

Moeed, Abdul; Afjal, Mohd

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Educational empowerment: evolution, innovations and challenges of educational financing in commercial banks

Abdul Moeed^a  and Mohd Afjal^b 

^aDepartment of West Asian and North African Studies, Aligarh Muslim University, Aligarh, India; ^bVIT Business School, Vellore Institute of Technology, Vellore, India

ABSTRACT

This study critically examines the transformative landscape of higher education financing in India, focusing on the shift from traditional government funding to an increased reliance on educational loans provided by commercial banks. The paper employs a detailed methodological approach, utilizing secondary data sources to analyze various aspects of educational financing. The research is structured around key areas: the growth and status of higher education in India, the Gross Enrolment Ratio (GER) trends, patterns in the financing of higher education, and the performance of educational loan schemes under public sector banks. The study examines trends in aggregate public expenditure on education as a percentage of GDP and total expenditure, as well as the streamwise and bank-wise distribution of educational loans. It also scrutinizes the growth and performance of educational loan schemes, evaluating the overall effectiveness and challenges within this financing model. The analysis reveals a significant increase in higher education institutions and enrolment rates, accompanied by a shift in funding sources from predominantly government-led to more diversified, including a substantial rise in educational loans. The paper highlights the challenges faced by commercial banks in managing these loans, including issues related to the distribution and repayment of educational loans. The study concludes with insights into the implications of these trends for educational policy, emphasizing the need for a balanced approach in financing higher education that considers affordability and accessibility while ensuring quality and equity.

IMPACT STATEMENT

This paper critically examines the evolution and current challenges in the financing of higher education in India, with a particular focus on the role of commercial banks in this transformative landscape. Through an in-depth analysis of secondary data, the study identifies a significant shift from traditional government funding to an increased reliance on educational loans offered by commercial banks. This shift is pivotal as it reflects a broader trend towards privatization and market-driven models in higher education financing. The significance of this work lies in its comprehensive evaluation of the educational loan schemes implemented by public sector banks and their impact on higher education accessibility and affordability. By analyzing trends in the Gross Enrolment Ratio (GER), the distribution and performance of educational loans, and the challenges faced by banks in managing these loans, the paper provides valuable insights into the effectiveness of current policies and practices. It also highlights the critical need for a balanced approach that ensures equitable access to education while maintaining financial sustainability. The findings from this study are instrumental for policymakers, educational planners, and financial institutions as they seek to improve and innovate financing models for higher education. The paper emphasizes the importance of inclusive financial strategies that accommodate the socio-economic diversity of students and ensure that no capable student is deterred from pursuing higher education due to financial constraints. Moreover, the recommendations provided aim to enhance the structural and operational aspects of educational loan schemes, making them more robust and responsive to the needs of the student population. This research not only charts the evolution of educational financing but also serves as a crucial blueprint for future reforms, ensuring that higher education remains a catalyst for socio-economic development in India. By addressing both the achievements and the shortcomings of current financing models, this paper contributes significantly to the ongoing discourse on making higher education both accessible and sustainable.

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REVIEWING EDITOR

Shafiullah Muhammad,
Associate Professor, BRAC
University, Economics, 66
Mohakhali, Dhaka 1212,
BANGLADESH

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1. Introduction

Higher education, traditionally perceived as a cornerstone of societal advancement, plays a pivotal role in shaping the economic trajectory of nations. Its impact isn't merely confined to individual empowerment; it reverberates through communities, contributing significantly to the reservoir of human capital, which is indispensable for holistic national development. As nations transition through phases of socio-economic evolution, higher education stands as a beacon, directing this metamorphosis and fostering an environment conducive to knowledge dissemination and skill enhancement.

India, with its tapestry of diverse cultures, traditions, and a rich historical lineage, has been cognizant of the instrumental role of education in sculpting its future. As we ventured into the new millennium, the narrative surrounding higher education in India underwent a profound transformation. The focus shifted, magnifying its importance in national developmental strategies. This renewed emphasis wasn't merely rhetorical; it was translated into tangible actions. Efforts were intensified to bolster the educational ecosystem, evidenced by the surge in universities, colleges, and esteemed institutions of national significance. However, the quest for expansion wasn't pursued at the expense of quality. Concurrent efforts were directed towards enhancing the caliber of infrastructure, pedagogical methodologies, and human resource development, ensuring a harmonious blend of quantity and quality. Yet, as is often the case, with growth and expansion come challenges, often intricate and multifaceted. One of the most pressing concerns that loomed large was the financing of higher education. This concern wasn't unique to India but resonated globally, transcending national boundaries and geopolitical differences. The significance of higher education, accentuated in an era marked by its potential to facilitate social mobility, spur knowledge-driven innovations, and stimulate economic propulsion, compelled nations to reassess and recalibrate their strategies concerning higher education financing.

For India, a nation teeming with youthful vigor, aspirations, and potential, the challenge was particularly acute. The demographic dividend, often touted as India's strength, brought with it the onus of ensuring that this burgeoning young populace had access to quality higher education. However, the traditional paradigms of funding, heavily reliant on government coffers, were grappling with constraints. The escalating costs associated with world-class higher education and the exponential demand posed dilemmas that needed immediate redressal. It was against this backdrop that the Indian Banking Association (I.B.A.) showcased its foresight and innovation. In 2001, the I.B.A. pioneered the Education Loan Scheme (ELS). The introduction of the ELS was a watershed moment in the annals of higher education financing in India. Envisioned not merely as a fiscal tool, the ELS symbolized hope, aspirations, and the democratization of educational opportunities. Through this scheme, the I.B.A. endeavored to ensure that financial constraints didn't stymie the academic aspirations of India's youth. The foundational principle underpinning the ELS was clear: No meritorious student should be deprived of pursuing higher education due to monetary limitations. The ELS was reflective of a broader global trend, signaling a paradigmatic shift from conventional modes of higher education financing towards alternative mechanisms. Educational loans, under the aegis of the ELS, emerged as a panacea, offering immediate relief from the financial burdens of education while also laying the foundation for a sustainable financing model for the future.

However, the landscape of educational loans in India wasn't devoid of complexities. The burgeoning aspirations and hopes vested in the ELS were occasionally tempered by apprehensions and challenges. A notable concern emanated from the banking and financial sectors, which, despite recognizing the transformative potential of educational loans, expressed reservations. The apprehensions were rooted in the burgeoning instances of loan defaults, which threatened to morph these assets into non-productive liabilities. Notwithstanding these concerns, commercial banks, traditionally perceived as the vanguards of economic growth and stability, ardently championed the cause of educational loans. Their endeavors transcended mere fiscal transactions. By facilitating these loans, they were nurturing dreams, fostering ambitions, and crafting the edifice of a skilled, competent, and future-ready workforce. The commitment of these banks wasn't just to individual students but to the nation at large, ensuring that India's demographic dividend translated into tangible developmental dividends.

