

Role of Commercial Banks in Facilitating Higher Education Loan Scheme –A Study with Reference To Bangalore City, Karnataka

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1. Introduction

Education is widely acknowledged as a basic human right. They are also responsible for not only providing the specialized human capital in order to corner the gains from globalization, but also for training the manpower inside the country. Education is necessary for the progress but higher education is essential for sustainable progress. The new regime under WTO where competence is the cardinal principle of success in international operations has made it abundantly clear that the country should utilize its excellent potential in higher education and training facilitates and prepare itself to export the Indian brand of education to foreign countries.

Higher Education sector has witnessed a tremendous increase in the number of Universities/University level Institutions & Colleges since Independence. While there were just about 20 universities and 400 colleges at the time of independence, today there are 843 higher education degree awarding institutions, 38056 colleges and 11922 standalone institutions in the country. A break-up of the institutions shows at there are 74 institutions of national importance, 47 central universities, 123 deemed to be universities, 353 state public universities and 246 state private universities as on 30-09-2016. With an objective of MHRD to expand the higher education sector in all in modes of delivery to increase the Gross Enrolment Ratio (GRE) in higher education to 15% by 2011-12 to 21% by 2016 & 30% by the year 2020.

An educated person is an enlightened person who can choose from amongst the various given opportunities. Higher education is more of knowledge generation and skill development for specific task. An educated person can well decide which higher education to pursue i.e. medical, engineering, management, pharmacy, social sciences, etc., depending upon his aptitude, capability, affordability and opportunity. The main sources of finance for higher education sector are government grants in the case of public sector institutions and fee collection from students in the case of private sector self-financing institutions. . Though expert opinions differ on the cut-off point between the two, should it be primary, middle, matriculation or secondary level, but, 10+2 is the well accepted standard for school education, beyond which it is considered higher education field. The higher education enhances skills for specific job benefiting the individual directly in the form of higher earnings. Seen in this perspective higher education is considered a commercial proposition and it must be treated as such. There

by the cost of the education has to be borne by the students themselves as students do not have a source of income to afford for further studies here is the role played by the funding agencies like commercial banks by providing loans to the students to pursue their dream course for the path of success and repay the loan once they grab that job they had an eye on.

The commercial banks have played an important role in the economic development of the country in various means among them is the loan facility as an investment for a return for the purpose like business and education.

Role of higher education:

Higher education has historically included economic development as part of its core mission some important role of higher education is:

- To create a quality work force by growing, training and altering the finest talent
- To support current business and industry
- To employ a diverse work force

2. Statement of Problem

The cost of providing higher education loan within and outside India being quite exorbitant, students who aspire to pursue higher education but do not have the financial means look up to the lending institutions like commercial banks for furthering their support by way of higher educational loans. Of course there are private sponsorship and government scholarships & subsidies, but due to a lot of competition and a gap between demand and availability of funds for higher education the aspiring students have no other option than loan and the ease of loan is created by the commercial banks.

3. Literature Review

Ataullah A (2006), the study shows an improvement in the efficiency of banks, especially that of foreign banks, after the ERs. We find a positive relationship between the level of competition and bank efficiency. However, a negative relationship between the presence of foreign banks and bank efficiency is found, which we attribute to a short-run increase in costs due to the introduction of new banking technology by foreign banks. Furthermore, we find that fiscal deficits negatively influence bank efficiency.

Kapur D (2004), The rapid rise in skill premiums in India in the last few years has exposed an important paradox about India's labor markets. Despite its enormous size, the pool of skilled labor is relatively shallow, the result of a deep crisis in higher education despite the success of a few professional schools. The veneer of the few institutions of excellence masks the reality that the median higher education institutions in India have become incapable of producing students with skills and knowledge. The process neither serves a screening or signaling function, nor prepares students to be productive and responsible citizens.

