

PROFESSIONAL EDUCATION LOANS BY COMMERCIAL BANKS IN INDIA

Dr. Rajesh Kumar Srivastava.

Introduction

Education, in the general way, is any act or experience that has a formative effect on the mind, character, or physical ability of an individual. In its technical sense, education is the process by which society deliberately transmits its accumulated knowledge, skills, and values from one generation to another. Education can also be defined as the process of becoming a rich man with thought. Education is a process of cognitive cartography, mapping your experiences, and finding a variety of reliable routes to optimal states when you find yourself in non-optimal states. Educated persons refer to persons who have access to optimal states of mind regardless of the situation they are in. Those persons can perceive accurately, think clearly, and act effectively to achieve self-selected goals and aspirations in life.

Significance of Education

The role of education in facilitating social and economic progress is well recognized. It opens up opportunities leading to both individual and group entitlements. Education is the most crucial input for empowering people especially youth with skills and knowledge and giving them access to productive employment in the future. Improvements in education have not only expected to enhance efficiency but also augment the overall quality of life. Education makes a worthy contribution to our lives, by making us, responsible citizens. We get to know our history and culture through education and imbibe those values. Education opens our minds and expands our horizons. It enables us to understand our duties as a citizen and encourages us to follow them. There is no denying fact that an educated person is a better citizen. Education is futuristic in character and it ensures that the one who receives good education gets a secure future. Our productivity will have increased further by acquiring new skills and talents through education. We find ourselves in the most competitive jobs, courtesy the right training and education. The importance of education is evident in the dizzy heights we achieve in life. The significance of education, for a great part, lies in its ability to open new vistas for us. It expands our outlook and teaches us to be tolerant of other views. An educated person will find it easier to understand a different point of view than the one who is uneducated. Education broadens our mental landscape and is the way forward to greater enlightenment - the ultimate goal of every human in life. Education spreads awareness, informing us about our rights and the services that we can access. It also teaches us to differentiate between right and wrong. For most of our lives, we falter in dichotomizing right and wrong, but the right education gives us the right answers. Education is significant, because it enables us to make the right decisions and prevents losses. Decision-making is an integral part of our life. We have to make decisions throughout our lives and sometimes, decision-making can be a very tough and challenging process. It can leave us perplexed and often wondering, as to what is the right choice. An educated person is a confident

person. Education fosters a positive outlook and allows us to believe in ourselves. Self-belief is the most wanted trait in a human being and education leads us towards relying on ourselves, making us believe that we are ready to take on the world. The fact that education should be meaningful for life cannot be contested. However, the term 'meaningful for life' can be interpreted in economic, social, and intellectual terms. The economic meaningfulness of education means that education should enable an individual to acquire certain skills that help him to get a decent income through self-employment or through working on some remunerative job. It might thus mean that education should improve one's own economic status, and in the process, the economic status of the country. Hence, education should equip an individual for some career that has significant economic advantages either in the short run, medium run, or in the long run. This is what is meant by 'relevant education'. Vocationalization assumes a special significance under the career-oriented program at the graduate and postgraduate stages, as it is at these stages that the students need to enter into the world of work and into the income-earning activities to support the family.

Education and Social Change

The role of education as an agent or instrument of social change and social development is widely recognized today. Social change may take place – when humans need change, when the existing social system or network of social institutions fails to meet the existing human needs and when new materials suggest better ways of meeting human needs. Social change takes place as a response to many types of changes that take place in the social and nonsocial environment. Education can initiate social changes by bringing about a change in outlook and attitude of men. It can bring about a change in the pattern of social relationships and thereby it may cause social changes. Earlier educational institutions and teachers used to show a specific way of life to the students and education was more a means of social control than an instrument of social change. Modern educational institutions do not place much emphasis upon transmitting a way of life to the students. The traditional education had meant for an unchanging static society not marked by any change. However, today education aims at imparting knowledge. Education was associated with religion. It has become secular today. It is an independent institution now. Education has been chiefly instrumental in preparing the way for the development of science and technology. Education has brought about phenomenal changes in every aspect of men's life. Francis J. Brown remarks that education is a process, which brings about changes in the behavior of society, which enables every individual to render effective participation in the activities of the society and to make a positive contribution to the progress of the society.

