institutions. There has been an increase in the number of non-performing loans issued by banks and financial institutions in this area (educational loans). This paper examines the causes of high default and provides some recommendations for Banks and Financial Institutions (FIs) to avoid such slippages. The Indian government has traditionally placed a great value on ensuring that its young people have access to quality higher education. This cleared the door for parents and students to become more conscious of the need for improved educational facilities, particularly at the college level. Many parents were delighted to send their children to far-flung locations for higher education in technical, non-technical, and managerial fields because of the possibilities available to students. Increases in the number of universities and colleges in the past ten to fifteen years demonstrate the value that students and their parents place on higher education. Higher education in India is provided through 864 universities, 40,026 colleges, and 11,669 independent institutes. Colleges in the private sector account for 78% of all institutions of higher education. Higher education's costs have also risen, mostly as a result of the impressive infrastructure built by educational institutions and the fact that education is being treated as a business. Students and parents were saved by the government-sponsored education loan programme and the banks' and financial institutions' (FIs') preparedness to provide the loan product. One of the finest methods to fund a college education

has always been an education loan. The educational institutions rejoiced because the system readily accepted their (high) cost structure, and students and parents rejoiced since the additional fees did not immediately burden them. The education loan market today has an estimated Rs 733 crore in funding, 95% of which comes from public sector banks and the balance from private banks, cooperative banks, and non-banking financial institutions (NBFC).

KEYWORDS: loan programme, education, disseminated, universities, demonstrate

INTRODUCTION

The educational requirements of a kid are a major concern for every parent. By now, most parents are aware of the expensive cost of an education, whether it be at a private high school, college, or university, or even an abroad education. Loans for schooling are the same as loans for other types of debt. Borrowing funds from a bank and repaying them at a predetermined rate of interest. We can all agree on the significance of education. It's a person's true net worth. However, there are occasions when a desire to learn more and get a higher degree is met with a lack of financial resources, making it impossible to pursue further education. In these circumstances, college loans are a godsend. Scholars and saints have a special place in India's heart. Since the dawn of time, there has been no shortage of information in India. The Vedas and Puranas are magnificent treasures that have been bestowed onto Indian civilisation. India has led the way from the time of the Holy Scriptures all the way up to the contemporary era of science and technology. In spite of this, there are still pockets of India where a seed of education has yet to germinate. As India's economy undergoes a dramatic shift, the country's education system is also experiencing a comparable upheaval. The IITs, IISCS, AIMS, BITS and ISB generate thousands of great assets every year who shine in every sector of the contemporary world at the same time, India still has a big number of individuals who are unable to get even the most basic of education. The Indian education system, despite its success in many areas, has a few faults. In the midst of contemporary India, academics like Raja Ram Mohan Roy and Dayanandsaraswati were given the opportunity to promote education to all segments of the Indian population, large or little. In addition, the British government established a number of schools and colleges in India as a means of promoting education for the country's populace. The fact that India has consistently followed through on this has been a positive move for their controlling strategy. States were responsible for education until 1976, when the states and the federal government shared the task. Historically, in India, educational institutions have been primarily supported by

public enterprise, with state governments paying around 80–90% of the financial burden and the federal government covering the remainder. It is estimated that Indian students and their parents have spent nearly \$1.1 billion on their higher education abroad (excluding graduate and advanced degree students who mostly receive scholarship from the foreign university), but government laws and mandates have prevented even a tiny fraction of that money from being invested in Indian public universities in the form of endowment or tuition fees.