Sam Hill et al (2011), the research addresses on expanding resources will help but they need to be deployed more effectively, while incentives and professional development systems for teachers need to be strengthened. In higher education the government has proposed reforms which have the potential to bring about much-needed improvements in regulatory effectiveness. Efforts should focus on reducing micro-regulation and improving institutional autonomy, in order to stimulate innovation and diversity. Increasing the number of institutions subjected to quality assessments will be important for lifting standards across the higher education system, while reform of recruitment and promotion mechanisms could help attract and retain talent in academia.

6. Research Gap

The review of the past research indicates that the major research areas included educational loan schemes both for education in India and abroad.

It is evident from the literature survey that little or no research has been conducted concentrating on role played by commercial banks in higher education by way of providing educational loan.

5. Objectives of the Study

- To analyze the diverse educational loan schemes and their requirements offered by the various commercial banks
- To compare and analyze the effectiveness of educational loan schemes offered by various commercial banks in Bangalore
- To analyze the role played by the commercial banks in contributing higher education in Bangalore

6. Research Methodology

The research is based on secondary data. For the study 5 leading banks in Bangalore city are considered to analyze the loan schemes offered by them.

6.1 Secondary data:

The study is based on secondary data collected from the various journal articles, magazines and the websites.

6.1 Sampling design:

For the study top commercial banks of India have been considered.

6.2 sampling size:

For the study top 5 commercial banks of India have been considered.

6.3 Sampling Unit:

For the study top 5 commercial banks of India offering higher educational loans have been considered.

7. Scope of the Research

- The study focuses on role played by commercial banks in terms of providing educational loans only
- It attempts to study the issues in educational loans only
- It attempts to study the role of commercial banks in higher education only

8. Limitations of the Study:

- (i) The impact of higher educational loan alone is focused in this study.
- (ii) The data collected during the study (secondary sources) depend on the time factor(as loan interest rates may vary as well the repayment tenure)

9. Discussion:

9.1 Commercial Banks Lending Higher Educational loan:

State Bank of India

State Bank of India is an Indian multinational financial services company that was founded in 1921. State Bank of India has an operational presence of over 14,000 branches in India serving millions of happy customers. The bank has a much diversified portfolio that includes services in personal banking, business banking and international banking services.

SBI Education Loan is of three categories – for studies in India and abroad, for studies in premier Indian institutions and loan for pursuing vocational education and training.

SBI Scholar Loan scheme has been specifically tailored for those who get admission to a select list of 100+ top institutions in India covering management, engineering, medicine, law etc. Its key features include a collateral free loan at a low interest rate. The recent years have seen a steady increase in enquiries for financing studies at foreign Universities. Students seeking global exposure are trying for prestigious Universities like Stanford, Harvard, MIT and INSEAD etc.

The SBI Global Ed-Vantage aims to help those who are pursuing full time regular courses in foreign colleges/universities. It will cover courses from regular full time graduate/post-graduate/doctorate courses in science, technology, engineering, mathematics, medicine and management in institutions of the USA, UK, Canada, Australia, Europe, Singapore, Japan and Hong Kong.

HDFC:

Set up as a private sector bank in 1994, the Housing Development Finance Corporation Limited (HDFC) offers tailor made education loan products catering to students applying for admissions in India and abroad. HDFC promises complete transparency to customers while sanctioning an education loan. As a market leader in retail loan products, HDFC provides education loans with fast disbursements, easy documentation and higher loan amounts with competitive rates and charges. Students can benefit immensely with a HDFC education loan as it covers all major expenses incurred during the tenure of a course.

HDFC Credila has specialised products for various countries like USA, Canada, Germany, etc. We understand that students going to countries like Germany require 60-70% of their education loan to be disbursed before the Visa process. While Indian Banks do not give out these loans before Visa, HDFC Credila has provided a solution to this too.

Also, HDFC Credila's unique offering of education loan sanction before admission has helped many students show 'proof of funds' to the Universities and gain admission in the University of their choice.

