

*Theoretical Background of
Education Loan*

CHAPTER III

THEORETICAL BACKGROUND OF EDUCATION LOAN

3.1 INTRODUCTION

Education is the method of instruction that helps in the all-round advancement of each person in the society, giving them the fundamental mechanisms to take an interest in the day-to-day conduct of life. It dispels ignorance and boosts moral values in the individuals. It forms the basis for lifelong learning and inspires confidence to face challenges; besides providing skills to become more self-reliant and increases awareness. Education not only impacts the human development and economic growth but is the fundamental requirement of democracy. Through education, people become more responsible informed citizens, and can voice their concerns and issues in political system of the society where they live in. It is an essential element for democracy and eradicating poverty. It also helps in improving the productivity among people, plays a greater role in economic life, earning a better livelihood for themselves and the society. In this manner, education is considered as a key factor that permits individuals to move up with the changing world, look for way better occupations and eventually succeed in by becoming responsible individual in life.

In India, reaching out education for all the people has been a big problem. Most of the population in the country can get primary and secondary education, as it is provided by the Government at free of cost. One main reason for inadequate access to higher education in India is the high cost and lack of access to fund higher education. Hence certain classes get access to excellent education facilities; whereas the poor cannot afford to the cost of growing higher education. The growing capital and revenue expenditure of the Government has forbidden them from providing free higher education to the people of the country. This short fall has resulted in the intervention of private sector in the field of education.

Over the years, the constant increase of the Government's overall expenditure and escalating cost of higher education has put the Government and policy makers under constant pressure to find out an alternate source of financing of higher education.

Higher education is recognized as an engine of economic growth and as a pathway for the individual to get self-esteem and status of good citizen in the country. Advanced education particularly in high technology, information processing, management and research is thought to be essential for maintaining economic position in the competitive global economy. In the current scenario, it has become prerequisite that most jobs would require a professional degree. However, this does not mean that higher education necessarily makes individuals more productive or that all recipients of advanced education will find remunerative, high-status employment. Higher education can make individuals more productive; but it can also simply screen, or select, for the kinds of intellectual, social, and personal characteristics required for the high remuneration, high-status jobs that may be available. In short, higher education is essential for most good jobs, and the absence of education beyond high school will be an increasingly formidable barrier to obtaining them; but the mere possession of a professional degree will guarantee neither good, nor lasting, employment. It is widely recognised that higher education promotes social and economic development by enhancing human and technical capabilities of society.

Higher education plays an important role in facilitating these changes by incorporating to all the various demographics of the population. Higher education is always related to the country's human development index and greater for the upliftment of minority and backward communities. The greater the level of higher education in a society greater the level of human development which influence the two main components of human development index like life expectancy, and Gross Domestic Price (GDP). India being the third largest higher education system in the world, next only to China and the United States has large education framework which expanded rapidly after independence. With the changing demographics, political, philanthropic and economic environment, the objective of higher education has now a more focused attention on access and equity.

Historically, the expenditure on education was borne by both State and Central Government. The amount spent on part of higher education by the Government has been diminishing throughout the years, which has made an enormous venture hole in economic and human development of the country. The pattern of public expenditure with regards to the National Education Policy need genuine approach and suggestions at the regular intervals.

The lessening public expenditure on higher education has constrained the establishments, private to expand the cost for each course as climb in education cost expenses. Also, there is an ascent in self-financing establishments which charge education cost expenses on full cost recuperation premise. This conflicts with the idea of financing advanced education. A genuine ramification of increment in the cost of higher education and the unevenness in the expense structure of private and management colleges is the way that it extends the improvement isolate. Getting advanced education is ordinarily combined with the capacity to procure higher pay in future. In this manner, increment in cost of advanced education probably won't be hazardous if there is an organized credit showcase set up which conquers any hindrance between increment in cost and individuals seeking after advanced education. Credit or Advances for pursuing professional, technical and vocational area are genuinely restricted as credit is given to those who are middle or high earnings members, in this manner disregarding low income group or students belonging to Economically Weaker Section. This is the primary reason why Government's role is important in financing higher education. The principles determining financing higher education essentially rest on the nature and objectives of higher education. Higher education for the welfare of public as benefits is largely derived by the society through the knowledge and human capital formation that it generates. The prime responsibility of financing higher education rests with the Government.

There are formidable challenges that exist in the financing of higher education. The role of the Government is becoming important in the present knowledge economy to provide adequate finance to the students in getting sufficient knowledge. Besides, the Government has to fulfil the demand of increasing number of aspirants for higher education. Cost per unit of student in higher education, too, has gone up as the quality education now demands much more investment than what was necessary a few decades ago. However, the Government could not provide sufficient resources to finance higher education as the number of students pursuing higher education are increasing rapidly. These factors have given rise to a wide expenditure and investment gap between the resources required and the resources available with the Government. An inevitable consequence of high and rising investment gap has been that market forces have guided the developments in higher education resulting in high cost sharing with the students.