The financing of higher education in India has undergone a significant transformation over the years, paralleling the nation's socio-economic evolution. In the initial decades post-independence, the

government predominantly shouldered the responsibility of funding higher education. This period was marked by the establishment and expansion of higher education institutions, with government support playing a crucial role in making education accessible to a larger population. This approach laid the groundwork for India's educational infrastructure, crucial for the country's development. However, as India's economy grew and integrated with global systems in the late 20th and early 21st centuries, the landscape of higher education financing began to shift. The increasing demand for higher education, driven by a burgeoning population, and the rising costs of delivering quality education, necessitated diversifying funding sources. This era witnessed the growing prominence of private financing in the education sector. A pivotal moment in this transformation was the introduction of educational loans by commercial banks, particularly marked by the Indian Banking Association's Education Loan Scheme in 2001. This initiative signified a policy shift towards a mixed model of financing, blending public funding with private loans. While this transition expanded access to higher education, it also brought challenges, including financial burdens on students and concerns about equity in access. Despite these challenges, the evolution towards a mixed financing model has been instrumental in democratizing higher education in India. This shift reflects a global trend towards sustainable financing models in higher education, aligning with changing economic and societal dynamics. In essence, the historical trajectory of higher education financing in India highlights a dynamic shift from a government-led to a more diversified approach, crucial in shaping the nation's educational landscape and its future.

The landscape of higher education financing in India has been a subject of extensive academic scrutiny, especially in the context of recent trends and statistics. Dar (2020) highlights that the higher education sector in India has witnessed a significant expansion, with a notable increase in the number of institutions from 20 universities in 1950 to 1993 in 2020. However, Dar also points out the challenges in maintaining quality amidst this rapid expansion, emphasizing the need for sustainable financing models. Mitra (2015) provides a critical analysis of public spending in higher education in India, noting a shift in the funding pattern. According to Mitra, there has been a gradual decrease in government spending as a percentage of GDP, from 1.41% in 2004–2005 to 1.35% in 2012–2013. This decrease underscores the increasing role of alternative financing sources, such as educational loans. Chalil (2021) delves into the specifics of financing higher education through education loans in India. He observes that the total amount of educational loans disbursed has increased significantly, with the Indian Banking Association reporting a growth from INR 48,300 crores in 2014 to INR 75,450 crores in 2019. However, Chalil also identifies challenges, including the uneven distribution of these loans and the rising Non-Performing Assets (NPAs). Ganguly and Raj (2020) contribute to this discourse by examining the issue of education loan NPAs, specifically in the context of Tamil Nadu. Their study, based on data from the Reserve Bank of India, reveals that NPAs in educational loans have been a growing concern, with NPAs in Tamil Nadu's education sector loans reaching 8.76% in March 2019. These studies collectively provide a nuanced understanding of the evolving landscape of higher education financing in India, highlighting the shift from government funding to educational loans and the challenges associated with this transition.

This study embarks on a detailed exploration into the multifaceted world of higher education financing in India, focusing on three specific research questions. Firstly, it seeks to understand the current trends and developmental trajectory of higher education in the country, closely examining how the mechanisms for financing this crucial sector have evolved over time. This includes a look into the transition from traditional government funding to more diverse financing methods, including educational loans.

Secondly, the study delves into the operational aspects of educational loan schemes provided by India's commercial banks. This entails an analysis of the growth patterns, structures, and unique characteristics of these loan schemes, aiming to understand how they cater to the educational needs of the Indian youth.

Thirdly, the research identifies and scrutinizes the inherent challenges and obstacles within the educational loan framework offered by commercial banks. It aims to suggest practical and effective strategies to enhance the accessibility and effectiveness of these loans, making higher education more attainable for a broader segment of the population.

Positioned within this complex environment, the study's goal is to provide a comprehensive analysis of the various dimensions associated with financing higher education in India. By meticulously examining the trends, challenges, and potential future directions, the study seeks to contribute valuable insights, reflections, and recommendations. These findings are intended to inform and potentially influence future policies and discussions surrounding higher education financing in India.

1.1. Need and significance of the study

In the vast and ever-evolving tapestry of societal progression, education stands out as a paramount pillar, driving not just individual aspirations but also shaping the trajectory of nations. Beyond its role as a reservoir of knowledge and skills, education is an indispensable catalyst for comprehensive economic, political, and social metamorphosis. As history and contemporary experiences bear witness, the caliber and reach of education within a nation often correlate directly with its economic robustness and overall societal wellbeing. In the modern era, where economies are increasingly knowledge-driven, the essence of quality education becomes even more pronounced. It's no longer just about basic literacy or foundational learning; nations are gauged by their prowess in fostering higher education, promoting innovation, and producing adept professionals capable of navigating complex global challenges. And here, access to education, complemented by its affordability, plays a decisive role.

India, with its rich cultural mosaic and a burgeoning youth population, stands at a crucial juncture. The aspirations of millions of young Indians converge towards higher education, driven by dreams of a better life and meaningful contributions to the nation's progress. However, the stark reality of financial constraints casts a shadow on many of these dreams. The chasm between the demand for educational loans and their actual availability is both vast and deep, leaving countless meritorious students at crossroads, their ambitions tethered by financial constraints. Adding to this intricate scenario is the approach of commercial banks, which, albeit being pivotal stakeholders in the educational loan domain, often adopt a guarded stance. Their loan policies, characterized by rigorous and sometimes rigid terms and conditions, further compound the challenges faced by students. While it's essential for these institutions to ensure financial prudence, the overarching principle should ideally revolve around ensuring that every deserving student, regardless of their economic background, has a fair shot at attaining higher education.

This study, thus, assumes paramount importance in the current context. By delving deep into the dynamics of educational loans offered by commercial banks, it aims to shed light on the existing bottlenecks and potential avenues for refinement. The envisioned outcome is twofold: firstly, to create a conducive ecosystem wherein financial barriers to education are minimized, and secondly, to offer actionable insights to commercial banks, enabling them to recalibrate their loan strategies in a way that balances financial viability with societal responsibility. Moreover, the findings of this study bear significant implications for policymakers and regulators. By pinpointing the pain points and highlighting areas of improvement, the study could serve as a blueprint for refining the educational loan framework. This would not only enhance the effectiveness of the loan schemes but also ensure that the interests of all stakeholders—students, parents, and banks—are harmoniously aligned. In essence, this exploration is not just about numbers and policies; it's about aspirations, dreams, and the future of a nation. By championing the cause of accessible and affordable higher education, it resonates with the very ethos of an inclusive and progressive society.

1.2. Objectives of the study

1. To scrutinize the trajectory and current state of higher education in India, while discerning prevailing trends in its financing mechanisms.
2. To delve into the nuances of the educational loan schemes extended by India's Commercial Banks, assessing their growth patterns, varied structures, and distinctive attributes.
3. To pinpoint the inherent challenges and obstacles within the educational loan framework provided by commercial banks and put forth recommendations for enhancing the efficacy and accessibility of these loans in supporting higher education.

2. Review of literature

The landscape of educational financing in India has been an area of intensive study, with many scholars and researchers delving into the intricacies of educational loans, the challenges faced by borrowers, and the implications of these loans on the socio-economic fabric of the country.