Hence, with the in depth understanding of the students' needs to pursue higher education, **HDFC Credila has become the preferred education loan provided of thousands of students, studying in over 2100 Institutes, across 35 countries.**

ICICI:

ICICI Bank is an Indian private bank headquartered in Mumbai. It was established by a financial institution called Industrial Credit and Investment Corporation of India in 1994. It has presence in many countries. In terms

of assets, it is the second largest bank in India and in terms of market capitalization, it stands third. It has 4,450 branches in India. Mrs. Chanda Kochhar is the CEO of ICICI Bank.

ICICI Bank Education loans are provided by the bank in order to help students to pursue higher studies in India and abroad. ICICI Bank education loan is known as “Shiksha Sarthi”, which is basically a takeover product from erstwhile Bank of Rajasthan & ICICI Bank Student Solution Services. The student loan scheme under ICICI Bank not only covers the course fees but also other supplementary expenses set by the educational institutions.

There are various schemes for educational loans and student with ICICI Bank. They offer a wide range of solutions from carrier guidance to financial planning and assistance, host of alliances and forex solutions to cater to your needs. Here we discuss a few of the student loan schemes offered by ICICI Bank

Axis Bank

Axis Bank was founded in 1994 as UTI Bank. Axis Bank is India’s third largest private sector bank and provides a wide range of financial services that include personal loans, business loans and asset management. Axis Bank’s education loan is offered to students who have secured admissions to professional courses at graduate or post-graduate levels. A flexible loan scheme with affordable interest rates, Axis Bank Education Loans will provide the required monetary support to deserving students.

Axis Bank offers a wide range of financial services to cater different requirements of its customers. It has 3,062 branches across India with 12,922 ATMs. It has 9 branches outside India. Dr Sanjiv Mishra is the Chairman and Smt. Shikha Sharma is the CEO and MD of Axis bank. Axis Bank has its headquarters in Mumbai. It has 9 subsidiaries as well.

Axis Bank provides education loans to well-deserved students who wants to go for higher education within India and abroad. This loan can help students in achieving their goals in life. Students who have taken admission in Graduation or Post Graduation courses in India and abroad can avail this loan.

Punjab national bank:

Established in 1894, Punjab National Bank (also known as PNB) is one of India’s oldest and third largest public sector bank which caters to over 80 million customers. In an effort to help brighten the future of our nation, PNB offers multiple education loans and schemes to students and individuals, who wish to pursue higher education in India and abroad. Under education loans, PNB offers four distinct kinds of loans which are PNB Udaan, PNB Kaamgar, PNB Pratibha and PNB Saraswati.

Customers availing these loans also have the choice to opt for schemes like CSIS (Central Scheme for Interest Subsidy), Concessional Education Loans to Persons with Disabilities (PwDs) and Padho Pardesh (Education loan scheme for overseas studies to students belonging to minorities) to ease their loan liability.

9.2 Comparison of loan schemes among SBI, HDFC,

Education Loan Features	SBI	HDFC	ICICI	Punjab National Bank	Axis Bank
Finance Up to 100% of	No	Yes	No	No	No