Higher Education

Higher education can be broadly summarized as education beyond the school level and it starts after the higher secondary or 12th standard. Higher education imparts in-depth knowledge and understanding to advance the students to new frontiers of knowledge in different walks of life. It

broadens the intellectual power of the individual within a narrow specialization, but also gives a wider perspective of the world around. According to Barnett (1992), there are four predominant concepts of higher education. Firstly, higher education as the production of qualified human resources, secondly, higher education as training for a research career, thirdly, higher education as the efficient management of teaching provision, fourthly, higher education as a matter of extending life chances. All these concepts are integrated and give an overall picture of what higher is in the higher education. The beginning of historically- documented higher education began with the Nanjing University founded in 250 A D in China which is generally believed to be the oldest higher education institution in the world (Berlia 2008) . During the Vedic and Upanishadic period, India had prominent higher education institutes that attracted scholars from different parts of the world. These higher education institutes which survived till the end of 5th and 12th Century AD are 'Takshashila' and 'Nalanda'. Today, India's higher education system is the third-largest in the world after China and the United States (Sambrani 2009).

Role of Higher Education

Higher education has historically included economic development as part of its core mission. The colleges and universities serving the region have allocated fiscal, physical, and human resources and created an entrepreneurship system within the institutions to advance economic development. Some important roles of higher education are: To Create a quality workforce by growing, training, and altering the finest talent. To Support current business and industry, To Improve leading and teaching from pre-school through higher education To Take strong and visible roles in regional institutions, To Disseminate research and promote technology transfer To Enhance the technology infrastructure To Promote livable communities, To Employ a diverse workforce.

Higher Education Loans

The unique features of educational loan schemes across the world and their rates of return actually, a successful support program (or government-supported scheme of educational loans) needs to be targeted effectively to those who deserve the support. Without effective targeting, growing enrolments on one hand and less-than-full –loan recovery, on the other hand, will put unsustainable pressures on the limited loan funds. Many student loan programs are open to all students regardless of need or ability, as in the case of Ghana and Kenya in Africa. In the case of the UK and Australia also, all students have access to credit, regardless of income. But open access can be expensive to governments, particularly if support is subsidized (if the rate of interest is charged lesser than the market rate of interest). In the US, support is available to students below the specified income threshold. Alternatively, loan amounts can vary according to the difference between an individual's available resources and the costs of a given course of study, as in Canada, Barbados, Brazil, and Sweden. In Norway, Netherlands, and Sweden, these assets & income of the students above/over 19 years of age are assessed independently as they

are treated as financially independent. However, this same requirement in many developing countries has enabled students from wealthier families to benefit enormously from student support, simply because students at age 19 are unlikely to have their own sources of income. Access to support can be based on student's performance, either at secondary school or at University, as it gives a strong performance incentive. In Indonesia, students were eligible for loans as they approached graduation, only after proving their academic ability. In Venezuela and Honduras, a student failing to receive minimum grades will lose access to loan support and must begin repayment of loans immediately. There is a concern, however, that the use of ability criteria would result in the selection of wealthier students with access to better educational facilities. In the case of India, the Education Commission also recommended a rigorous test of admission at the post-graduate stage along with adequate scholarship cover for 50 percent of the students supplemented with loan-scholarships way back in 1966. The Programme of Action on the National Education Policy (1992) also favored support to meritorious students as it also recommended an elaborate and effective system of providing freeships, scholarships, and loans to students belonging to the weaker sections of society. The major problem that has plagued the finances of most of the student loan programs has been the failure of many students to repay their debt. Default on the part of the students can be divided into two parts: students who cannot repay, and students who evade payments. Appropriate arrangements need to be made for checking the deliberate evasion from the repayment of a loan. Therefore, choosing an appropriate collection institution is central to effective recovery. Banks and tax systems have the necessary infrastructure to collect repayments. In Venezuela, the student loan program operated by the national savings bank (BSNAP) does not suffer from problems of default, while the public agencies face much greater problems. Non-payment was merely 5% in the case of Honduras, where private agencies were used to locate students and collect money. ICETEX in Colombia passes on additional charges for such services to the students. As a result, students now are reluctant to default on their loans in Colombia. The lowest loan default states have been in Sweden, Hong Kong, and Quebec, where students are exempted from payment (while still accruing interest charges) when a graduate's income falls below a threshold level. The same is the case in the U.K, where students have to submit proof that their income is below the threshold level. In Ghana, each borrowing student must have two guarantors who are wage earners (and thus traceable by the government) to avail the loan facility. The French government has proposed a students loan program that would require a student to make small payments each year even while they are borrowing (a way to remind them of their loan obligation). If a student fails to make any payment, the loan is cut off. The present scheme of educational loans in India- Education Loan Scheme - is not much different from such schemes offered in other countries as all aim at full/near-full recovery of loans. Here scheme is run through commercial banks and there is no involvement of any private agency like Colombia and Honduras.