Singh (2021) took a deep dive into the world of educational loans in India, exploring the evolving trends in such loans distributed across different banking institutions, from Nationalised Scheduled Commercial Banks to NBFCs. Following closely, Gethe and Hulage (2022) analyzed students' experiences with these educational loan services offered by banks, drawing connections between various factors like a student's family background and their experiences with loan processing. Highlighting the growth in enrollment for higher education, Chalil (2021) noted the corresponding increase in education loans. However, he pointed out the discrepancies in the distribution of these loans, which seemed to counteract the scheme's purpose. Further emphasizing the socio-economic implications, Nerkar and Dhongde (2018) studied the patterns of educational loans, shedding light on their crucial role in India's socio-economic development.

Several studies have pointed out the governmental aspect of educational loans. Duraisamy and Duraisamy (2016) delved into the patterns of public outlay on higher education and explored educational loans as an alternative financing mechanism. This consideration of governmental alternatives parallels with Sangeetha and Anuradha (2016) exploration of the challenges faced by Commercial Banks in financing higher education. Rani's (2014, 2016) research provided a comprehensive look into the financing trends of higher education, emphasizing the importance of education loans and even proposing mechanisms to convert these loans into grants.

Historical growth patterns of educational loans have been the subject of Varghese and Manoj (2013) study, noting a significant growth between 2005 and 2011. However, a detailed analysis by Srinivasan and Das (2011) revealed a preferential trend by banks, leaning more towards postgraduate students and those from government-owned institutions. The commercial nature of educational loans was further emphasized by Gandhar (2010), while Panigrahi (2010) raised concerns about discriminatory practices in the loan allocation based on gender and region. Chattopadhyay, S. (2007) presented a counter-argument, suggesting that given the complexities of the capital and job markets in countries like India, promoting educational loans might not be the most advisable. Meanwhile, internationally, Kim (2007) explored the relationship between student loan debt and degree attainment, revealing how financial disparities can affect academic outcomes.

Narayana's (2005) study on commercial banks' role in financing higher education in Karnataka offered an empirical analysis, focusing on the budgetary subsidy in the collegiate educational sector. This research seemed to echo the findings of Tilak (1992) who compared the student loan scheme with other alternative methods of funding higher education.

The literature on educational financing in India reveals a multifaceted landscape. Key findings indicate a marked increase in educational loans across various banking sectors, aligning with the growing demand for higher education. Students' experiences with these loans vary widely, influenced by their family backgrounds and the specific policies of banking institutions. Despite the overall increase in education loans, there are notable discrepancies in their distribution, often leaving certain regions and demographics underserved. These loans play a crucial role in India's socio-economic development by widening access to higher education. A shift in the financing pattern is observed, with a decrease in government spending and a growing reliance on alternative financing like educational loans. Commercial banks, pivotal in this scenario, face challenges in balancing financial prudence with educational support. Some studies highlight a bias in loan distribution, showing preferential treatment towards certain student groups and pointing out discriminatory practices based on gender or region. This situation underscores the need for alternative financing mechanisms, including transforming loans into grants, to alleviate the financial burden on students and make higher education more accessible. These insights collectively underline the significance of educational loans in India's higher education sector and the necessity for more equitable and effective financing strategies.

While existing studies have extensively explored various facets of educational financing in India, a significant research gap persists in the specific examination of educational loans provided by commercial

banks. Most of these studies have either broadly addressed the landscape of educational financing or delved into the socio-economic factors influencing it, yet the intricate dynamics and particularities of educational loans by commercial banks have not been the central focus. This lack of concentrated research is particularly critical given the rapid growth of India's higher education sector and the escalating costs associated with it. As higher education becomes increasingly pivotal for India's youth, the dependence on educational loans is expected to rise, underscoring the need for a detailed investigation into the practices, policies, and decision-making processes of commercial banks in this domain.

Moreover, the existing literature, while providing diverse perspectives, falls short in thoroughly understanding the standpoint of the banks themselves. An exploration into how banks assess risks, determine loan disbursement criteria, and strategize their educational loan segment is essential. This perspective is invaluable, especially as India is on the brink of substantial socio-economic shifts, characterized by its demographic advantage and the growth of its middle class. Understanding the role and functioning of educational loans in this context is not merely timely but crucial for the formulation of future policies and strategies that align with India's developmental aspirations.

Therefore, a more focused and in-depth analysis of educational loans offered by commercial banks is imperative. Such research will not only bridge the identified gap in the literature but also contribute significantly to developing a more inclusive and efficient educational financing framework in India, one that caters effectively to the needs and aspirations of its burgeoning student population.

3. Methodological framework

This research utilizes a mixed-methods approach, integrating both qualitative and quantitative techniques, to dissect the complex terrain of higher education financing in India. The study is grounded in a carefully curated collection of secondary data, drawing from authoritative sources like the University Grants Commission (UGC), the All India Survey of Higher Education (AISHE), the Ministry of Education, the Reserve Bank of India (RBI), and the Indian Banks Association (IBA). These sources were specifically chosen for their comprehensive coverage of the educational landscape and their direct relevance to the study's focus on higher education financing. Additional data from the Ministry of Finance's Budget Division and various higher education statistics repositories further enriches the research, offering a broad and deep perspective.

The analysis begins with an examination of the growth and status of higher education institutions in India, followed by an exploration of the Gross Enrolment Ratio (GER) to assess accessibility. The study then transitions to analyzing the patterns of financing in higher education, particularly the shift from government to private funding. A significant portion of the research is dedicated to investigating the role and impact of public sector banks in providing educational loans.

Analytical methods employed include trend analysis to trace historical and current patterns, comparative analysis to juxtapose different financing models, and discourse analysis to interpret policy and banking sector narratives. Time series data plays a pivotal role in this research, enabling the tracking of changes and trends over time and providing insights into the evolution of higher education financing.

The study acknowledges potential limitations in data gathering, such as the availability and the latestness of data. The reliability of the sources is critically evaluated to ensure robustness in the findings. Statistical techniques used include descriptive analysis to present data in a meaningful way, and inferential statistics to draw conclusions about the broader population. This rigorous methodology not only deepens the understanding of the state of higher education financing in India but also elucidates the challenges and opportunities within this evolving sector, directly addressing the research questions.

4. Results

4.1. Trends in growth and status of higher education in India

Table 1 presents a comprehensive view of the evolution of India's higher education sector over three decades (1990–2021). The data demonstrates significant growth across various types of higher education institutions, including Central and State Universities, Deemed-to-be Universities, Institutes of National

Importance, and Private Universities. From 1990 to 2021, there has been a noticeable increase in the number of all types of universities and colleges. For instance, Central Universities increased from 10 to 54, while State Universities grew from 137 to 437. This expansion is also evident in the rise of Institutes of National Importance from 9 to 149 and the emergence of Private Universities, growing from none in 1990–1991 to 388 in 2020–2021. The total number of colleges rose dramatically from 5748 to 43,796 in the same period. Correspondingly, total student enrolments and the Gross Enrolment Ratio (GER) have also shown an upward trajectory. Enrolments increased from 4.9 million in 1990–1991 to 41.4 million in 2020–2021, while the GER almost quintupled from 5.9 to 27.3%. This substantial growth in enrolments and GER reflects a broadening access to higher education in India. This data can be contextualized within the broader socio-economic trends in India. The liberalization policies starting in the early 1990s, coupled with economic growth, likely contributed to the expansion of higher education. The increase in GER indicates improved accessibility, possibly due to policy reforms and the growing middle class's demand for higher education. However, the substantial growth of private universities and the negligible mention of government educational institutions in later years hint at a shift towards privatization in higher education. This trend raises questions about the quality and inclusivity of higher education, as private institutions may not be accessible to all socio-economic groups. In terms of policy interventions, the data suggests a need for continued support and expansion of public higher education infrastructure to ensure equitable access. The government's role in facilitating this growth, particularly through schemes like the Educational Loan Scheme, and its evolution over time would be worth exploring further to understand its impact on these trends. Overall, the table provides valuable insights into the changing landscape of higher education in India, indicating significant growth in the sector but also pointing towards an increasing role of private entities and the challenges of ensuring inclusive and equitable access to quality higher education.

