



## Bank – Wise performance of Education Loans Lend by Public and Private Sector Banks in India

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**Abstract:** Education is globally recognised as the basic human rights. Particularly, in the context of globalisation, universalization of education had become an international policy. In India, even though both primary and secondary educations are prioritised in budgetary allocation, higher education is the worst affected sector, particularly with the dwindling of budgetary allocation. With the high cost of education and the need of education loan, it is necessary to evaluate the bank-wise performance of public sector banks versus private sector banks providing education loan in India. The bank-wise distribution of education loan were analysed by collecting secondary data from the various annual reports of ministry of finance and various banks. The percentage and rank analysis of setting out of bank wise education loan had resulted that, steps would be taken by RBI along with the Government to distribute the loan scheme by all the public sector banks and private sector banks, evenly so that the maximum number of students in India would be benefited by the education loan scheme.

**Keywords:** education loan, public sector banks, private sector banks, Government accounts

### INTRODUCTION:

Education is the process of instruction aimed at the overall development of individuals, providing with necessary tools to participate in day to day activities of the world. As it dispels ignorance and boosts moral values in the individuals, globally education is used as vibrant tool for the development and empowerment of the Human Resources. Education not only impacts the human development and economic growth, but is the fundamental requirement of democracy. National and state level policies are framed to ensure that no deserved student should be denied the opportunity to pursue higher education for want of financial support. While government endeavours to provide primary education to all on a universal basis, higher education is progressively moving into the domain of private sector. With the gradual reduction in government subsidies higher education is getting more and more costly and hence the need for institutional funding in this area. Model Education Loan Scheme developed by IBA is assisting the Indian students to carry out their higher study dreams both in India and abroad. Public sector banks being the most important financial institution in the economy plays a predominant role in providing the education loan to the country. Bank wise performance of public sector banks is all the most important for the constant review of the education loan scheme in India.



**OBJECTIVES:** To analyse the growth and performance of model education loan scheme offered by public sector bank in India

## RESEARCH METHODOLOGY

The study is conducted using secondary data obtained from the Publications of the Reserve Bank of India, the Indian Banks Association, the University Grants Commission, the Federation of Indian Chamber of Commerce and Industry, Annual Reports of Ministry of Human Resource Development, Ministry of Finance and annual reports.

## EDUCATIONAL LOAN BY PUBLIC SECTOR BANKS IN INDIA

The scope of education has widened both in India and abroad covering new courses in diversified areas. Due to privatization and new economic reforms Government spending on education has been diversified and there is a higher participation of private sectors. Education loan is thus an alternative way of financing higher education. Also the Government is aware that in order to realize the demographic dividend of the country, every meritorious student should have access to bank credit. The government both central and state is frequently issuing instructions and guidelines to public sector banks to actively be involved in educational financing. As per RBI guidelines, Forty per cent of total advances of the commercial banks are advanced to priority sectors like agriculture, small-scale industry etc. Educational loans also form a part of these priority sector advances of public sector banks, as higher education has gained significance all across the world in the knowledge era and in these times of globalization.

### 5.2: Most important factors that you should compare before taking any education loan from banks.

**Interest Rates** – Interest rates play an important role in deciding the bank. Before taking any loan ask for floating loan rates. Generally, the value of floating interest rates is lower than fixed interest rates.

The interest rates also depend on the amount of loan, realistic requirements; a judicious comparison of various offers from leading banks will certainly help the student find a low rate education loan.

**Waiver period** – Banks offering education loans normally don't anticipate the student to pay until he gets job. Check this out carefully, does your bank give you such an option.

**Fees and other costs** – Check out the minimum processing fees, administrative fees, documentation costs etc with the bank.

**Collateral, guarantee or security** – Always check these guarantees or security with the bank but it's vary from bank to bank.

**Downpayment or your share:** it does also vary from bank to bank but its ranging between 5%-20% of the loan amount.

Banks for Education Loan in India (up to 7.50 Lakhs)

HDFC BANK: Maximum Loan Limit: Rs. 10 Lakhs



HDFC Bank grants education loans to study in India and abroad. The maximum loan amount for studying in India is limited to Rs. 10 Lakhs.