COSTS OF HIGHER EDUCATION

The opportunity costs and out-of-pocket expenses are combined to arrive at the total cost of higher education. Tuition, fees, housing and board, books, and other incidental charges are included in the out-of-pocket expenses. Individuals who choose not to work while attending college incur opportunity expenses. Or, to put it another way, the student's opportunity costs are the earnings he or she would have missed out on if they had decided to work instead of attend college. There have been two or three times as many increases in the cost of tuition, fees, and board since 1980 as there have been in the CPI. After correcting for inflation, the average four-year college tuition and fees increased by 51% over the last decade. Numerous studies show that rising tuition fees have a detrimental impact on the demand for higher education (Clotfelter, Ehrenberg, Getz and Siegfried, 1991; Ehrenberg and Smith, 1991). Admissions will decline if the cost of tuition or lost wages rises over a certain threshold, regardless of other reasons. As a result, fewer students are projected to enrol if the number of financial assistance offers to higher applicants decreases. It was observed that low-income families were the most receptive to changes in intuition, according to a study by Leslie and Brinkman (1988). Low- and middle-income households are said to have been adversely affected by the rising costs of higher education in recent years. Only 20 percent of the increase in median family income since 1981 may be attributed to the growth in average tuition fees at both public and private universities. Higher education's out-of-pocket expenditures are often not covered by financial assistance packages, including loans, and students and their families are forced to dip into their savings to fund part of the costs. Because of this, adolescents from more affluent households are more likely to pursue their education beyond the high school level (Ehrenberg and Smith, 1991).

BENEFITS OF HIGHER EDUCATION

Many advantages come with pursuing a postsecondary degree. A degree from an accredited college or university gives its holders an immediate edge in the job market, as well as a long-

term benefit in terms of their compensation. It's possible to get personal development and enrichment that lasts a lifetime from a higher education experience. Schultz (1963) categorised the advantages of a college degree in his famous book, *The Economic Value of Education*. Among them are the economic benefits derived from education research, the nurture and finding of prospective talent, the enhanced adaptability of educated persons, and the supply of workers for continuous economic growth. Higher education enrollment has grown despite rising costs since it is an excellent investment in one's future financial well-being.

PAYING FOR HIGHER COSTS

Parental Contributions

One of the most crucial financial choices that families make, particularly in their middle years, is whether or not to pay for their children's college educations. If a family's finances are not in order, their children may have a limited selection of colleges and universities to choose from. Parents' savings for their children's higher education has received disproportionate focus in previous study on how they fund their contributions. A parent's decision on how much money to provide for their child's education depends on a variety of factors, including their own financial resources, the likelihood of receiving financial help, and other demographics. According to Miller and Hexter (1985), families in the middle-income bracket need to optimise their resources and often seek outside aid in order to manage rising costs. Rather of relying only on student loans, they recommended that families in the middle income bracket look into a combination of grants, work-study, and other sources of funding to cover the remaining costs of attendance. Financial contributions to children's higher expenditures should be considered as part of a larger financial strategy, according to Chen and Hanna (1996). Consider the family's beliefs, ambitions, and short-term requirements, together with the aim of funding a Higher education, since borrowing for a child's Higher education may put a strain on their finances. Also, parents who haven't saved enough money for rising costs often have a goal of securing their retirement funds. As a result, they will have very little money left over for their retirement if they've spent all of it on Higher (Loewel, 1991).

Financial Aid

It is common for students to apply for financial help when their expenditures exceed the projected family contribution. Depending on the cost of attendance and the availability of both

governmental and institutional help, different institutions have different financial aid schemes with varying quantities and forms of aid. Dependency status affects both the kinds and quantities of financial aid available to students, depending on their financial situation and expectations from their families (Tuma&Geis, 1995; NCES, 1998; Choy, 2000a). Student financial need is assessed by deducting the estimated parental contribution from an institutional budget. In addition to the cost of tuition, fees, books, and other materials, student budgets take into consideration realistic living expenditures. Family income and assets, together with the number of additional children in high school or college, all go into calculating the projected family contribution (Choy, 2000a). Financial assistance programmes are designed to help students who lack the means to continue their education beyond high school. Many governments throughout the globe provide financial assistance to students pursuing higher education. To help students afford college in India, the government has set up a number of financial aid schemes. There are many different types of financial aid available, including grants that do not need repayment, subsidised and unsubsidized student loans that must be returned, and work-study programmes that fund student employment. Families' "socioeconomic standing" has been linked to the amount of financial help students get, according to a number of studies.

STATE BANK OF INDIA (SBI) STUDY LOAN:

The State Bank of India (SBI) offers a wide range of personal banking services to its clients. In addition to Community Services Banking, SBI provides educational loans to individuals who want to pursue their studies at the university level. Only Indian students are eligible for SBI Study Loans. In India as well as overseas, a student may apply for a study loan. Several banks now provide education loans in India as a result of the recent expansion in the banking industry. In this regard, the State Bank of India does not disappoint and provides educational loans to anyone looking to further their education, whether it in India or outside. Students may take out a loan to cover the cost of tuition and other fees, as well as the cost of books and equipment, while attending a recognised school or college. Fees associated with travelling to and studying in another country; a refundable deposit; a cautionary fund; and so on.