Privatization and commercial practices had worsened the present phase in the developments of higher education. There is thus a great need to close the investment gap in a manner that commercial expansion of higher education could be stopped and quality higher education could be provided to large number of students who are willing to join higher education. Diversified sources of financing and funding mechanism should be evolved so that a student entering into higher education is not denied admissions merely for want of finance. Challenge in the financing of higher education arises in terms of finding diversified sources of financing and allocating the resources efficiently to meet the objectives of access, equity and quality higher education.

3.2 SOURCES OF FINANCE FOR HIGHER EDUCATION

In India, there are three major sources of finance for higher education. The first source is from State finance (Central and Provincial). The second from source comes from charitable and philanthropic non-governmental sources. The third is from profit-seeking non-governmental finance, both domestic and foreign. The contribution of each of these sources and the role assigned to them has been different in different periods. Since 1951, education has primarily been a responsibility of the States

In 1976, the 42nd Amendment to the Indian Constitution brought 'Education, including, technical education, medical education and universities' into List 3 of the Seventh schedule dealing with subjects in the joint purview of both Central and State Governments. The impact of the 42nd Amendment (education was transferred from State list to concurrent list) in the Indian constitution was felt only after 1985-86, when the Central Government gradually increased its contribution, after formulating the New Policy of Education (NPE) in 1986, and began to give greater priority to primary and elementary education. After the revised Policy on Education (1992). At the same time, while structural adjustment and liberalization put fiscal resources of the Centre and the State under stress, on the one hand, the dominant strand was that primary education which was made available to all while higher education expenses was mounting high in such a way that it is unaffordable by all The State has been the dominant source of finance for higher education; non-governmental finance provided by religious endowments, charitable trusts and others has been an important source of funding.

3.3 EDUCATIONAL POLICY OF THE GOVERNMENT OF INDIA

In 1964, the Ministry of Education, Government of India, appointed a Commission to advise the Government on the national pattern of education and the general principles and policies for the development of education at all stages and in all aspects. The Government of India in the National Policy of Education (NPE) 1968 explicitly adopted the concept of 'Investment in Education. The cardinal guideline of the National policy on Education (NPE) is that Education is a unique investment in the present and future. Keeping in view the growing requirements of the education system, the Government of India has made initiative to allocate certain percentage of national income to the higher education.

Higher education, endows individuals with a chance to think about the basic social, monetary, social, and moral and through scattering of specific learning and aptitudes. It is, in this manner, higher education plays a vital factor for survival.

3.4 HISTORY OF EDUCATION LOAN IN INDIA

A scheme of education loan scholarships of National and State Governments has been in operation in India since 1963 under the name The National Loan Scholarship Scheme. Initially, only one per cent students were taking loan for higher education. The National Loan Scholarship Scheme provides interest-free loans to the needy and students who are unable to finance for full time higher education in India, starting from the post-matriculation level to the completion of higher education, loans are renewable on an annual basis. The scheme was funded by the National (Central) Government, but administered through the provincial (State) governments. The loan was actually paid through higher education institutions. The Central Government fixes the number of loan scholarships in 1991 around 20,000 and the regional distribution is based on the distribution of population. In each State the distribution is made proportionate to the number of different qualifying examinations, subject to a minimum of one for each category.

In the first year 1963, although 18,000 Nation loan scholarships were initially announced, only 9,600 were actually given. The education loan scholarship scheme was originally started with the budget estimation of Rs.13.3 million in the year 1963-64 and finally during the year in 1991-92 the budget for the scheme was of the order of Rs.30 million. The budget for the National Scholarship scheme fluctuated significantly,

and due to larger amount of NPA the National Scholarship Scheme was stopped in the year 1992. The total amount invested in student loans from the introduction in the year 1963 until 1987-88 is of Rs.869 million (Various Annual Reports, Ministry of Education).

3.5 GENESIS OF EDUCATION LOAN SCHEME

The original scheme of education loans i.e. National Loan Scholarship Scheme was initiated and introduced in India in the year 1963 and it continued till the year 1991. The Government supported National Loan Scholarship Scheme ended up being a disappointment when surveyed as far as recuperation of credits. Moreover, the economic crisis faced by the Government of India in the early nineties necessitated the winding up of the scheme. Hence, it was dropped in the beginning of the nineties. At the same time, it has realised that a comparable sort of education advance is required to pad the effect of rising higher education cost in India. In like manner, an unused conspire of instruction credits namely Model Education Scheme, has begun. The most fundamental of the scheme was its economic viability. In the State and Central Government was steadily changing over their duty for the dispensing of instruction advance to the various commercial banks within the nation. The Government supported National Loan Scholarship Scheme (1963-91) did not succeed, as the rate of recuperation was very negligible and the country faced severe economic crisis in the early nineties, the National Loan Scholarship Scheme had discontinued. In reality, the legislature was not in a situation to fund the advanced education segment generously and it started to look out for other non-Government measures of financing higher education.

In the early nineties, Indian Government set up different committees with various professional in order to monitor the higher education system in the country and to provide certain suitable suggestion for improvement. The most significant and path breaking recommendations were Punnayya Committee (UGC, 1993) and the Swaminadhan Committee (AICTE, 1994) and were more or less quite similar. The major suggestions of the committee was with regards to free ships, concessional charges for advanced education particularly at graduate stage and special preference to the meritorious and needy students in the arrangement of loans. The public sector banks had lent student loan during the period from the year 1990-91 to the year 2000-01.