Table 1. Trends in growth of higher education in India.

Year	Central universities	State universities	Deemed-to-be universities	Institutes of National Importance	Private universities	Total colleges	Total enrolments (in millions)	G.E.R (%)
1990–1991	10	137	28	9	NA	5748	4.9	5.9
1991–1992	10	139	31	10	NA	6008	5.2	6.0
1992–1993	10	142	31	10	NA	6323	5.5	NA
1993–1994	10	150	33	10	NA	6764	5.8	8.8
1994–1995	11	154	36	11	4	7319	6.1	NA
1995–1996	12	154	37	11	4	7923	6.5	5.5
1996–1997	14	152	38	11	4	9940	6.8	6.2
1997–1998	16	156	39	11	4	10678	7.2	6.5
1998–1999	16	160	40	11	5	11089	7.7	9.0
1999–2000	16	167	42	11	5	11831	8.0	10.0
2000–2001	17	172	46	12	5	12806	8.4	9.5
2001–2002	18	178	52	12	4	13150	8.9	9.6
2002–2003	18	183	74	13	8	15343	9.5	10.1
2003–2004	18	190	86	13	9	12178	10.2	10.6
2004–2005	18	203	96	13	9	17625	11.0	10.9
2005–2006	20	217	102	13	10	18064	11.5	10.7
2006–2007	21	219	110	18	11	19000	13.1	12.4
2007–2008	28	222	109	33	16	20677	14.4	13.1
2008–2009	40	255	125	38	28	22000	16.0	13.7
2009–2010	40	243	130	41	53	25951	17.2	15.0
2010–2011	41	281	115	58	87	32974	27.5	19.4
2011–2012	42	286	117	59	105	34852	29.2	20.8
2012–2013	42	292	116	62	122	35525	30.2	21.5
2013–2014	42	309	116	68	153	36634	32.3	23.0
2014–2015	43	316	111	75	181	38498	34.2	24.3
2015–2016	44	342	122	75	198	39071	34.6	24.5
2016–2017	44	345	112	100	233	40026	35.7	25.2
2017–2018	45	351	113	101	262	39527	36.6	25.8
2018–2019	47	385	124	127	305	40489	37.4	26.3
2019–2020	48	386	126	135	327	42343	38.5	27.1
2020–2021	54	437	126	149	388	43796	41.4	27.3

Source: University Grants Commission (UGC.) Annual Reports of Various Years, AISHE Reports of Various Years, Ministry of Education, GOI, New Delhi.

4.2. Trends in Gross Enrolment Ratio (G.E.R.) in higher education in India

Table 2 provides an insightful look into the enrollment patterns in higher education in India over a thirty-year period, focusing on gender-wise distribution. The data indicates a steady and significant increase in the GER for both males and females. In 1990–1991, the total GER stood at 5.9%, with no separate data for males and females. By 2020–2021, the total GER more than quadrupled to 27.3%, reflecting a substantial increase in higher education participation. Notably, the GER for females, which was 6.7% in 2001–2002, rose to 27.9% in 2020–2021, surpassing the male GER, which was 26.7% in the same year. This trend of increasing female participation is a positive indicator of gender parity in higher education access. The upward trend in GER can be contextualized within the broader socio-economic and policy landscape of India. The post-liberalization era, starting from the early 1990s, witnessed significant economic growth and social reforms, which likely contributed to the increased demand and access to higher education. The expansion of universities and colleges, as seen in Table 1, aligns with this growth in GER.

The steady increase in female GER is particularly noteworthy. It reflects the impact of various government initiatives and societal changes aimed at promoting female education. However, while the overall growth in GER points towards increased accessibility, it also raises questions about the quality and inclusivity of education, especially in the context of the rising number of private institutions. Moreover, the implications of this growth in GER for the educational loan market are profound. As more students, especially from diverse socio-economic backgrounds, seek higher education, the demand for educational loans has likely increased, as indicated by the growth in educational loan schemes. However, the data also suggests potential areas for further research and policy intervention. The shift towards private higher education and the associated costs might influence the accessibility and affordability of higher education, especially for lower-income groups. The increasing reliance on educational loans to finance higher education necessitates a closer look at the lending practices of commercial banks and their impact on student demographics.

4.3. Trends and patterns in financing of higher education in India

Table 3 provides a detailed view of the government's spending on education from 1990–1991 to 2020–2021, in terms of its percentage of GDP, total budgetary expenditure, and allocation within social services.

The data shows fluctuations in public expenditure on education as a percentage of GDP, with a range from 3.4 to 4.4% over the 30-year period. Notably, there is a slight upward trend in recent years, with

Table 2. Trends in gross enrolment ratio (GER) of higher education in India (in percent).

Year	Male	Female	Total GER
1990–1991	NA	NA	NA
2001–2002	9.3	6.7	9.6
2002–2003	10.3	7.5	10.1
2003–2004	10.6	7.7	10.6
2004–2005	11.6	8.2	10.9
2005–2006	13.5	9.4	10.7
2006–2007	14.5	10.0	12.4
2007–2008	15.2	10.7	13.1
2008–2009	15.8	11.4	13.7
2009–2010	17.1	12.7	15.0
2010–2011	20.8	17.9	19.4
2011–2012	22.1	19.4	20.8
2012–2013	22.7	20.1	21.5
2013–2014	23.9	22.0	23.0
2014–2015	24.5	22.7	23.6
2015–2016	25.4	23.5	24.5
2016–2017	26.0	24.5	25.2
2017–2018	26.3	25.4	25.8
2018–2019	26.3	26.4	26.3
2019–2020	26.9	27.3	27.1
2020–2021	26.7	27.9	27.3

Source: University Grants Commission (UGC) Annual Reports of Various Years, and AISHE Reports of Various Years, New Delhi.

Table 3. Trends in growth of public expenditure on education in India.