Higher Education Loans in Developing Countries

Student loans have been broadly advocated as a way of financing the costs of investing in higher education. Now more than eighty countries have loan schemes that facilitate the students to borrow from government agencies or commercial banks to finance their tuition fees or living expenses, and to repay the loans after graduation. Most loan schemes offer government guarantees and some form of interest subsidy, and in many countries, students receive financial support through a combination of loans, grants, scholarships, or bursaries. In some countries, small-scale loan schemes were introduced 60 or 70 years ago but loans were established on a significant scale in the 1950s and 1960s in many developed like Canada, Denmark, Sweden, and the U.S. and in a few developing countries like Colombia and India⁹. More recently there has been a new upsurge of interest in student loans in both developed and developing countries and significant changes have been introduced in several countries with established loan programs in Sweden, Germany, and the Netherlands. A new loan scheme has been established in the U.K. and Australia under the title Higher Education Contribution Scheme (HECS) which allows students to defer payments until after graduation, and these deferred payments are then collected through the tax system. Recently there was a change in the student loan schemes in Australia, Sweden, Japan, and the United Kingdom. At the same time, some developing countries are now seriously considering student loans as a means of financing higher education. The World Bank has advocated loans on grounds of both efficiency and equity and the Commonwealth Secretariat and the World Bank have published guidelines for developing countries considering how to design a student loan programme. The subject of student loans is therefore very topical at present, and this special issue of Higher Education is designed to contribute to the debate on the feasibility and effectiveness of loans as a means of financing higher education by bringing together comparative material from a variety of countries in Africa and Asia. It draws upon material collected during a program of educational forums on student loans organized by the International Institute for Educational Planning (IIEP) and also on recent research conducted for the World Bank.

Higher Education in India

Education in ancient India was highly advanced as evident from the centers of learning that existed in the Buddhist monasteries of the 7th century BC up to the 3rd century AD Nalanda. Until the 18th century, India had three distinct traditions of advanced scholarship in the Hindu gurukuls, the Buddhist viharas, and the Quranic madrasas, before the British set up a network of schools to impart western education in English medium. The first such college to impart western education had founded in 1818 at Serampore near Calcutta. Over the next forty years, many such colleges had established in different parts of the country at Agra, Bombay, Madras, Nagpur, Patna, Calcutta, and Nagapattinam. In 1857, three federal examining universities on the pattern of London University were set up at Calcutta, Bombay, and Madras. The existing 27 colleges were affiliating to these three universities. Later, more universities were established. At the time of independence in 1947, there were 19 universities and several 100 affiliated colleges.

Higher Education System of India

Higher education, also called tertiary, third stage, or post-secondary education, is the non-compulsory educational level that follows the completion of a school providing a secondary education, such as a high school or secondary school. Tertiary education has normally taken to include undergraduate and postgraduate education, as well as vocational education and training. Colleges and universities are the main institutions that provide tertiary education. Collectively, they have sometimes known as tertiary institutions. Tertiary education generally results in the receipt of certificates, diplomas, or academic degrees. Higher education generally involves work towards a degree-level or foundation degree qualification. In most developed countries, a high proportion of the population (up to 50%) now enters higher education at some time in their lives. Higher education is therefore very important to national economies, both as a significant industry in its own right, and as a source of trained and educated personnel for the rest of the economy.

University Systems

University education includes teaching, research, and social services activities, and it includes both the undergraduate level (sometimes referred to as tertiary education) and the graduate (or postgraduate) level (sometimes referred to as graduate school). Universities are generally composed of several colleges. In the United States, universities can be private and independent, like Yale University, they can be public and State governed, like the Pennsylvania State System of Higher Education, or they can be independent but State-funded, like the University of Virginia

Educational Policy of the Government of India

In 1964, the Ministry of Education, Government of India, appointed a Commission to advise the Government on the national pattern of education and the general principles and policies for the development of education at all stages and in all aspects. The Government of India in the National Policy of Education, 1968, explicitly adopted the concept of 'investment in education'. Keeping in view the growing requirements of the education system, the Government of India has promised to allocate at least six percent of national income to education from the public exchequer. This goal was set for realization by the end of the 9th five Year Plan. Higher education, according to the 1986 policy, provides people with an opportunity to reflect on the critical social, economic, cultural, moral, and spiritual issues facing humanity. It contributes to national development through the dissemination of specialized knowledge and skills. It is, therefore, a crucial factor for survival. Being at the apex of the educational pyramid, it has also a key role in producing teachers for the education system. Two decades later, the Government of India undertook a comprehensive review of the nation's education policy. The policy statement, which emerged following this review reaffirmed: "Education is a unique investment in the present and future. This cardinal principle is the key to the National policy on Education. The policy for the development of higher education has been mainly governed by the "National