Education is getting more expensive, and the average Indian family is struggling to keep up with the rising costs of sending their children to school. Those unable to pay for college in India might turn to the State Banks of India for assistance. People may easily finance their children's higher education with the help of Education Loans. Students who want to study abroad or in India have

benefited greatly from EMI repayment alternatives. Many people have been prevented from pursuing higher education in the past because of a lack of financial resources. Various commercial banks in India are included in the following table, along with their interest rates, minimum and maximum loan amounts, margin money, and loan terms.

Courses Eligible for Education Loans:

The loan may be applied for by an applicant who has applied to a programme that has the potential to lead to employment. It doesn't matter what kind of programme the students apply for—whether it be a graduate, professional, or postgraduate degree—they will be deemed eligible for a loan. Expenses accounted for: Students may use the money they borrow to pay for school, college, or a dorm room, as well as to purchase books and other necessities. There is no limit on the amount of money that may be borrowed from the university's lending library. Travel costs and a maximum purchase price of Rs 50,000 for a two-wheeler are included in the cost of the course.

Quantum of Loan and Security:

In India, the maximum loan amount is Rs 10 lakh, whereas in other countries, the maximum loan amount is Rs 20 lakh. There is a 5 percent and 15 percent margin for studying in India and overseas, respectively, on a loan of more than Rs. 4 lakhs in India. For loans up to Rs 4 lacs, no collateral is needed. A third-party guarantee is required for a loan amount of more than Rs 4 lakh. However, in certain situations, the SBI may waive this condition of third-party assurance. The student's guardians or parents should apply for a student loan. If the borrower is married, the co-obligator might be the borrower's spouse, in-laws, or parents.

SBI LOAN SCHEME FOR VOCATIONAL EDUCATION AND TRAINING:

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

Eligibility:

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

Eligible Courses:

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

Expenses considered for loan:

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

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

Amount of Loan:

- For Courses of duration up to 6 months Rs. 50,000/-
- For Courses of duration above 6 months Rs. 1,00,000/-

STRATEGIES TO MAKE EDUCATION LOAN SCHEME OF THE STATE BANK OF INDIA MORE EFFECTIVE:

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

1. The Educational Loan Scheme is run purely on commercial basis. A part of the profit earned through this scheme can be made mandatory to be spent on poor sections.
2. Instituting some fund for collecting contributions from different agencies with a purpose to provide softer loans for the needy groups should be incorporated into the scheme, for example the recommendation of Punnayya (1993) Committee for setting up a fund like State Education Fund (SEF); that of Swaminandhan (1994) Committee to set up Educational Development Bank of India (EDBI); and that of CAGE (2005) Committee for setting up a body like Higher

Education Finance (HEFC). Industrial contributions, international assistance, donations from NRIs, contributions from financial institutions & commercial banks, education cess etc. should be deposited in this fund. These finances should be used exclusively for promotion of higher education.

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

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

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

ADVANTAGE OF EDUCATIONAL LOAN

Students who lack the financial means to continue their education may turn to banks for help, and this is a valuable service to the community. There are both advantages and disadvantages to taking out a bank loan. Loan repayment may not be possible for the borrower at times. Alternatively, they may not get the wage they anticipated. As a result, the borrower may end up taking his or her own life. If you're going to take out a bank loan to pay for school, be sure you've done your homework first. Before taking out a loan, you should look about for a better deal and do some research. The following are some of the benefits and drawbacks of taking out a student loan.

Advantage:

The fundamental goal of educational loan is to offer aid for the student to finish their education. The most key advantages of educational loan are that the interest rate is smaller than that of the other forms of loan. So the individuals might select the educational loan for the purpose of study. The other benefit of educational loan is which is required to repaying only after the conclusion of the study. The other advantages of the educational loan are that it may allow the student without funds to study his ambitious course and to full fill his desire. The educational loan not only covered with tuition fees but also covered with the total expenditure that is required to full fill the higher education. The other advantages of educational loan are that it helps to receive decrease in tax payment. The borrower may claim the interest from the tax. The deduction only

covers the interest rate and not the principal amount. The educational loan therefore generates so many benefits.