Year	As % of G.D.P.	As % of Total Budgetary Expenditure	As % of Social Services
1990–1991	3.8	13.3	51.4
1991–1992	3.8	13.1	50.6
1992–1993	3.7	13.1	50.3
1993–1994	3.6	12.9	50.0
1994–1995	3.6	12.9	49.7
1995–1996	3.6	13.3	49.4
1996–1997	3.5	13.3	49.6
1997–1998	3.4	13.0	49.8
1998–1999	3.6	14.2	50.2
1999–2000	4.4	17.0	50.7
2000–2001	4.1	16.7	50.9
2001–2002	3.6	12.8	49.4
2002–2003	3.6	12.6	48.0
2003–2004	3.4	12.4	48.8
2004–2005	3.2	11.2	19.9
2005–2006	3.3	11.2	21.1
2006–2007	3.4	11.7	21.6
2007–2008	3.4	11.4	43.9
2008–2009	3.6	10.1	42.6
2009–2010	3.9	11.2	44.1
2010–2011	4.0	11.8	46.1
2011–2012	3.8	13.6	47.2
2012–2013	3.7	11.7	46.6
2013–2014	3.8	14.1	46.7
2014–2015	4.0	10.9	44.0
2015–2016	4.2	16.3	42.8
2016–2017	4.2	17.2	41.8
2017–2018	3.8	13.5	42.4
2018–2019	3.9	10.4	41.2
2019–2020	4.1	15.0	42.5
2020–2021	4.3	12.8	38.9

Source: UNESCO, World Bank, Analysis of Budgeted Expenditure on Education of Various Years and Economic Survey of Various Years, Ministry of Finance, Government of India.

the expenditure reaching 4.3% of GDP in 2020–2021. When viewed as a percentage of total budgetary expenditure, the numbers reveal a similar fluctuating pattern, peaking at 17.2% in 2016–2017 and dropping to 12.8% by 2020–2021. However, the allocation of educational expenditure as a percentage of social services expenditure shows a declining trend, from 51.4% in 1990–1991 to 38.9% in 2020–2021. This decline suggests a potential shift in priority within social services or an expansion in other areas of social services outpacing education.

Contextualizing these trends within India's socio-economic landscape reveals several insights. The fluctuations in educational spending can be linked to broader economic conditions and policy shifts, particularly those related to privatization and liberalization. The slight increase in education spending as a percentage of GDP in recent years might reflect a renewed focus on education in national development. However, the decline in its share of social services spending raises concerns about the prioritization of education relative to other social sectors. The data indicates a complex relationship between government spending and the quality, access, and equity of education in India. Despite the increase in absolute terms, the declining share within social services might impact the overall financing of higher education. This could partly explain the rising reliance on commercial bank loans for education, as indicated by the growth in educational loans. The table underscores the need for nuanced policy interventions to ensure balanced and effective allocation of resources in the education sector, aligning with the national goal of inclusive and quality education for all. The data also points towards the increasing importance of alternative financing mechanisms, such as educational loans, in the context of changing government expenditure patterns.

4.4. Trends in public expenditures on higher education in India as a percentage of GDP and percentage of total budgetary expenditure on education

Table 4 traces the government's financial commitment to higher education from 1990–1991 to 2020–2021. The table provides two key indicators: expenditure on higher education as a percentage of GDP and as a percentage of the total budgetary expenditure on education. The data reveals a fluctuating

Table 4. Trends in public expenditures on higher education in India as a percentage of GDP and percentage of total budgetary expenditure on education.

Year	Expenditure on Higher Education (As % of G.D.P.)	Expenditure on Higher Education (As % of Total Budgetary Expenditure on Education)
1990–1991	0.46	11.30
1991–1992	0.42	10.80
1992–1993	0.41	10.80
1993–1994	0.40	11.00
1994–1995	0.37	10.81
1995–1996	0.35	10.14
1996–1997	0.33	9.80
1997–1998	0.34	11.80
1998–1999	0.37	11.90
1999–2000	0.45	12.70
2000–2001	0.46	14.60
2001–2002	0.39	12.89
2002–2003	0.40	12.60
2003–2004	0.35	11.98
2004–2005	0.32	12.13
2005–2006	0.32	12.73
2006–2007	1.14	13.29
2007–2008	1.09	13.32
2008–2009	1.17	13.63
2009–2010	1.20	11.96
2010–2011	1.29	12.79
2011–2012	1.23	12.91
2012–2013	1.19	12.59
2013–2014	1.26	13.87
2014–2015	1.22	12.74
2015–2016	0.65	12.85
2016–2017	0.64	12.74
2017–2018	0.49	10.04
2018–2019	0.52	12.07
2019–2020	0.61	12.47
2020–2021	0.62	11.86

Source: Calculated from Selected Educational Statistics and Analysis of Budgeted Expenditure on Education of Various Years, Ministry of Education, GOI, New Delhi.

trend in the government's investment in higher education relative to GDP, with a low of 0.32% in the mid-2000s and a notable peak at around 1.20% in 2009–2010. The latter years, however, show a decrease, settling at 0.62% in 2020–2021. When considering higher education expenditure as a percentage of the total budgetary expenditure on education, the trend fluctuates less dramatically, ranging from around 9.80–14.60%, with the figure for 2020–2021 being 11.86%.

Contextualizing these trends, the data reflects the changing priorities and challenges in financing higher education in India. The increase in expenditure as a percentage of GDP in the late 2000s might be attributed to policy reforms or initiatives aimed at strengthening higher education. The subsequent decrease, however, raises questions about the sustainability of such investments and the impact on the quality and accessibility of higher education. This trend might correlate with the liberalization policies and the increasing role of private institutions and commercial banks in financing higher education.

The relatively stable trend in the percentage of total educational expenditure allocated to higher education suggests a consistent but not significantly expanding commitment in the context of the overall education budget. This stability, alongside the declining percentage of GDP spent on higher education in recent years, might have implications for the growing dependence on educational loans and the necessity for robust policy interventions to ensure equitable access to quality higher education. The data from Table 4 highlights the need for a balanced approach in governmental spending on higher education, one that aligns with the evolving socio-economic needs and ensures that the growth in higher education is both inclusive and sustainable.

4.5. Trends in growth and performance of educational loans scheme under public sector banks in India

In India, both public and private sector banks offer educational loans. Public sector banks play an essential role in financing higher education. PSBs' educational loan performance in India has demonstrated a

Table 5. Trends in growth and performance of educational loans scheme under public sector banks in India.

Year	Number of accounts	Outstanding amount (₹ In crore)	Year on year growth (%)
31st March 2005	468,207	6,713	47.54
31st March 2006	679,945	10,012	49.14
31st March 2007	944,397	14,283	42.65
31st March 2008	1,246,870	19,847	38.75
31st March 2009	1,603,385	27,646	39.51
31st March 2010	1,928,350	35,628	29.81
31st March 2011	2,237,031	43,074	20.03
31st March 2012	2,460,493	49,069	13.92
31st March 2013	2,509,465	53,520	9.07
31st March 2014	2,572,716	58,256	8.84
31st March 2015	2,568,586	61,967	6.37
31st March 2016	2,502,183	65,464	5.64
31st March 2017	2,484,349	68,783	5.50
31st March 2018	2,307,871	62,456	1.11
31st March 2019	2,194,977	72,800	2.55
31st March 2020	2,016,525	75,939	3.36
31st March 2021	1,878,866	77,902	3.00

Source: Figures taken from Department of Financial Services, Annual Report, Various Years, I.B.A. Report, Ministry of Finance, Govt. of India.

continuous increase in the number of accounts and outstanding amounts. The increase in educational loans provided by PSBs is a good sign that students can access the higher education sector to fulfill their goal of studying in India or abroad. The year-wise data of educational loans, including outstanding amount, number of accounts, and percentage-wise increase in educational loans from 31st March 2005 to 31st March 2021, are provided in Table 5.