Policy on Education" of 1986 (as modified in 1992) and its Program of Action 1992. The 1986 policy and Action Plan of 1992 were based on the two landmark reports namely, the "University Education Commission Report" of 1948-49 (popularly known as Radhakrishnan Commission), and the "Education Commission Report" of 1964-66, (popularly known as Kothari Commission). These two reports, in fact, laid down the basic framework for the National Policy of 1986 for higher education in the country. The Action Plan of 1992 included schemes and programs which were directed towards the expansion of intake capacity in general, and that of the disadvantaged groups such as the poor, SC, ST, minorities, girls, the physically challenged persons, and those in the educationally backward regions, in particular. According to the study group on the educational loan Scheme (2000), outstanding advances increased from 183.39 crores at the end of March 1996 to 328.88 crores at the end of March 1998 constituting just 0.003 percent of priority sector advances of public sector banks. Based on the recommendations made by a study group, IBA has prepared a model Educational Loan Scheme in the year 2001 that was advising the banks for implementation. The government of India has taken initiative to promote the field of educational loans during 2002-2007; there were rapid changes for providing loans by commercial banks. Actually, the minimum limit and maximum limit had extended in the last years from 4 lakhs and 7.5 lakhs during 2004- 2005. There are large numbers of students who are not in a position to pursue higher studies due to a lack of resources. The Government should provide some avenues to enable them to mitigate their financial problems. The Parliamentary Standing Committee in its 172nd Report has recommended that setting up of an Educational Development Bank of India as suggested from time to time for helping financially poor and needy students should have considered urgently. To provide student loans on a low-interest rate for pursuing higher education, it has proposed to set up Higher Educational Refinance Corporation, which may be given a fund of 2, 500 crores during the XI Five Year Plan .

Educational Authorities in India

Higher education in India is coordinating by several agencies. The university system of India falls within the jurisdiction of the University Grants Commission (UGC). The University Grant Commission of India is not only the loans grant-giving agency, but also responsible for coordinating, determining, and maintaining the standard in an institution of higher education. Apart from the UGC, various professional councils are responsible for recognizing courses, promoting institutes, and providing grants to undergraduate programmes .

The following are the statutory professional Council of Indi

1. AICTE- All India Council for Technical Education
2. DEC – Distance Education Council
3. ICAR – Indian Council for Agriculture Research 69
4. BCI- Bar Council of India

5. NCTE- National Council for Teacher Education
6. RCI- Rehabilitation Council of India
7. MCI- Medical Council of India
8. PCI – Pharmacy Council of India
9. INC- Indian Nursing Council
10. DCI- Dentist Council of India
11. CCH- Central Council of Homeopathy
12. CCIM- Central Council of Indian Medicine
13. AIU- Association of Indian Universities
14. ICMR- Indian Council of Medical Research etc.

Financing Needs of Higher Educational Institutions

Educational institutions need huge investments for their infrastructure and day-to-day operations. As per the report of CABE, the following are the various sources for generating funds for higher education institutions: Fees (both special fees and tuition fees be collected from the students)· Creation of enrollments· Corpus fund be generated· Grants be obtained· Alumni be contacted for raising funds· Special courses be offered· projects or consulting service be undertaken· User charges (like hostel bills) be collected· Donations· Setting up of funding agencies· The total educational costs of student are called the Cost of Attendance (COA) and include:

- (1) tuition and fees,
- (2) books and supplies,
- (3) room and board,
- (4) transportation, and
- (5) miscellaneous personal expenses, such as clothing, laundry, and recreation.

Because the COA includes items, which are living costs but are not paid directly to the school, the actual amount billed by the school will be less than the COA.

Sources of Meeting Higher Education Cost by Students

The students in India have been meeting their educational expenses from the following sources:

1. Finance from Parents.
2. Finance from Relatives.
3. Government' assistance/Stipend.
4. Scholarship from various authorities.
5. Financial assistance from any charitable institutions.
6. The loan from local moneylenders.
7. Education Loan from commercial banks.