educational expenses					
Doorstep service	No	Yes	No	No	No
Maximum Loan amount	10 lakhs for courses in India and 20 lakhs in case of courses abroad (up to 1.5 crore in case of loan against property as collateral)	100% educational expenses (against collateral above 7.5%)	10 lakhs for courses in India and 20 lakhs in case of courses abroad (up to 3 crore in case of loan against property as collateral)	10 lakhs for courses in India and 20 lakhs in case of courses abroad (up to 50 lakhs in case of loan against tangible collateral)	10 lakhs for courses in India and 20 lakhs in case of courses abroad (up to 75 lakhs in case of loan against tangible collateral)
Processing and Closure Charges	0-2%	Up to 1%	No	0% to 2%	No
Interest rate	9.33%-11.50% (0.50% of concession if girl student)	8.45%-13.75%	11%	9.33% to 12.5%	10.2% to 12.5%
Repayment tenure (Easy EMIs)	Up to 12 years	Up to 10 years for loans up to 7.5 and 15 years for loans above 7.5 years	Up to 7 years	Up to 15 years	Up to 12 years
Repayment holiday	Up to 12 months after completion of course or six months after the student starts earning whichever is earlier.	Up to 12 months after completion of course or 6 month from the date, student starts earning whichever is earlier	Up to 6 months from the date of completion of course or 1month after the student starts earning whichever is earlier	Up to 6 months from the date of completion of course or 1month after the student starts earning whichever is earlier	Up to 6 months from the date of completion of course or 1month after the student starts earning whichever is earlier
Collaterals	Up to Rs.4 lakh parents as co-borrower, 4 lakhs to 7.5 lakhs parents as co-borrower and collateral security	No security up to 4 lakhs, parents-collateral 4lakhs to 7.5 lakhs above 7.5 lakhs parents collateral	No security up to 4 lakhs, parents-collateral 4lakhs to 7.5 lakhs above 7.5 lakhs parents	Up to Rs.4 lakh parents as co-borrower, 4 lakhs to 7.5 lakhs parents as co-	No security up to 4 lakhs, parents-collateral 4lakhs to 7.5 lakhs above 7.5 lakhs

	in the form of a third party guarantee and 7.5 lakhs and above parents as co-borrowers and collateral as security.	plus security	collateral plus security	borrower and collateral security in the form of a third party guarantee and 7.5 lakhs and above parents as co-borrowers and collateral as security.	parents collateral plus security
Tax benefit under Section 80-E of Income tax Act	Yes	Yes	Yes	Yes	Yes
Quick and hassle free process	Yes	Yes	Yes	Yes	Yes
Age	16-35 years	16-35 years	16-40 years	16-35 years	16-35 years
Citizenship	Indian	Indian	Indian	Indian	Indian
Loan before admission	No	Yes	No	No	No
Loan before visa procession for education abroad	No	Yes (in case of last date of fee payment precedes visa sanction)	No	No	No
Disbursement	Directly to institution, hostel, books, air ticket fare, travel agents and other equipment payments directly to the suppliers as far as possible	Disbursed through separate account created for the purpose and preferred to pay cheques and DDs through this account	Directly to institution, hostel, books, air ticket fare, travel agents and other equipment payments directly to the suppliers.	Directly to institution, hostel, books, air ticket fare, travel agents and other equipment payments directly to the suppliers.	Disbursement done in installments or in full depending on the amount requirement. It will be done after assessment by the bank.

9.3 Analysis:

With more and more Indians choosing to pursue their higher education in India as well abroad, lending institutions are keen on providing the best possible financing options to suit every student's needs. Financing higher education especially in a foreign country is generally a mammoth task for any middle-tier family in India. Along with regular tuition fees, families also have to bear boarding and lodging costs, books, travel and other related expenses for the student. Proving to be a savior in this case, is an education loan which is generally given out by banks at attractive interest rates to finance higher studies in reputed institutions abroad. Education loans generally cover a vast number of expenses inclusive of fees, equipment, books, hostel fees, travel, examination fees, etc., for students. Education loans also cover studies in India as well, with students opting for either graduation or post-graduation courses. Generally, education loans are offered in specific slabs: a) Below Rs. 4 lakhs, b) Between Rs. 4 lakhs and Rs. 7.5 lakhs and c) Above Rs. 7.5 lakhs.

The commercial banks play a vital role in contributing to higher education by providing educational loan to the meritorious deserving and ambitious students, thereby the dreams of students are achieved as well the economic development of country by producing qualified workforce. It has been seen that HDFC is providing a student friendly and hassle free educational loan compared to other considered commercial banks for the study.

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