Table 5 presents a detailed view of the educational loan landscape in India from 2005 to 2021, showcasing the number of loan accounts and the outstanding amount in crores, along with the year-on-year growth percentage. The data illustrates a significant growth in both the number of educational loan accounts and the outstanding amount from 2005 to 2011, indicating a robust demand and expansion in the educational loan sector during this period. The number of accounts rose from 468,207 in 2005 to a peak of 2,572,716 in 2014, while the outstanding amount increased from ₹6,713 crore in 2005 to ₹77,902 crore in 2021. However, post-2014, there is a notable decline in the number of loan accounts, dropping to 1,878,866 by 2021. This decline might suggest various underlying factors such as changes in the economic landscape, policy reforms, or the efficiency and accessibility of the loan schemes. Despite the decrease in accounts, the outstanding amount continued to grow, albeit at a slower rate, indicating a rising burden of educational debt.

The year-on-year growth percentage in the outstanding amount shows a downward trend, starting from 47.54% in 2005 and stabilizing around 3% in the recent years. This slowing growth rate could reflect a saturation in the market or increased challenges in loan disbursal.

Contextualizing these trends, the data points to the significant role of educational loans in facilitating access to higher education, especially in the context of increasing costs and privatization trends in the sector. The initial growth phase aligns with the expanding higher education sector and the liberalization policies. The recent decline in the number of accounts, coupled with the increasing outstanding amount, raises concerns about the sustainability and inclusivity of the loan schemes. It suggests a need for a critical examination of public sector banks' policies, practices, and the evolving socio-economic factors influencing educational loan uptake. The data from Table 5 highlights the evolving nature of educational loans in India, indicating a need for policy interventions and strategies to ensure these loans continue to facilitate access to higher education while remaining sustainable and equitable.

4.6. Streamwise and bankwise distribution of educational loans in India

As of December 2020, about 23.3 lakh accounts had educational loans outstanding, totaling ₹84,965 crore, according to data gathered from the State-level Bankers' Committees (SLBC). Over 3.5 lakhs of the accounts were categorized as Non-Performing Assets (N.P.A.s). According to a stream-specific analysis of the outstanding loans, medical students are the recipients of ₹10,147 crore (11.9%) of the total amount of ₹84,965 crore, followed by engineering students with ₹33,316 crore (39.2%), nursing students with ₹3675 crore (4.3%), M.B.A. students with ₹9541 crore (11.2%), and all other streams combined with

₹28,286 crore (33.2%). Nearly 14 percent of N.P.A.s in nursing were the highest compared to the total outstanding loans, followed by 12.1 percent in engineering, 7.1% in M.B.A., and 6.2% in medical. N.P.A.s comprise 8.4% of all outstanding loans in all other streams (Table 6).

Table 7 presents a comprehensive overview of the distribution of educational loan accounts across major banks in India for the years 2013 through 2017. At a glance, State Bank of India (SBI) dominates the scene with the highest mean value of 552,054 loan accounts, ranking first throughout the considered period. Following SBI, Canara Bank and Indian Overseas Bank take the second and third positions, boasting mean loan accounts of 266,210 and 225,067, respectively. The Indian Bank and Punjab National Bank round out the top five with respective mean values of 176,747 and 157,254 loan accounts. While the top-tier banks exhibit substantial figures, there's a gradual decrease as we move down the ranks. For instance, the State Bank of Travancore, which ranks 10th, holds a mean value of 93,354. By the time we reach the 20th position, held by State Bank of Mysore, the mean number drops to 29,178.

It's also noteworthy that the last few banks on the list, such as IDBI Bank, Punjab and Sind Bank, and State Bank of Indore, have significantly fewer loan accounts, with figures ranging from 13,157 to as low as 670. The Bhartiya Mahila Bank, which ranks last, holds a mere mean of 210 loan accounts over the period, and interestingly, shows no educational loans for the year 2013. The table provides a detailed insight into the distribution and mean values of educational loan accounts across various banks, emphasizing the dominance of certain institutions like SBI, Canara Bank, and Indian Overseas Bank in this particular financial segment.

Table 6. Streamwise distribution of educational loans in India.

Streams	Amount of loan (crores)	Amount of N.P.A.s (crores)	Non-performing assets as a percentage
Medical	10,147	633	6.2
Engineering	33,316	4042	12.1
Nursing	3675	520.2	14.1
MBA	9541	685.5	7.2
Others	28,286	2383	8.4
Total	84,965	8263	9.7

Source: SLBC April-December 2020 and Times of India 22nd March 2021.

Table 7. Bankwise distribution of total number of educational loan accounts.

Name of bank	2017	2016	2015	2014	2013	Mean value	Mean Rank
State Bank of India	480922	512716	568817	593474	604339	552054	1
Canara Bank	296373	292000	274867	250374	217434	266210	2
Indian Overseas Bank	241369	230597	231457	220626	201285	225067	3
Indian Bank	165172	159489	173748	180637	204691	176747	4
Punjab National Bank	158735	156529	157314	157813	155879	157254	5
Bank of India	135065	135205	135429	134540	122839	132616	6
Central Bank of India	128780	125793	126692	123328	109762	122871	7
Syndicate Bank	119008	112662	114362	116541	113138	115142	8
Union Bank of India	102509	97978	98811	94211	90807	96863	9
State Bank of Travancore	73818	87169	90955	105125	109705	93354	10
Bank of Baroda	81960	82697	87835	89243	88743	86096	11
Andhra Bank	51334	55063	56036	57965	61542	56388	12
UCO Bank	53367	53969	55496	54303	50571	53541	13
Corporation Bank	53672	53952	53254	52371	49897	52629	14
Allahabad Bank	48989	49011	49015	49467	47610	48818	15
State Bank of Hyderabad	43221	47386	49203	50664	51425	48380	16
Oriental Bank of Commerce	45076	46092	47292	48085	48449	46999	17
Vijaya Bank	51423	47867	42297	38013	34393	42799	18
Bank of Maharashtra	30490	30554	29516	29876	27218	29531	19
State Bank of Mysore	27806	28972	29334	29897	29883	29178	20
State Bank of Bikaner and Jaipur	18372	19873	21398	22363	22449	20891	21
United Bank of India	16629	17676	20221	24196	23285	20401	22
Dena bank	18126	18948	18640	17235	15391	17668	23
State Bank of Patiala	15372	15897	16082	15814	15020	15637	24
IDBI Bank	19072	16932	13635	9440	6707	13157	25
Punjab and Sind Bank	7306	6868	6717	7109	7003	7001	26
State Bank of Indore	669.98	669.98	669.98	669.98	669.98	670	27
Bhartiya Mahila Bank	383	288	163	6	Nil	210	28

Source: Annual Reports from Ministry of Finance, Government of India.

Table 8. Bankwise distribution of total number of educational loan outstanding amount (in crores).