The role of public sector banks in facilitating poor but meritorious students desirous of pursuing higher education had been highlighted by the Finance Minister in a meeting with the Chief Executive of Public sector banks on 13th June 2000. Accordingly, in the year 2000, a study group was constituted under the chairmanship of Mr R.J. Kamath, Chairman Managing Director of Canara Bank to examine and study the issue of providing financial support to the needy students who wish to pursue higher education. In light of the proposals made by the study group a comprehensive Model Education Loan Scheme was prepared by, Indian Banking Association. The Finance Minister after meeting the heads of the commercial banks on 7th April 2001 formally announced the scheme in 2001 which was advised to banks for implementations by Reserve Bank of India vide circular No.RPCD.PLNFS.BC.NO.83/06.12.05/2000-01 dated April 28, 2001 along with certain modifications suggested by the Government of India. In line with the announcement made by the Honourable Finance Minister in his Budget Speech for the year 2004-05, Indian Banking Association had communicated certain changes in the security norms applicable to education loans with limits above Rs.4 lakhs and up to Rs.7.5 lakhs. The scheme was further modified in the year 2007-08 based on experience gained in the operation of the scheme over the years.

With increased public awareness about the benefits of the education loan scheme, bank branches were receiving more and more borrowers are approaching for loans every year. Some borrowers have certain grievances regarding the scheme due to misinterpretation of the provisions of Education loan Scheme. To make the scheme more transparent and to minimize scope for multiple interpretations leading to disputes, a review exercise was taken up in the year September 2012. This has resulted in the revision of the scheme in order to overcome the weaknesses of scheme. The revised scheme provides a uniform moratorium of one year and longer repayment periods for the loans. The terms of sanction like margins and security have also been relaxed for loans covered by Credit Guarantee Scheme of the Government. Some of the suggestions brought out in the RBI proposal for Higher Education Lending Programme (HELP) have also been incorporated in this Scheme based on the feedback received from other stake holder. The amendments to the Scheme were cleared by the Managing Committee of the Association at the meeting held on 26th June 2015 and the amended scheme was effective from 27.08.2015.

3.6 PRIORITY SECTOR LENDING

The emergence of the prevailing structure of the Priority Sector Lending (PSL) is way back in the year 1967. Morarji Desai, the then Deputy Prime Minister and Minister of Finance, Government of India made a statement in the Lok Sabha on December 14, 1967 that there have been persistent complaints that a few need divisions such as farming, small-scale businesses and sends out have not been accepting their due share of bank credit. Hence there is need of division of loan for these sectors were presented. Again in December 2004, it was decided that direct advances to priority sector will be exhilarated. Subsequently, in section 89 of the Annual Policy Statement of Reserve bank of India for the year 2005-06, it was stated that prescriptions relating to priority sector lending have been modified from time to time and generally, the eligibility criteria have been enlarged to include several new areas. The sectors of the society economy that impact large segments of the population, the weaker section and the sectors which are employment-intensive such as agriculture and micro and small enterprises, have been retained as priority sector in the revised guidelines, which came into effect from 30 April, 2007. Agriculture, small enterprises, micro credit, retail trade, education loans and housing loans up to Rs.20 lakh are the broad categories included in the priority sector.

3.6.1 Priority Sector Lending-Targets and Classification

Categories under priority sectors are i. Agriculture, ii. Micro, Small and Medium Enterprises, iii. Export Credit, iv. Education, v. Housing, vi. Social Infrastructure, vii. Renewable Energy and viii. Others.

3.6.2. Targets /Sub-Targets for Priority Sector Lending

The Priority Sector Lending norms stipulate a number of restrictions in terms of type of recipients, use of funds and sub-targets within each sector. In the year 1969, only public sector banks were required to lend to priority sectors at its inception. It was only in the year late 1970s; the private sector banks were directed to land Priority Sector Lending (PSL), at par with the public sector banks. Since then, all domestic commercial banks, public or private, have been mandated to lend 40 per cent of their Adjusted Net Bank Credit (ANBC) or credit equivalent amount of their off balance sheet exposure whichever is higher to the priority sector. Furthermore, with a sub-targeted lending at 18 per cent,

agriculture has been receiving the highest share of Priority Sector Lending (PSL) in India since 1988-89. PSL was made mandatory for foreign banks operating India since 1988-89. Till the year 2012, all foreign banks had to lend 32 per cent of their ANBC to priority sectors such as export and small scale industries. However, as per the revised guidelines introduced by the RBI in the year 2012, foreign banks with more than 20 branches have been brought at par with domestic banks, lending 40 per cent of their ANBC to PSL with specific targets for agriculture. Foreign banks with less than 20 branches, however, continue to be required to direct 32 per cent of their ANBC to the priority sector.