Middle-income individuals may also have greater problems paying for college than their high income peers, since their parents lack the means of high-income parents. Children from middle-income homes earn too much money to qualify for student assistance packages, yet they do not have the financial resources to meet the price of college. Young individuals from medium income households may consequently bear a disproportional burden of student loan debt relative to their low- and high-income counterparts.

CONCLUSION

Organizations have a tough struggle in the current competitive environment. To succeed in a nation like India, which relies heavily on the banking sector, it is essential to pay attention to the client experience. Banking firms are making a concerted effort to improve and enhance their customers' experiences, even if this has previously been well explored in the literature. To my knowledge, academics and researchers have not compared the State Bank of India's education loan portfolio across different areas. In addition, it looks for patterns and differences in the demand for student loans, in the hopes of identifying the many factors contributing to the low demand for student loans. Those in the field of research, practise and management may benefit from this study. If this study helps them better understand the education loan situation in different locations, they think it will help them build more efficient education loan programmes, which would in turn increase the demand for education loans in various states. Retrospective studies were conducted and documented. Education loan demand in India and many variables impacting it have been found via this literature research. The pros and cons of the numerous State Bank of India education loan programmes have been examined, as well as their history and comparability. State Bank of India's education loan portfolio is just 8 percent of the total loan portfolio, while the NPA of education loan accounts is 22 percent of the total NPA of State Bank of India. The number of educational loan accounts in the Tamilnadu circle (164355) is the biggest, while the number in Lakshadweep (10) is the lowest. The education loan accounts for each area are arranged in the following order: Bihar, Andhra Pradesh, Madhya Pradesh, Uttar Pradesh, West Bengal, Karnataka, Jharkhand, Gujrat and Tijuana are all states in the Indian state of Tamil Nadu, which includes Kerala and Maharashtra. Also There are 3065.21 outstanding education loan accounts in the Tamilnadu circle, whereas there are just 0.2 outstanding education

loan accounts in the Lakshadweep circle. Tamilnadu has the most non-performing educational loan A/Cs (21429), whereas the Lakshadweep and Dadar Nagar Haveli circles have none. Mizoram has the highest percentage of non-performing loans (NPA) in the country at 16.09.

REFERENCES

1. Bowen, William G., 2018 *The Economics of the Major Private Universities*. Berkeley: Carnegie Commission on the Future of Higher Education.
2. Bray, M, 2016, Student loans for higher education: the Hong Kong experience in international perspective, *Higher Education* 15, 343-354.
3. Bray, M, 2016, Strategies for financing higher education: perspectives from Hong Kong and Macau, *Higher Education* 21, 11-25.
4. Bray, M., 2020, Education in Asia: Financing Higher Education Patterns, Trends and Options, *Prospects* 30 ,331-47.
5. Bray, Mark, 2018, Financing Education in Developing Asia: Themes, Tensions and Policies, *International Journal of Educational Research* 29 (7): 627-42
6. Buffalo, 2020, Student Loans in International Comparative Perspective: Promises and Failures, Myths and Partial Truths ,University at Buffalo Center for Comparative and Global Studies in Education.
7. Castells, Manuel , 2019, The University System: Engine of Development in the New World Economy, in Salmi and Verspoor ,eds, pp. 14-40.
8. Catalano, Giuseppe; Paolo Silvestri and Marco Todeschini,2017, Financing University Education in Italy ,*Higher Education Policy* 5 (2): 37-43.
9. Centre for Socio-economic & Environmental Studies, 2016, Higher Education and Development in Kerala, CSES Working Paper no. 5. Kochi.
10. Chapman, Bruce and Chris Ryan ,2017,Income Contingent Financing of Student Charges for Higher Education: Assessing the Australian Innovation, Maureen

11. Chapman, David W., and Donald Adams, eds., 2018, Trends and Issues in Education Across Asia, International Journal of Educational Research 29 (7):581-685.
12. Choy, S.P.,2020, Low income students who they are and how they pay for their education ,NCES,2000-169,Washington DC,U.S. Department of Education, National center for education statistics.