Name of bank	2017	2016	2015	2014	2013	Mean value	Mean rank
State Bank of India	15706	15177	15464	14740	13753	14968.03	1
Canara Bank	7092	6738	5524	4746	4267	5673.33	2
Punjab National Bank	4811	4799	4397	4258	3588	4370.56	3
Indian Overseas Bank	4655	4409	3958	3597	2978	3919.49	4
Indian Bank	3617	2893	3288	3452	3650	3380.07	5
Central Bank of India	3902	3742	3443	3088	2527	3340.40	6
Bank of India	3275	3093	2918	2652	2412	2869.99	7
Syndicate Bank	3027	2986	2745	2768	2556	2816.34	8
Union Bank of India	2930	2739	2481	2219	2082	2490.07	9
State Bank of Travancore	1973	2109	2276	2475	2394	2245.43	10
Bank of Baroda	2121	2054	2098	2062	1970	2061.04	11
Andhra Bank	2406	1831	1821	1511	1427	1799.07	12
Corporation Bank	1572	1681	1360	1252	1150	1403.03	13
Allahabad Bank	1531	1463	1405	1347	1262	1401.39	14
State Bank of Hyderabad	1500	1472	1306	1185	1123	1317.31	15
UCO Bank	1374	1456	1319	1262	1141	1310.25	16
Oriental Bank of Commerce	1379	1347	1314	1271	1227	1307.61	17
Vijaya Bank	1281	1091	903	760	670	941.06	18
Bank of Maharashtra	870	804	703	637	553	713.38	19
State Bank of Indore	670	670	670	670	670	669.98	20
State Bank of Mysore	734	703	657	628	614	667.28	21
United Bank of India	463	477	489	531	552	502.21	22
State Bank of Bikaner and Jaipur	477	501	508	515	501	500.40	23
State Bank of Patiala	545	524	500	448	405	484.40	24
IDBI Bank	737	692	428	254	171	456.41	25
Dena bank	507	430	420	364	328	409.83	26
Punjab and Sind Bank	287	246	240	232	219	244.83	27
Bhartiya Mahila Bank	11	9	3	Nil	Nil	5.7275	28

Source: Annual Reports from Ministry of Finance, Government of India.

Table 8 provides an analysis of the educational loan outstanding amounts (in crores) held by various banks from 2013 to 2017. The State Bank of India (SBI) clearly leads the pack with an impressive mean value of ₹14,968.03 crores, solidifying its position at rank 1. Following SBI, Canara Bank holds the second position with a mean outstanding loan amount of ₹5673.33 crores. Punjab National Bank, Indian Overseas Bank, and Indian Bank come next, with mean values of ₹4370.56, ₹3919.49, and ₹3380.07 crores, respectively. The table further shows that the outstanding loan amounts gradually decrease as we move down the ranking. Mid-tier banks like State Bank of Travancore and Bank of Baroda have mean outstanding amounts of ₹2245.43 and ₹2061.04 crores respectively. By the time we reach the lower end of the table, banks such as State Bank of Indore, State Bank of Mysore, and United Bank of India exhibit mean values ranging between ₹669.98 crores and ₹502.21 crores. Interestingly, the Bhartiya Mahila Bank stands out with the smallest mean outstanding loan amount of just ₹5.7275 crores, ranking last. **Table 8** offers a detailed glimpse into the distribution of educational loan outstanding amounts across multiple banks over a span of five years, highlighting the dominance of major banks like SBI and Canara Bank in this financial domain.

5. Educational loan scheme by commercial banks in India

India underwent substantial economic reforms in 1991, which significantly curtailed the public budget allocated to the education sector, notably tertiary education. This led to the flourishing of self-funded private institutions, resulting in an escalation of higher education expenses. Consequently, several aspiring students faced obstacles in pursuing advanced studies due to these heightened costs. Recognizing this gap, the Indian government had earlier attempted to address this in 1963 by initiating the National Loan Scholarship Scheme. However, challenges like massive overdues and strategic shortcomings led to its cessation by 1991.

A renewed focus on supporting deserving yet economically constrained students emerged around 2000. Consequently, commercial banks were entrusted to champion educational loans. The Indian Banks Association (I.B.A.), in conjunction with the Reserve Bank of India, formulated an exemplary Educational Loan Scheme in 2001, later announced in the Union Budget of 2001–2002, now referred to as the Model Education Loan Scheme. This initiative was primarily designed to ensure that financial constraints did not deter meritorious students from pursuing higher education, either domestically or internationally.

Deemed as a socio-economically pivotal initiative, the Reserve Bank of India (R.B.I.) not only recommended its implementation but also integrated educational loans into banks' priority sector lending. Several banks, drawing from the I.B.A. guidelines, have since introduced tailored educational loan schemes. Such financial instruments, prevalent globally, pivotally reallocate the educational cost burden from governmental agencies to families and students, ensuring no capable student is deterred due to monetary impediments (Puttaswamaiah, 2010).

Educational loans, sometimes termed deferred payment plans, are foundational to higher education policies where students assume a portion of their educational costs (Johnstone, 2004). Such loans in India seek to rectify capital market limitations, although both lenders and borrowers encounter uncertainties throughout the educational journey and loan repayment process, contingent on future earnings (Barr & Crawford, 2005; Chapman, 2006). Central to this initiative is the principle of inclusivity, ensuring that even students from economically disadvantaged backgrounds are supported. The comprehensive loan encompasses diverse higher education courses and covers essential academic expenses. The scheme underscores that only individuals seeking education should benefit from these loans.

6. Educational loan scheme in India

The stipulations and provisions surrounding educational loans have been diligently designed to ensure that students in India can access higher education without financial constraints. The framework for such loans is quite comprehensive. For instance, students aiming to pursue their academic endeavors within the country can avail of loans up to ₹10 lakh. On the other hand, those with aspirations of studying abroad can secure a loan amounting to a maximum of ₹20 lakh.

Remarkably, the margin and security norms that accompany these loans have been crafted keeping in mind the best interests of students and their families. They are considerably liberal and notably lenient. For loans up to ₹4 lakhs, it's mandatory for parents to co-sign the loan agreement as joint borrowers. In such cases, the bank does not demand any other form of security or collateral, reflecting the trust and emphasis placed on education. However, as the loan amount scales upwards, the bank's requirements undergo subtle modifications. For loans between ₹4 and ₹7.5 lakh, the bank necessitates collateral security. This comes in the form of a third-party guarantee deemed suitable and valuable by the bank. In scenarios where the loan amount surpasses ₹7.5 lakhs, the bank mandates tangible collateral security, the value of which should align with the bank's criteria.

Another noteworthy feature catering to female students is the interest rate concession. Introduced in 2009, female students can avail of a deduction of 0.50% on the prevailing interest rate. Speaking of interest, it's pegged to the base rate, a value determined and periodically reviewed by individual banks. Efficiency and transparency also underscore the loan sanctioning process. Banks commit to either sanctioning or rejecting an education loan application within a span of 15 days, provided the application is complete with all necessary documentation. Upon securing the loan, students are granted a grace period, commonly referred to as the repayment holiday or moratorium period. This period is either the total duration of the course plus an additional year or six months post the student's employment, depending on which is sooner.