The priority segment targets and sub-targets in India are furnished below:

Table 3.1
Priority lending Targets and Sub-Targets in India

Categories	Domestic Commercial Banks / Foreign Banks with 20 or More Branches	Foreign Banks with Fewer than 20 Branches
Total priority sector	40 % of ANBC.	32 % of ANBC.
Total agriculture	18 % of ANBC. Of this, indirect finance greater than 4.5 % of ANBC will not be considered for 18 % However direct and indirect lending will be computed under the 40 % target of the total PSL.	No specific target. Forms part of total PSL.
Micro and small enterprises (MSEs)	Advances to MSEs will be computed under the total PSL target of 40 % of ANBC.	No specific target. Forms part of total PSL.
Education Loan	Advances to people for instructive purposes including professional courses up to ₹10 lakh independent of the endorsed sum will be considered as qualified for need segment.	No specific target. Forms part of total PSL.
Export credit	Not an isolated category. Trade credit to qualified exercises beneath agriculture and MSE category will be considered for need division loaning beneath particular categories.	No specific target. Forms part of total PSL.
Advances to weaker sectors	10 % of ANBC.	No specific target. Forms part of total PSL.

Source: RBI, Master Circular, Priority Sector Lending-Targets and Classification, July 1, 2015.

Table 3.1 provides details on priority sector targets and sub-targets for different types of banks. Banks that do not achieve their PSL targets must contribute a specified sum decided by the RBI to Government run specialized funds. These include the Rural Infrastructure Development Fund (RIDF) of the National Bank for Agriculture and Rural Development (NABARD). Rural Infrastructure Development Fund (RIDF) was established to provide

low-cost financing to State governments for rural infrastructure development, such as medium and minor irrigation, soil conservation, and watershed management projects. The RBI determines the interest rates on banks' contributions to such funds, periods of deposit, etc.

3.7 MODEL EDUCATION LOAN SCHEME: TERMS AND CONDITIONS

Indian Bank Association (IBA) as per the direction of Government of India framed new education loan scheme named Model Education Loan Scheme in 2001. The scheme was implemented by RBI through the various branches of commercial banks. RBI made the policy decisions to facilitate the education loan scheme to all the eligible students. Due to policy of 2001, the overall scenario of education loan scheme has changed. There after many other changes has been made by RBI and Indian Bank's Association (IBA) from time to time. But in 2010 some major improvements were made in the scheme. One of the major modifications in the scheme was that in 2001 loan was given to even for school education but in 2010, loan was given for higher education alone. The terms and conditions of the education loan scheme 2010 are given below.

Table 3.2
Terms and Conditions of Model Education Loan Scheme

Objectives	<ul style="list-style-type: none"> a) Education loan Plot points at giving monetary back from the banking framework to meritorious and worthy understudies for pursuing higher instruction in India and overseas. b) No outstanding student is denied an opportunity to seek after higher instruction for need of money related bolster. <p>In brief, the scheme points at giving money related help on sensible terms like to the destitute and poor to attempt essential instruction; and to the worthy understudies to seek after higher or professional or technical education.</p>
Eligibility	<ul style="list-style-type: none"> a) Student sought to be an Indian National and Secured confirmation to proficient/specialized courses in India. b) All the courses are also eligible. Some new courses are incorporated under this plan are as per the following: a) customary Degree and Diploma courses like aeronautical, pilot preparing, shipping and so on., c) Courses, which are not secured under the criteria, said above, banks may take a view to consider expanding.
Expenses Covered	<ul style="list-style-type: none"> a) All the expenses relating to the courses are covered b) Caution deposit, building fund, refundable deposit supported by institution bills and receipts, subject to the condition that the amount does not exceed 10 per cent of the total tuition fees for the entire course and insurance premium for student borrower.

Quantum of Finance	<p>a) Need based back subject to reimbursing limit of the parents or students with edge and the accompanying roofs.</p> <p>b) Studies in India-Maximum Rs.10.00 lakhs</p>
Edge	<p>a) Scholarship or assistantship to be incorporated into edge; and Margin might be acquired on year-to-year premise as and when distributions are made on an expert rata premise.</p> <ul style="list-style-type: none"> • Up to Rs. 4 lakhs Nil • Above Rs. 4 lakhs: considers in India 5%
Security	<p>a) The archive ought to be executed by both the student and guardian;</p> <p>b) The security can be as land, building, Govt. securities, Public Sector Bonds, Units of UTI, NSC, KVP, LIC approach, gold, shares/debentures, bank store for the sake of understudy parent, guardian or some other outsider with reasonable edge;</p> <p>c) Wherever the land, building is as of now sold, the unrestricted part can be taken as security gave it covers the required advance sum;</p> <p>d) In the event that the credit is given for buy of PC the same to be hypothecated to the Bank.</p>
Sanction and Disbursement	<p>a) the credit to be endorsed as per designation of powers ideally by the department closest to the put of residence;</p> <p>b) No application for instructive advance got enough to be rejected without the concurrence of the next higher specialist; and c) the advance to be dispensed in stages as per the requirement specifically to the institutions, vendors of books, equipment to the degree possible.</p>
Repayment	<p>a) Repayment holiday or Moratorium- Course period + 1 year or 6 months after getting work, whichever is earlier.</p> <p>b) The credit to be reimbursed in 5-7 a long time after graduation of reimbursement on the off chance that the understudy isn't able to total the course inside the planned time expansion of time for completion of course may be allowed for a greatest period.</p>
Other Conditions	<p>a) No due certificate needs not be insisted upon as a pre-condition for considering education loan.</p> <p>b) However banks may obtain a declaration or an affidavit confirming that no loans are availed from other banks.</p> <p>c) Credit applications got to be arranged of inside a period of 15 days to 1 month, but not surpassing the time standards stipulated for arranging of credit applications beneath need segment loaning.</p>

3.7.1 New-fangled conditions of Model Education Loan Scheme 2010

- a) Banks which wish to back profoundly and outstandingly worthy students without security may assign such powers to a reasonably higher level specialist.
- b) In case of receipt of application for more than one advance for understudy borrower from a family, the 'family' as a unit must be considered for considering the credit and security taken in association to the total quantum of back apportioned, subject to edge and repaying restrain of the parent or student.

