

# Higher Educational Loans Sought By Students in Gujarat State

## Abstract

The key to development is human being and his [her] abilities, values and attitudes must be changed so as to facilitate the process of development. In this process education plays a key role. An appropriate and planned education system contributes significantly to the growth and economic development of a country. During the present times, the higher education institutions are under lot of pressure to reform the education system as a whole due to increasing global challenges. The relationship between universities and governments, their main source of funding and their governing authority in most cases, remains an uneasy one and often, does not reflect the realities of an evolving political, social and economic environment. Multiple objectives should not be pursued at the cost of compromising learning and research environments for students, which also require continuous adaptation and improvements. So, the higher education system as a whole is faced with many issues of concern like financing and management, including access, equity, relevance and reorientation of program by laying emphasis on values, ethics and quality of higher education together with the assessment of institutions and their accreditation. These issues are of vital importance for the country, as it is engaged in the use of higher education as a powerful tool to build knowledge based society of the 21st century. Keeping in mind the present scenario, an attempt has been made to study the various dimensions of higher education loan availed by students in Gujarat State.

**Keywords:** Educational Loans, Sources Of Finance, Knowledge, Higher Education, Students.

## Introduction

*"If knowledge is electricity of the new informational international economy, then institutions of higher education are the power source on which new development process must rely [World Bank 1993]*

One of the primary objectives of any economy is to achieve rapid economic development. In this process of development human beings are at centre stage. No process of development is ever complete without active participation of human beings. The key to development is human being and his [her] abilities, values and attitudes must be changed so as to facilitate the process of development. In this process education plays a key role. Along with this the rapid changes in world economy scenario have resulted in changes in the socio-economic fabric of India. Understanding the links between economic growth and aggregate human development, outcomes can help inform efforts to scrutinize and forecast progress in improving those outcomes, such as assessing progress towards the millennium development goals. Knowledge and skills is the engine of economic growth. So it is only by increasing investment in knowledge and skills that governments, enterprises and individuals can contribute to improve an economy's competitiveness at national and global level and ensure respectable employment outcomes for all. And hence, individuals must be given an opportunity to gain education and skills that give them the passport to employability and success in the knowledge and skill-based economy. Across the world this investment in people, especially through the medium of education has attracted the attention of economists. An appropriate and planned education system contributes significantly to the growth and economic development of a country.

With more than half of India's population being below 35 years of age, India is fairly a young country. This means that while half of the world's population is entering old age, India's young population would be entering the world of education. By 2020, the average age of Japan would be 47 years, China would be past 40, the United States also 40 and India's

## Jyoti Achanta

Associate Professor,  
Dept. of Business Economics,  
Faculty of Commerce,  
The M.S. University of Baroda,  
Vadodara, Gujrat, India

average age is going to be 29, which makes India a country with young, dynamic country ready to transform the world.

The question now arises here is that 'Are we able enough to equip our youth with knowledge and competence to face these challenges?' Education and transformation of this young, dynamic population of India will account to transformation of the economy of country and the world thereby.

Creating a few more schools or allowing hundreds of colleges and private universities to mushroom is not going to solve the crisis of education in India. And a crisis it is – we are in a country where people are spending their parent's life savings and borrowed money on education – and even then not getting standard education, and struggling to find employment of their choice.

During the present times, the higher education institutions are under lot of pressure to reform the education system as a whole due to increasing global challenges. The relationship between universities and governments, their main source of funding and their governing authority in most cases, remains an uneasy one and often, does not reflect the realities of an evolving political, social and economic environment. Multiple objectives should not be pursued at the cost of compromising learning and research environments for students, which also require continuous adaptation and improvements. So, the higher education system as a whole is faced with many issues of concern like financing and management, including access, equity, relevance and reorientation of program by laying emphasis on values, ethics and quality of higher education together with the assessment of institutions and their accreditation. These issues are of vital importance for the country, as it is engaged in the use of higher education as a powerful tool to build knowledge based society of the 21st century.