Loan for meeting the Cost of Education

An Education Loan/ Student loan means a financial institution or any bank gives financial support, which facilitates students for taking the higher education. Education Loans are mostly granting to the parents of the students, unless or until the students are eligible, above 18 years of age.

Main Objectives of the Educational Loan Scheme

Educational loans are the scheme followed by aims at providing financial support from the banking system to deserving and meritorious students for pursuing higher education in India and abroad. The main emphasis is every meritorious student though poor is providing an opportunity to pursuing education with the financial support from the banking system with affordable terms and conditions. By this way, the deserving student can claim the opportunity to pursue higher education with sufficient financial support of commercial banks.

Need and Significance of Education Loan

Education loans are justified on grounds of efficiency and equity. Education becomes more purposeful when the student has to complete his/her studies to acquire the capacity to repay the loan. Employability of the student after completing the course becomes important and therefore educational standards will have to go up. No one who has the academic ability and desires to pursue higher studies will be excluded for lack of ability to meet the cost of education since the loan mechanism can also be used to offer incentives to students to select certain types of studies . Because of the developments in the sphere of education, the private cost of education has gone up, and as and when the fee structure has revised, it will further go up. In a situation like this, many aspirants for higher education will have denied access to higher education unless educational loans come to their rescue. Apart from students, even educational institutions whose finances are affected by reduced UGC and Government grants need loan finance for infrastructure development and for building assets from which regular returns can be obtained for financing their activities in the future.

Benefits of Education Loans

The following are the important benefits of education loans.

1. Financial support for professional courses such as MBA, B.Tech, and MBBS
2. Available for higher education in India and abroad
3. Easy repayment only after job placement
4. Affordable Interest Rates
5. The lesser burden on parents
6. The loan covers up to as much as 20 lack available by various banks
7. Expenses such as tuition fees, travel expenses, hostel charges are included in education loan

Different Types of Education Loans

Education loans categorized into two types:

The Government Education loan, The parent loan

The Government loan The Government Education/ Student loan is divided into The Federal Family Education Loan: It is provided by private lenders, like credit unions or financial Institutions provides The federal direct student loan These types of loans are afforded by direct lending of educational institutions. These loans must be paid back but the payment can be rescheduled at the time of completion of course. The parent Loan These loans can apply by the parent for further higher and professional education of their children. However, after getting their credit report will apply for the loan, because which loans are provided by private lenders such as banks and financial institutions. But the rate of interest is high, and it can be reimbursed within the period of 10 years

Education Loan Model Approved by the Government

The Government of India, in consultation with the Reserve Bank of India and the Indian Bankers Association, has framed a Comprehensive Educational Loan Scheme, aiming to ensure that no deserving student in India is deprived of higher education for the want of finances. The scheme covers most graduate, postgraduate and professional courses in schools and college (engineering, medical, veterinary, law, dental, management, etc.) both within and outside India. Since the scheme was introduced in 2001, the popularity of education loans has risen sharply. During 2004-05, the 27 PSU banks together had sanctioned 169,768 fresh loans for a cumulative amount of 3,525.91 crores, against 1, 07,929 fresh loans amounting to 2,032.94 crores in the year before. The most important features of the scheme are: The scheme envisages loan up to 7.5 lakh for

studies in India and 15 lakh for those studying abroad. (However, based on the nature of the course and the needs of the student, individual banks offer a higher amount on a case-to-case basis. State Bank of India, for example, has a capital of 10 lakh on educational loans for inland and Rs.20 lakh for studies abroad); For loan up to 4 lakh, no collateral or margin is required and the interest rate is not to exceed the Prime Lending Rate (PLR), which stood at 10.5 percent at the end of 2005. For loan above 4 lakh, collateral security is needed and the interest rate is not to exceed $PLR + 1$; The loans are to be repaid for 5-7 years, with the provision of a grace period of one year after completion of studies or six months after securing a job, whichever happens, earlier; Education loans allow the borrower to reduce tax liability, although the 2005-2006 budget has reduced the extend Where students were earlier allowed to deduct up to 40,000 from the total for the years towards servicing of the principal and interest of the loan for eight years from the time of the first deduction, under the changed (2005) tax laws, a deduction is only allowed on the interest portion of the loan. Under the changed tax regime, the deduction is not subject to any limits, but the repayment of the principal amount will not be taken in to account for the tax benefit;

Margin:

Up to 1 lakh Nil Above 4 lakh, student in India 5% Studies abroad 15% Security: Up to 4 lakh: No security Above 4 lakh and up to 7.5lakh: Collateral in the form of third party guarantee. The bank may waive the third party guarantee if satisfied with the net-worth means of the parent who would be executing the document as 'joint borrower'. Above 7.5 lakh: Collateral security of suitable value or suitable third party guarantee along with the assignment of future income of the student for the payment of installment;

Expenses that can be considered concerning the sanctioning of loan are fee payable to the college, school, hostel, examination, library, laboratory fee, 80 purchase of books, pieces of equipment, uniform, caution deposit, building fund, refundable deposits supported by institution bills, receipts, travel expenses, passage money for studies in abroad, purchase of computers (if essential for completion of the course) and other expenses (if required for completion of the course). Although the educational loans scheme is specially designed to 'ensure that no deserving student in India is deprived of higher education for want of finances', there exist several pitfalls in the scheme that make it inadequate to ensure participation of backward classes and SC/STs in higher education through the means of a reservation. The main drawbacks of the scheme are in the field of margin, collateral and interest rates, and payback period.

The genesis of Educational Loan Scheme of Commercial Banks

The original scheme of educational loans i.e. National Loan Scholarship Scheme was initiated in India in the year 1963 and it continued till 1991. This government-sponsored National Loan Scholarship Scheme proved to be a failure when assessed in terms of recovery of loans. Moreover, the economic crisis facing the Government of India in the early nineties necessitated

the winding up of the scheme. Hence, it was dropping at the beginning of the nineties. At the same time, it has realized that a similar type of educational- loan scheme was required to cushion the impact of rising user-charges in India. Accordingly, a new scheme of education loans, Viz, Education Loan Scheme, has started. The main tenet of the scheme was its economic viability. Nevertheless, the state and central Government was gradually changing over their responsibility for the disbursement of education loan to the various commercial banks in the country. The government-sponsored National Loan Scholarship Scheme (1963-91) could not succeed, as the rate of recovery was very low as the recovery rate was negligible and the country faced a severe economic crisis in the early nineties, the NLSS had discontinued. Actually, the government was not in a position to finance the higher education sector liberally and it started to look out for other non-government measures of financing higher education .

In the early nineties, the Indian Government set up various committees one after the other to

- (a) review the financing patterns in the higher education sector and to
- (b) suggest some remedies.

To name a few –

Punnayya Committee,

Swaminathan Committee,

Pyle Committee,

Mahmood-ur-Rehman Committee,

Ambani-Birla Committee,

CABE Committee,

Yashpal Committee, etc.

Almost all committees recommended raising the user-charges. The most significant and path-breaking recommendations were those of the Punnayya Committee (UGC, 1993) and the Swaminathan Committee (AICTE, 1994) and were more or less quite similar³³ . Towards the beginning of the year 2000 (or in the late 90s), the new scheme of educational loans i.e. Educational Loan Scheme was floated by the scheduled commercial banks as per the guidelines of the Reserve Bank of India, though the first two recommendations of the Punnayya committee regarding freeships/ concessional fees for higher education especially at post-graduate stage seem to have gone unheeded. Moreover, the special preference to the meritorious and needy has found no place in the present arrangement of loans³

Commercial Banks and Disbursement of Education Loan

Commercial banks in India have been providing educational loans for a long time. There were also some attempts to improve the system. RBI guidelines generally formed the basis for the educational loan schemes of different banks

The guidelines of RBI

The concerned students must have a consistently good academic record and not necessarily a brilliant academic record. A loan may be given for studies in India as well as abroad. The amount of loan to be sanctioned must be need-based and no maximum or minimum be fixed. In the case of job-oriented courses, loans may be sanctioned even for certificate courses recognized by the Government or University. Loans may be sanctioned even for those who have completed a part of the course and not necessarily only to those at the beginning of a course. Third-party guarantee or collateral security be obtained for the loans.

RBI also formulated a scheme for students pursuing studies in private professional colleges as per the direction of the Supreme Court. Under this scheme, the maximum loan available is

15,000 per year for merit or free seat and

50,000 per year for the payment seat. The loan is collateral-free within the ceiling prescribed and carries an annual interest of 12 percent.

Conclusion

In India and India government looking forward for professional and higher education for job perspective. Due to that reason government and RBI directed to all commercial bank to provide loan of students without any guarantee and on low interest rate. In India people suffering from cash and there are no any regular sources to pay higher education fee. But still after much effort by government Indian education loan system is very tough to get loan and interest rate is also higher comparison to another developed country.

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