- c) There is no particular limitation as to the age of the understudy to be qualified for instruction advance.
- d) In instances of understudy remaining with guardians and where such guardians have transferable employments or there is change in address, the bank may give in the arrangement of noticing the address for correspondence.
- e) Banks may consider top up credits to understudies seeking after further investigations inside the general qualification constrain, with proper re-schedulement, subject to taking required security.
- f) The co-obligator ought to be parent(s) of the student borrower. If there should be an occurrence of wedded individual, co-obligator can be companion or the parent(s) or parents in-law.

The Scheme has been modified from time to time keeping in view the changing needs of the students. The last revision of the Model Education Loan Scheme was carried out on 17.08.2015 and circulated to Banks. The main features of revised Model Education Loan Scheme are as under.

- a) Provision for charging of differential interest rates based on status of collateral, employability and reputation of institutions.
- b) Relaxation in margin and security for loans guaranteed by NCGTC.
- c) Extension of repayment period (after moratorium) up to 15 years for all loans.
- d) Uniform one year moratorium for repayment after completion of studies in all cases.
- e) Provision for moratorium taking into account spells of unemployment/under-employment, say two or three times during the life cycle of the loan.

Moratorium may also be provided for the incubation period if the student wants to take up a start-up venture after graduation.

3.7.2 Service Area Norms for Education Loans-RBI Guidelines

RBI has advised the banks on November 09, 2012 that Service Area Norms are to be followed only in the case of Government Sponsored Schemes, circulated vide their circular dated December 8, 2004 and are not applicable to sanction of education loans.

Hence, banks have been advised not to reject any education loan application for reasons that the residence of the borrower does not fall under the bank's service area.

3.8 INTEREST SUBSIDY SCHEME

3.8.1 Interest Subsidy Scheme for Education Loans

Ministry of Human Resource Development had formulated, in May, 2010, a Central Scheme to provide 'Interest Subsidy' for the period of moratorium on education loans taken by students of economically weaker sections from scheduled banks under the Education Loan Scheme of the Indian Banks' Association. The scheme is applicable to the following categories of loans.

- ✓ Education loan disbursed/availed after 1st April, 2009 from Scheduled Banks which follow IBA Model Education Loan Scheme.
- ✓ Students belonging to economically weaker sections, i.e, whose parental income from all sources do not exceed Rs.4.5 lakhs per annum.
- ✓ The scheme is applicable starting from academic year 2009-10, disbursement starting on or after 01.04.2009, irrespective of date of sanction.

3.8.2 Central Scheme for Interest Subsidy for EWS

Central Scheme for Interest Subsidy has been reported by Ministry of HRD for giving enthusiasm on Education Loans amid ban for specialized and proficient courses for thinks about in India under the IBA Model Education Loan Scheme for students from Economically Weaker Sections (EWS) with yearly gross parental/family wage up to Rs.4.50 lakhs for each annum from the academic year 2009-10.

3.8.3 Applicability of the Scheme

The plot is pertinent as it were for considers in recognized Specialized/ Proficient courses in India.

3.8.4 Moratorium Period

The sponsorship is accommodated the time of ban i.e. a year after finishing of the course or a half year in the wake of landing the position, whichever is prior as endorsed under the IBA Model Education Loan Scheme. After the ban time frame is finished, the

enthusiasm on the remarkable credit sum will be paid by the understudy as per the arrangements of the Education Loan Scheme

3.8.5 Criteria for Economically Weaker Section/ Income Limit

The advantage of the plan would be relevant to those understudies having a place with monetarily weaker areas with a yearly gross parental/family salary with furthest breaking point of Rs.4.5 lakhs per annum (from all sources). This should be confirmed by a 'Wage Certificate' issued by the Income Certifying Authority assigned by the State Government.

3.8.6 Competent Authority to issue Certificate

The Ministry of HRD, Government of India has issued an Advisory to all the State Governments asking for them to assign suitable specialist or experts who are skilled to issue pay declarations, in light of monetary record and not social foundation with the end goal of this plan. Banks will execute the plan in light of the notice of the affirmation specialist by State Governments conveyed through District Level Consultative Committees (DLCCs). The DLCCs would be given the rundown and the marks of the able specialist to issue the pay testament.

3.8.7 Prerequisite for Interest Subsidy

The intrigue appropriation under the plan will be accessible to the qualified understudies just once either for the primary college degree course or the post graduates degree/confirmation in India. Intrigue sponsorship will be that as it may, be allowable for incorporated courses (graduate in addition to postgraduate).

