BENEFITS AND REQUIREMENTS FOR EDUCATIONAL LOAN
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Abstract
The students of India face many problems in the current situation, according to public norms, financial institutions and others they are not able to tackle the problems to meet the alternative financing higher education. Financing for the higher education loan in India is not a new phenomenon the educational loan has been operated since 1963 and from 2000 may people have been using this facility for their children for the higher education. So the banks started providing loan to the people those who are not affordable and it brings to various categories according to the education system which is provided by the university, colleges, or government of the concern state. Therefore it will be a good opportunities and challenging for the banks to raise the additional capital and liquidity for the higher growth. Of course the banking sectors in India materialized largely and safely from the global financial crisis and also faced a slowdown in the momentum of growth due to the weakening of trade, finance and other confidence channels.

Keywords: Financial instruments; Banking; Higher Education Loan; Financial Crisis.

Introduction
What is Educational Loan?
Educational loan is otherwise known as Student Loan. It is formed in order to help the students those who want to pursue with their higher education in the means of tuition fees, books, hostel fees and other fees which are related to their studies. In this type of loan the interest rate lower and the repayment schedule also differs because the student is still pursing with their education.

History of Educational Loan: Educational Loan (EL) in India came into existence in the year 1963 and later in the year 1971 the operation started in Tamil Nadu. EL first came into implementation in the financial year 2000-2001;
later on EL was revised on the FY 2004-2005. State Bank of India (SBI) was the first bank to provide EL in the financial year 2005.

**EDUCATION LOANS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of accounts (lakh)</th>
<th>Balance outstanding (₹ crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>19.12</td>
<td>35,292.11</td>
</tr>
<tr>
<td>2011</td>
<td>22.13</td>
<td>41,343.81</td>
</tr>
<tr>
<td>2012</td>
<td>23.25</td>
<td>45,787.43</td>
</tr>
</tbody>
</table>

Source: RBI, Parliament papers, Note: Data till March of every year

**Merits and Demerits for availing Educational Loans from banks**

**Merits**

- It is very easy and reasonable
- There is an online application is provided by all the bank’s websites
- No margin up to Rs.4 lacs
- No Security up to Rs.4 lacs
- Low interest rates with easier terms and conditions
- Repayment after the completion of studies
- Tax benefits helps to reduce the overall cost of loan
- Waiver period

**Demerits**

- Schemes are vague with many formalities
- Risks involved in availing the credit
- Tough time in while repayment of the loan
- Lack of proper assistance
- Other charges are been workout while repayment
- Many banks are unclear with their guidelines
- No loans for poorer or low income group people
- A down payment also has to be made with every education loan, ranging between 5%-20% of the loan amount depending on banks this money has to be paid up front.

**Problems faced by bankers in order to adhering the policies of Government of India, IBA, Finance ministry**

The bank finds it very difficult to adhere to the policies of government of India so as Government are in the fashion that it becomes difficult for the bank to concur the same with their policies.
Problems faced by students in order to get the loan

- Vague formalities
- No loan for poorer/villagers
- Many Rules and regulation
- Long time to process
- No proper response in many banks
- Government servant-For Surety purpose

Pre Globalization Era and Post Globalization Era for providing Educational Loan

Pre Globalization Era

In earlier days, the Parents have to show their financial stabilities intact, in order to enable their children to complete educational plans.

Post Globalization Era

In the current scenario the entire situation is reversed. There are plenty of banks (Private and Government) who are ready to support students throughout their course, financial.
Limitations

- The major drawbacks of the banks in approving the loans are because the government has too many provisions, incentives, scholarships for each and every sector. The banks by finds it difficult in these kind of situation as the banks cannot have a set of rules for every individual.

- Whereas the students find it difficult when the procedures of the banks are vague and hence the bank will not be in a position to provide proper counter.
  - They will not provide loans for poorer
  - Government employee should provide surety
  - Should provide the government bonds for security purpose
  - No proper guidance is given in banks when appearing for loan
  - No proper schemes formulated
  - Very difficult for Rural area students comparing to Urban area

Current Financial assistance

- Studies in India - Maximum Rs. 7.50 lacs
- Studies abroad - Maximum Rs. 15 lacs

Margin

<table>
<thead>
<tr>
<th>Up to Rs. 2 lacs</th>
<th>Nil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above Rs. 2 lacs</td>
<td>: Studies in India 15%</td>
</tr>
<tr>
<td></td>
<td>: Studies Abroad 25%</td>
</tr>
</tbody>
</table>

✓ Scholarship/assistantship to be included in margin

✓ Margin maybe brought-in on year-to-year basis as and when disbursements are made on a pro-rata basis.
Security

<table>
<thead>
<tr>
<th>Amount</th>
<th>Security</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to Rs. 2 lacs</td>
<td>No security</td>
</tr>
<tr>
<td>Above Rs. 2 lacs</td>
<td>Collateral security equal to 100% of the loan Amount of guarantee of third person known to bank for 100% of the loan amount.</td>
</tr>
</tbody>
</table>

Rate of Interest

<table>
<thead>
<tr>
<th>Amount</th>
<th>Rate of Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to Rs. 2 lacs</td>
<td>PLR</td>
</tr>
<tr>
<td>Above Rs. 2 lacs</td>
<td>PLR+ 1%</td>
</tr>
</tbody>
</table>

Repayment

Repayment holiday/Moratorium Course period +1 year or 6 months after getting job, whichever is earlier.

Processing Fees

No processing/upfront charges may be collected on educational loans.

Documents Required

- Completed Education Loan Application Form.
- Mark sheets of last qualifying examination
- Proof of admission scholarship, studentship etc
- Schedule of expenses for the specified course
- 2 passport size photographs
- Borrower's Bank account statement for the last six months
- Income tax assessment order, of last 2 years
- Brief statement of assets and liabilities, of the Co-borrower
- Proof of Income (i.e. Salary slips/ Form 16 etc)

Conclusion

Before concluding, there is a challenge to public policy on higher education in India remain to combine private providers with continuing responsibility of governments to direct, control, monitor and continuing the provision of subsidised higher education with a view to strike a balance between equity and efficiency (quality and academic coverage for the needs of the globalised economy and society) principle.

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