Scheme	Rate of Interest
Education Loan for Indian Education	9.20% to 13.64%
Education Loan for Foreign Education	9.20% to 13.64%

HDFC bank doesn't have a dedicated education loan scheme for skill development courses. Hence you will find them recommending personal loan for skill development courses. But taking a personal loan for educational purposes is a bad idea because of the higher rate of interest.

#### PROS

Lower interest rates

Quick processing

#### CONS

High processing fee

Hidden charges

Fewer loans for study in India

AXIS BANK: Maximum Loan Limit: Rs. 75 Lakhs

Axis Bank has only one scheme for education loan (loan amount from Rs. 50,000 to Rs. 75 Lakhs). Axis finances education loan only for the graduate or postgraduate courses for students who have secured a minimum of 50% marks in HSC or Graduation

Education loan amount	Rate Of Interest
Up to Rs. 4 Lakhs	15.20%
Above Rs. 4 Lakhs to Rs. 7.5 Lakhs	14.70%
Above Rs. 7.5 Lakhs	13.70%

#### Maximum Limit: Rs. 10 Lakhs:

Apart from the regular education loan scheme, Vijay Bank also grants education loan for the students joining under management quota. In the management quota loan scheme, you need to bring 15% margin and the remaining 85% will be financed by the Bank.

Vijaya Bank even has an education loan scheme without any upper limit. The scheme is helpful for students of ISB and other premier institution having higher course fees.

Education loan scheme	Rate Of Interest
IBA Scheme	10.75% to 10.90%
Vocational Courses	11.50%
Skill Development Courses	10.40%
Management Quota	12.25%
Educational Loan for ISB	8.75%
Education loan for Premier Central Institutions	8.75%

#### Pros:

A low rate of interest for courses at premier institutions

Scheme for management quota students

No processing fee up to Rs. 10 Lakhs



Concession for girls in interest rate (0.50% less)

Cons:

Slow application processing

**UNION BANK OF INDIA: Maximum Education Loan granted:** Rs. 20 Lakhs

Union Bank of India has three different categories of education loan scheme:

Education loan for courses in India

Education loan for courses abroad

Education loan for courses in Premier institutions (India)

The maximum limit for pursuing courses in India is Rs. 20 Lakhs and for overseas the maximum loan amount is Rs. 30 Lakhs. Union Bank does not charge any processing fee for education loan irrespective of the loan amount.

The drawback is that the student must have life insurance equal to the value of the loan amount. So you need to buy life insurance

Education loan scheme	Rate Of Interest
IBA Scheme	10.70% to 11.85%
Scheme for Premier Management & Technical Institutes	8.70%
Skill Development Courses	11.85%
Education loan for ISB	8.90%

**Pros:**

No processing charges.

0.50 % concessional interest rate for girl students

**Cons:**

Slow processing and documentation process.

Slightly higher interest rate

**5. State Bank of India: Maximum Loan Amount:** Rs. 1.5 Crores

SBI student loan scheme is based on the IBA model. The SBI Scholar Scheme is exclusively for merit students who want to pursue professional/technical courses in premier institutions like IIT, IIM, NIT etc.

For foreign studies, SBI grants educational loans of Rs. 20.00 Lakhs to Rs. 1.50 Crores through SBI Global Ed Vantage scheme.

SBI also offers one of the lowest interest rates for education loan in India.

Education loan scheme	Rate Of Interest
SBI Student loan Scheme	10.80%
SBI Scholar Loan scheme	8.75% to 10.05%
SBI Skill loan scheme	10.05%
SBI Global Ed vantage Scheme	10.80%

**Pros:**

A low rate of interest

Low processing fees

Different loan schemes

**Cons:**

High processing time



**6. Punjab National Bank: Maximum Loan Limit:** No upper limit, depends on repayment capacity and margin

Educational loan schemes of Punjab National Bank, you will find a lot of schemes. PNB Saraswathi is a normal IBA model education loan scheme for meritorious students. PNB Prathibha scheme is for the students who want to pursue higher education in premier colleges like IIT, NIT and other top business schools.

PNB has an exclusive loan scheme for pursuing higher education abroad, called PNB Udaan. For vocational and skill development course you will find PNB Kaushal loan scheme.

PNB also has area-specific loan schemes like PNB Honhaar for Delhi and PNB Bihar Student credit card for Bihar. They have a special scheme with a concessional interest rate for persons with disability.

Even a scheme to help the minor communities for overseas studies through Padho Pardesh subsidy scheme.