Intrigue sponsorship under this plan will not be accessible for those understudies once they cease the course midstream, or who are removed from the establishments on disciplinary or scholastic grounds. Be that as it may, the intrigue sponsorship will be accessible just if the suspension was because of therapeutic reason for which vital documentation as per the general inclination of the Head of instructive establishment should be given.

3.8.8 Nodal Bank

The plan will be actualized through Canara Bank, which is the Nodal Bank for the Ministry of Human Resources Development.

3.8.9 Payment of Interest Subsidy Claims

The installment of Intrigued Appropriation Claims to the banks will be on half-yearly or annually preface which must be worked out in talk with the Service of HRD.

3.8.11 Timely Payment of EMIs

Repaying EMIs on time will help in keeping your account in good condition and will save avoidable additional interest costs and will have 1% interest concession if they pay the EMI of education loan during the holiday period.

3.9 TAX BENEFIT FOR INTEREST ON EDUCATION LOAN

An Education Loan not only provides funds the higher education of the students but also provide Income-Tax benefits. The income tax benefit for education loan would be availed for the interest paid on education loan and it is allowed as a deduction from the total income u/s 80E of the Income Tax Act, 1961. However, the deduction is provided only for interest part of the Equated Monthly Instalments (EMI). There is no tax benefit for the principal part of the Equated Monthly Instalments (EMI) for the loan amount.

3.9.1. Essential Conditions

Only an individual can claim this deduction. Tax rebate cannot be claimed for firm, company and Hindu Undivided Family kind of taxpayer. The deduction is available for interest paid for the education loaned out for the higher education of self, spouse or children or the student for whom the individual is a legal guardian.

3.9.2. Institution of Education Loan

The Individual who claim deduction u/s 80E of the Income Tax Act for the interest paid on the education loan should have to be taken from any Bank, Non - Banking Financial institution or any approved institutions of RBI. Loans taken from other sources will not be considered for rebate.

3.9.3. Purpose of Loan

The loan should be taken to pursue higher studies either in India or abroad. The loan can be lent by banks for all courses including vocational courses and the regular

courses. The course should be pursued after passing the senior secondary examination or its equivalent exam.

3.9.4. Deduction Amount

There is no maximum limit on the amount that is allowed as deduction. The total interest part of the Equated Monthly Instalment (EMI) paid on the education loan availed during the financial year could be availed as deduction. A statement showing the principal and interest portion of the education loan paid by the student during the financial year and a certificate obtained from the bank should be submitted at the time of return. The tax deduction is available only for the interest paid and tax benefit is not endorsed for the principal repayment.

3.9.5. Period of Deduction

The interest amount paid for education loan could be claimed as deduction for from the year in which the individual start to repay the loan. The deduction for interest paid amount is available only for 8 years starting from the year of repayment of loan or until the interest is fully repaid whichever is earlier. It means that if entire payments of education loan are done in 5 years only, then tax deduction for interest paid will be allowed for 5 years and not for 8 years If the education loan tenure exceeds 8 years, then the individual cannot claim a deduction for the interest paid on education loan beyond 8 years It is always advisable for the individual that the education loan should be paid within eight years

3.10 EDUCATION LOAN SCHEME OF BANKS

The profile and various Education Loan schemes of the select banks of the study are given below

3.10.1 State Bank of India

Profile of the Bank

Bank of Calcutta established in 1806 was the primary bank set up in India and over a period of time it was advanced into State Bank of India (SBI). It is the oldest and the largest commercial bank in the Indian subcontinent, strengthening the nation's trillion-dollar economy and serving the aspirations of its vast population. SBI is pioneer player in lending the education

loan. It occupies the market share of nearly 30% of the total education loan given in the country. The schemes of education loan lent by the banks are given below.

Table 3.3
Education Loan Scheme of State Bank of India

Types of Education Loan	Eligibility	Loan Amount	Security	Margin	Rate of Interest	Repayment Period
SBI Student Loan Scheme	Students of Indian Nationals for pursuing higher education	Max Rs.10 lakhs	Up to Rs. 7.5 Lakhs: Only Parent/Guardian as co-borrower. Above Rs.7.5 Lakhs: Parent/Guardian as co-borrower and tangible collateral security	Up to Rs.4 Lakhs: Nil Above Rs.4 Lakhs - 5%	Upto Rs. 7.5 Lakhs 9.95% Above Rs. 7.5 Lakhs 10.7%	Up to 15 Years and 12 months of repayment holiday
SBI Scholar Loan Scheme	Students of Indian nationals who had secured admission to Professional and Technical courses in Select Premier Institutions through Entrance Test	Max Rs.35 lakhs	With substantial collateral of full esteem and Parent/Guardian as co-borrower	Up to Rs.4 Lakhs: Nil Above Rs.4 Lakhs 5%	8.30%- 9.95% (based on the education institution)	Up to 15 Years and 12 months of repayment holiday
Takeover of Education Loan	Loan to be a first-time takeover. The advance ought to have been completely dispensed at the time of takeover	Minimum: Rs. 10 Lakhs and Maximum: Rs 1.5 Crores	The collateral security acceptable to the bank to be minimum 100% of the value of the proposed loan.	Upto Rs.4 Lakhs: Nil Above Rs.4 Lakhs 5%	9.45%	Up to 15 Years and 12 months of repayment holiday
Interest Subsidy Scheme	The Education Loan under this scheme to be given as per the directives and guidelines issued by the Government, RBI and IBA from time to time					