The timeline for loan repayment is also explicitly defined. For loans not exceeding ₹7.5 lakhs, the maximum tenure, inclusive of the study and moratorium period, is 10 years. For amounts surpassing ₹7.5 lakhs, this tenure stretches to 15 years. To safeguard the interests of the bank, some might even necessitate students to procure a life insurance policy while availing the loan. Lastly, in a bid to streamline the loan application process and make it more accessible, the Vidya Laxmi portal was inaugurated in 2015. This portal permits students to apply for unsecured education loans amounting to a maximum of ₹7.5 lakhs. This initiative underlines the commitment to bolstering educational prospects in the country.

7. Issues and challenges of educational loans offered by commercial banks in India

The educational loan scheme, while a commendable initiative that has facilitated numerous students in India to pursue higher education both domestically and internationally, is not without its challenges. From the perspectives of both students and banks, this system presents a myriad of issues.

Firstly, the education loan market in India remains underdeveloped. Unlike certain other welfare initiatives, the Educational Loan Scheme operates exclusively on commercial principles, which translates to a lack of provisions for softer loans tailored for the needy. Adding to these financial constraints are the stringent and often inflexible terms pertaining to collateral security. Furthermore, there have been instances where individuals exploit the Educational Loan Scheme as a mere means to migrate abroad rather than primarily for educational pursuits. An unsettling aspect of this system is the absence of any link between the educational institutions and the bank's decision to grant loans, based purely on a student's annual academic performance. The marketability of a course, or its potential to secure employment, often becomes a deciding factor for sanctioning a loan. This means professional courses, which promise higher employment rates, tend to be favored over others.

This bias poses another challenge. Students, especially those from economically weaker backgrounds, often find it hard to meet the bank's stringent requirements to secure an education loan. This can inadvertently dissuade students from lower-income families, women, and those from other marginalized sections of society from seeking higher education. Amplifying these concerns is the high-interest rate that these education loans carry.

A significant problem exacerbating this situation is the rising rates of unemployment or underemployment among educated youth. Their inability to secure appropriate jobs often results in loan defaults. Several studies have underscored that the recovery rate of these student loans is alarmingly low. This not only escalates the administrative costs of the student loan programs but also inflates the Non-Performing Assets (NPAs) due to wilful defaults and negligence in repayment. Additionally, there are students who, either because they wish to pursue further studies or other reasons, choose to defer their loan repayments. The phenomenon of 'brain drain', where students migrate and settle abroad post their education, can also hinder the loan repayment process, further complicating the challenges faced by the banks.

8. Suggestions to improve educational loans offered by commercial banks in India

Addressing the increasing demand for higher education in India poses a significant challenge for the government. Enhancing the educational loan scheme can provide a pivotal solution in this context. Here are some refined suggestions:

The burgeoning population with aspirations for higher education warrants government intervention. To bolster the educational loan scheme's effectiveness, several measures can be recommended. Firstly, financial support should be extended to deserving students with the assurance of repayment post-employment. Prioritizing students from underprivileged backgrounds is essential; they should receive fully subsidized education loans to level the playing field. Incorporating skill-oriented training within the education framework can ensure students secure employment promptly post their studies. It would be a progressive step to mandate a portion of the Educational Loan Scheme for the economically disadvantaged, ensuring equitable access. When it comes to loan collateral, banks should adopt more flexible terms, particularly for outstanding students from economically constrained backgrounds. Interest rates on educational loans, currently higher than other loan types, should be reduced. This would also require standardizing interest rates across banks to avoid disparities. The lending criterion should be more inclusive, supporting not just professional courses but also general higher education streams. Assessing a student's creditworthiness and repayment potential before sanctioning loans will bolster the scheme's sustainability.

Post loan disbursement, banks should actively monitor loan utilization and maintain regular communication with students. This will not only ensure proper fund utilization but also aid in timely loan recovery. The loan scheme should offer diverse options, such as government-backed loans, interest rate subsidies, and flexible repayment plans. In fact, provisions like waivers for students with limited future income prospects could be considered. Given the trend that students in professional courses typically secure the most significant loan amounts, banks should innovate and diversify their loan offerings to encompass a broader range of courses. Lastly, it's imperative for banks to continually refine their customer service, ensuring transparency, empathy, and reasonable loan repayment periods.

9. Conclusion

This study has illuminated the crucial role of higher education in shaping individuals and society, particularly against the backdrop of escalating costs associated with higher education. The analysis reveals a clear trend: the burgeoning demand for higher education in India has led to a significant shift in its financing, increasingly relying on educational loans, especially through Public Sector Banks (PSBs). This shift reflects a broader socio-economic trend and policy orientation towards privatization and market-driven education models.

Key findings from the study indicate a consistent growth in student enrollments and higher education institutions, placing an enormous responsibility on the government and financial institutions to support this expansion. PSBs have emerged as a vital cog in this mechanism, providing necessary financial support to students. However, the system faces challenges like disparities in loan accessibility and the rising burden of educational debt. The study's recommendations extend beyond banking practices, advocating for policy-level interventions from the government and educational institutions to diversify financing models and improve the inclusivity and sustainability of higher education financing.

Looking ahead, the study suggests avenues for future research, such as examining the long-term impacts of educational loans on students' career outcomes and exploring alternative financing models. Reflecting on the methodology, the study acknowledges its reliance on secondary data and suggests that future research could include primary data sources for a more nuanced understanding.

Furthermore, the findings have broader implications for India's educational landscape. They highlight the need for policies that not only ensure the financial viability of higher education but also promote equity and social mobility. This includes addressing the gaps in loan accessibility between urban and rural students and considering the impact of educational loans on long-term social and economic outcomes. In conclusion, while educational loans have become a key instrument in facilitating access to higher education in India, there is a pressing need for comprehensive strategies that address the challenges of this financing model. Such strategies should aim to balance financial support with equity and quality in higher education, ensuring that the growth in the education sector contributes positively to India's socio-economic development.

Disclosure statement

The authors have no conflict of interests.

About the authors

Abdul Moeed is a Research Scholar in Economics at the Department of West Asian and North African Studies, Aligarh Muslim University, Aligarh. He has qualified NTA UGC NET/JRF in Economics as well as Education. His research primarily focuses on the Financing of Higher Education, with additional interests in the Economics of Education, Educational Finance, Public Finance, Higher Education Policy, and Economic Policy.

Mohd Afjal is an accomplished Assistant Professor at VIT Business School, Vellore Institute of Technology, India. With a diverse educational background and extensive research experience, he has made significant contributions to the academic community in the areas of finance, economics, and technology. With a strong foundation in both finance and economics, Afjal has focused his research interests on several key areas including Performance Evaluation of Industries, Benchmarking and Frontier Analysis, Corporate Finance, Behavioural Finance, Blockchain and FinTech, and Financial Econometrics.

ORCID

Abdul Moeed  <http://orcid.org/0009-0005-2313-3628>

Mohd Afjal  <http://orcid.org/0000-0002-1234-6055>

Data availability

The data will be made available on request from the corresponding author.

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