Education loan scheme	Rate Of Interest
PNB Saraswati Scheme	10.55%
PNB Udaan	10.40%
PNB Prathibha	8.55% to 9.20%
PNB Kaushal	10.05%
Loan to Persons with Disabilities	Women – 3.50%

**Pros:**

Low ROI

Low processing fees

Wide range of education loan schemes

**Cons:**

Tedious paper work.

**7. ICICI Bank: Get Maximum Loan of Rs. 1 Crore**

ICICI Bank offers education loan up to Rs. 50 Lakhs for studies in India and Rs. 1 Crore for studies abroad. One of the key benefits is that- you do not need to keep any collateral for education loan up to Rs. 20 Lakhs (for UG courses) and Rs. 40 Lakhs (for PG Courses at selective premier institutions).

The main drawback of ICICI education loan is that- the repayment holiday period is restricted to 6 months after the completion of the course, irrespective of the employment status.

Education loan scheme	Rate Of Interest
Education loan for domestic and international studies	Starting at 11.5%

**Pros:**

High loan amount

Less paperwork and quick processing

No margin up to Rs. 20 Lakhs

**Cons**

High rate of interest

Hidden charges



**8. Corporation Bank: Maximum Education Loan:** Rs. 1.5 Lakhs

Corporation Bank has three education loans products and to avail loan, the applicant must have secured a minimum of 60% marks (55% for SC and ST) in HSC/UG.

Under Corp skill loan you can avail as low as Rs. 5000 to Rs. 1.50 Lakhs of loan for studying vocational courses. Corporation Bank also provides short term demand loan for entrance training courses for professional exams like NEET, JEE called Corp Tutor fee scheme.

Corp Tutor fee scheme is usually preferred those who have a salary or pension account with them.

Education loan scheme	Rate Of Interest
Corp Vidya Scheme	10.95%
Corp Skill Loan	10.45%

**Pros:**

No processing fees.

0.50% concession for girls in the interest rate.

**Cons:**

Slow processing of loan application.

**Canara Bank: Maximum Loan of** Rs. 1.5 Lakhs

Canara Bank gives need-based finance for vocational education and training. The maximum amount you can get is Rs. 1.5 Lakhs.

For other types of education loan, Canara Bank follows the IBA education loan model. Hence, the quantum of finance is restricted to Rs. 10 Lakhs for studies in India and Rs. 20 Lakhs for abroad studies.

For the students, who want to pursue professional courses in selective premier institutions, they offer a maximum loan of Rs. 25 Lakhs under the VidyaTurant scheme.

They don't have any special schemes for overseas studies with a higher loan limit. So getting a higher amount of loan (more than the IBA model) is very difficult.

Education loan scheme	Rate Of Interest
IBA based Scheme	10.70%
Vocational Education and Training	10.20%
VidyaTurant	8.90%

**10. Bank of Baroda: Maximum Loan Limit:** Rs. 4 Lakhs Bank of Baroda gives education loan from elementary to higher secondary education under the scheme Baroda Vidya. This scheme helps economically backward students get basic education from a reputed school. The maximum loan amount is Rs. 4 Lakhs and the loan should be repaid in 12 installments. Bank of Baroda does not charge processing fees for any of their education schemes.

In India, the scheme of educational loans runs by public sector banks arises as the need of the hour. The growing magnitude of educational loans indicates that the scheme is getting very popular amongst the higher education aspirants all over India. Among the various public sector banks lending education loan, State Bank of India



rank first in lending the education loan in term of number of education loan accounts and amount of education loan outstanding. But there is strong need to work on the weaknesses & deficiencies of the scheme and some efforts should be made by all the public sector banks to lend more number of education loans, as education is the national priority.

Education loan scheme	Rate Of Interest
Baroda Gyan (IBA scheme)	10.75%
Baroda Vidya	11.25%
Baroda Scholar	10.00% to 10.75% (based on institutions)
Education loan for premier institutions	8.75% to 10.25% (based on institutions)
Skill loan scheme.	10.25%

#### CONCLUSION

Among the various private sector banks lending education loan, HDFC rank first in lending the education loan in term of number of education loan accounts and amount of education loan outstanding. But there is strong need to work on the weaknesses & deficiencies of the scheme and some efforts should be made by all the public sector banks to lend more number of education loans, as education is the national priority.

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