Note: Concession - 0.50% concession in interest for girl students

Further Concession-1% concession for full residency of the advance, on the off chance that intrigued is overhauled instantly as and when connected amid the moratorium period, counting course term

3.10.2 Canara Bank

Profile of the Bank

Widely known for customer centricity, Canara Bank was founded by Shri. Ammembal Subba Rao Pai, a great visionary and philanthropist, in July 1906, at Mangalore, then a small port town in Karnataka. The Bank has gone through the various phases of its growth trajectory over hundred years of its existence. The bank is in the second position in providing the education loan to the nation. Canara bank is appointed as the nodal bank by Government of India for education loan in the country. The various schemes of Education Loan of the bank are mentioned below.

Table 3.4
Education Loan Scheme of Canara Bank

Types of Education Loan	Eligibility	Loan Amount	Security	Margin	Rate of Interest	Repayment Period
IBA Model Education Loan scheme	Graduation, post-graduation, counting technical/professional courses with work possibilities conducted by colleges affirmed by UGC	Max Rs. 10 lakhs	Up to Rs. 7.5 Lakhs: Only Parent/Guardian as co-borrower. Above Rs. 7.5 Lakhs: Parent/Guardian as co-borrower and tangible collateral security	Up to Rs.4 Lakhs: Nil Above Rs. 4 Lakhs 5%	As fixed by the bank from time to time	Up to 15 Years and 12 months of repayment holiday
Model Loan Scheme For Vocational Education And Training	The student ought to be an Indian National and should have completed 10th standard and have secured right of entry in a course run or supported by Govt.	As per the directives and guidelines issued by the Government, RBI and IBA from time to time				
VidyaSahay	Students of Indian national who have cleared the previous qualifying exam and Students who appeared in common entrance test conducted by Govt.	Maximum: Rs. 1 lakh	Nil	Nil	11.50%	Loan is to be cleared after sanction of regular education loan

Types of Education Loan	Eligibility	Loan Amount	Security	Margin	Rate of Interest	Repayment Period
Vidya Turant	Student should be an Indian National, who have cleared the previous qualifying exam and selected through Entrance Test conducted by Competent Authorities.	As per the directives and guidelines issued by the Government, RBI and IBA from time to time.				
Central Interest Subsidy Scheme	The education loan under this scheme to be given as per the directives and guidelines issued by the Government, RBI and IBA from time to time					

3.10.3 Indian Overseas Bank

Profile of the Bank

Indian Overseas Bank (IOB) was established on 10th February 1937 by Shri.M.Ct.M. Chidambaram Chettiyar, a pioneer in numerous fields. IOB was one of the 14 major banks that were nationalized in 1969. On the eve of Nationalization in 1969, IOB had 195 branches in India with total stores of Rs.67.70 Crores and progresses of Rs.44.90 Crores. IOB being the lead bank in Tamil Nadu, is one of the major players in providing the education loan. The education loan schemes of the bank are mentioned below.

Table 3.5

Education Loan Scheme of Indian Overseas Bank

Types of Education Loan	Eligibility	Loan Amount	Security	Margin	Rate of Interest	Repayment Period
Educational Loans-Vidya Jyoti	Indian National who have secured confirmation to professional/technical courses in India	Max Rs.30 lakhs	Upto Rs. 7.5 Lakhs: Only Parent/Guardian as co-borrower. Above Rs.7.5 Lakhs: Parent/Guardian as co-borrower and tangible collateral security	Upto Rs.4 Lakhs: Nil Above Rs.4 Lakhs 5%	As fixed by the bank from time to time	Up to 15 Years and 12 months of repayment holiday

Types of Education Loan	Eligibility	Loan Amount	Security	Margin	Rate of Interest	Repayment Period
IOB Scholar	Students should be an Indian National, who has got admission into a college approved by AICTE, UGC.	Minimum: Rs.10 Lakhs	With substantial collateral of full esteem and Parent/Guardian as co-borrower	Up to Rs.4 Lakhs: Nil Above Rs.4 Lakhs 5%	As fixed by the bank from time to time	Up to 15 Years and 12 months of repayment holiday
Career Dreams	Indian National and Advance for financing Coaching charge of courses in India to get ready for Proficient Courses	Minimum: Rs.25000 Lakhs and Maximum : Rs.2 lakhs	As demanded by the bank	-----	With Security 11.65% Without Security 12.15%	As fixed by the bank
Vocational Course & Skill Development	The student ought be an Indian National who have sheltered admission in a course run or supported by a Organization of the Government	The education loan under this scheme to be given as per the directives and guidelines issued by the Government, RBI and IBA from time to time				

3.10.4 Indian Bank

Profile of the Bank

A premier Public Sector, Government of India Undertaking established on 15th August 1907 as part of the swadeshi movement serving the nation. The variety of education loan scheme of the banks is mentioned below.

Table 3.6
Education Loan Scheme of Indian Bank

Types of Education Loan	Eligibility	Loan Amount	Security	Margin	Rate of Interest	Repayment Period
Revised IBA Model Educational Loan Scheme (2015)	Indian National who have secured confirmation to the next instruction course Entrance Test Based Selection process after completion 10 plus 2 or equivalent.	Max Rs.10 lakhs	Up to Rs.7.5 Lakhs: Only Parent/Guardian as co-borrower. Above Rs. 7.5 Lakhs: Parent/Guardian as co-borrower and tangible collateral security	Up to Rs.4 Lakhs: Nil Above Rs.4 Lakhs 5%	As fixed by the bank from time to time	Up to 15 Years and 12 months of repayment holiday

Types of Education Loan	Eligibility	Loan Amount	Security	Margin	Rate of Interest	Repayment Period
IB Educational Loan Prime	An Indian National who is joining any full time course in one of the institution listed in "LIST A and B of RBI.	As per the directives and guidelines issued by the Government, RBI and IBA from time to time				
IB Skill Loan Scheme	Any person who has moored confirmation in a course kept running by Industrial Training Institutes	Minimum- Rs.5000/- Maximum- Rs.1.50 Lakh	As per the discretion of the bank from time to time			
Credit Guarantee Scheme for Skill Development	The education loan under this scheme to be given as per the directives and guidelines issued by the Government, RBI and IBA from time to time					
Central Scheme of Interest Subsidy	The education loan under this scheme to be given as per the directives and guidelines issued by the Government, RBI and IBA from time to time					

3.10.5 Punjab National Bank

Profile of the Bank

Punjab National Bank, India's first Swadeshi Bank, commenced its operations on April 12, 1895 from Lahore, with an authorised capital of Rs.2 lakhs and working capital of Rs.20,000. The bank continue to be the one of the prime banks to serve the students with varied education loan scheme which is mentioned below.

Table 3.7
Education Loan Scheme of Punjab National Bank

Types of Education Loan	Eligibility	Loan Amount	Security	Margin	Rate of Interest	Repayment Period
PNB PRATHIBA	Indian national, who have secured admission in Regular full time Degree / Diploma in professional courses offered by Premier Institutes	Max Rs.10 lakhs	Upto Rs. 7.5 Lakhs: Only Parent/Guardian as co-borrower. Above Rs. 7.5 Lakhs: Parent/Guardian as co-borrower and tangible collateral security	Up to Rs.4 Lakhs: Nil Above Rs.4 Lakhs: 5%	As fixed by the bank from time to time	Up to 15 Years and 12 months of repayment holiday

Types of Education Loan	Eligibility	Loan Amount	Security	Margin	Rate of Interest	Repayment Period
PNB SARSWATI	To provide financial support to meritorious students for pursuing Graduation/PG	As per the directives and guidelines issued by the Government, RBI and IBA from time to time				
PNB KAUSHAL	Provides financial support for pursuing Vocational Education & Training for skill development	As per the directives and guidelines issued by the Government, RBI and IBA from time to time				
Concessional Education advance to Persons with Disability(PWD)	The education loan under this scheme to be given as per the directives and guidelines issued by the Government, RBI and IBA from time to time					
Credit Guarantee Fund Scheme For Education Loans	The education loan under this scheme to be given as per the directives and guidelines issued by the Government, RBI and IBA from time to time					
Credit Guarantee Scheme for Skill Development	The education loan under this scheme to be given as per the directives and guidelines issued by the Government, RBI and IBA from time to time					

3.11 VIDHYA LAKSHMI PORTAL

Mr. Arun Jaitley, the Honourable Union Finance Minister in his budget discourse for FY 2015-16, has proposed to set up a completely IT based understudy Monetary Help Authority to administer and monitor Scholarship as well Education Loan Schemes, through the Pradhan Mantri Vidya Lakshmi Karyakram.

Vidya Lakshmi is a first of its kind gateway for understudies looking for Education Loan. This entrance has been created under the direction of Department of Financial Services, (Ministry of Finance), Department of Higher Education (Ministry of Human Resource Development) and Indian Banks Association (IBA). The entry has been produced and being kept up by NSDL e-Governance Infrastructure Limited. Understudies can see, apply and track the training advance applications to banks whenever, anyplace by getting to the entry. The entry additionally gives linkages to National Scholarship Portal.

Banks have been requested to give wide publicity to this portal so that students wanting education loans can apply for it and indicate their bank of choice.

3.12 CONCLUSION

Education being an obvious tool for success in everyone's life, it becomes the responsibility of the Government to provide adequate finance for education. Government is providing free of primary education to all and provide financial support for students willing to pursue higher education through the education loan scheme. The scheme is provided to the entire deserving candidate at concessional rate through almost all the branches of commercial banks. The scheme is gaining prominence all over the world because of the raising cost of higher education. A comprehensive review of education policies, antiquity of education loan, priority sector advances, terms and conditions of Model Education Loan Scheme, Profile of the Public Sector Banks, their various forms of education loan and e-portal for education loan provides enhanced theoretical clarity and focused indulgent on the objective of the research undertaken.