The influence of education on economic development of an economy has both direct and indirect influence. Productivity, employment, composition of its labour force, division and mobility of labour etc are the outcome of direct impact. One can experience the indirect impact through savings, family size, social change and progress, skill development etc. Keeping in mind the present scenario, an attempt has been made to study the various dimensions of higher education loan availed by students in Gujarat State.

#### **Education and Economic Growth**

The growth of the economy and development of a country depends upon the education system of that particular country. Higher education is of dominant importance for economic and social development and it creates both individual and public benefits. Education is considered as one of the important element in bringing social change. The barometer of progress is indicated by level of education. "Education influences economic development of any country both directly composition of labour force, division and mobility of labour etc. Some of the indirect effects are thrift, saving, intelligent investments in a myriad of opportunities,

small family size, and the formation of right kind of positive attitudes and skill development etc. [Ramesh, 1989]". Apart from this it also helps in removing obstacles to social change and progress by way of broadening the outlook of the people. "The process is so complicated that it becomes difficult to attribute specific amount of economic development to the single factor of education, where as it is sufficiently indicated that the increase in the amount of knowledge does give an impetus to the economy of any country [Sodhi & Suri, 1999]". Investment in human knowledge and skills is the critical determinant of economic growth and is necessary if a country, and different regions within the country, lacking human capabilities ever expect to attract and to take full benefit from infusion of new capital. "According to a recent study conducted by the world bank in 192 countries, physical capital natural wealth account for only 16 and 20 percent respectively of the total wealth, whereas human capital accounts for the rest of 64 percent of the total wealth[Gupta 2004]". Thus, financial management of finances becomes an integral part of overall management. The central feature of management of finances is the formulation of organizational strategies and their implementation is the core for the success of these organizations.

"The growth of productivity depends on the stock of human capital [the existing stock of ideas and the number of people employed in the R&D sector, devoting their time to the accumulation of new ideas]. The human capital used in the R&D sector to stimulate innovations is especially relevant to the countries at the technology possibility frontier, while in other countries, the average level of education available to facilitate the dissemination of technology is likely to be much more relevant [Romer, 1990]" Education also has an indirect effect on productivity and employment through the quality of institutions that may be considered a component of social capital and well-being of individuals and societies [de la Fuente and Ciccone, 2002]

In the years to come, Globalization and International trade would require an immense competitiveness between the countries and their economies. Countries with a good economic growth will hold competitive and comparative advantages over the other economies. The education and training of a country's workers is a major factor determining just how well the country's economy will do.

Many countries have laid a greater emphasis on the educational system and their development in order to produce workers who would be able to function in a dynamic work environment. When education is spoken about, the focus is not strictly on workers obtaining college degree; it is rather about the process of obtaining training and knowledge to equip oneself to face the challenges of globalization.

A country's economy becomes more productive as the proportion of educated workers increases, since educated workers are able to more efficiently carry out tasks that require literacy and critical thinking. Better educated workers tend to be more productive than the less educated ones.

However, in today's world obtaining a higher level of education carries a high level of cost.

Countries with a greater portion of their population attending and graduating from colleges see a faster economic growth than countries with less-educated workers. Primary and secondary education just helps the students to become literate, however higher education provides them with substantial training and skills that can help in their personal as well as nation's economic growth. Today, education is an investment.

According to the United Nations Development Programme and UNESCO the ratio of the number of children of official secondary school age enrolled in school, to the number of children of official secondary school age in the population [referred to as the enrollment ratio], is higher in developed nations than it is in developing ones. This differs from education spending as a percentage of GDP, which does not always correlate strongly with how educated a country's population is. Therefore, a country spending a high proportion of its GDP on education does not necessarily make the country's population more educated.

#### **Current Scenario of Higher Education in India**

"Today the Indian higher education system is a loose configuration of various types of institutions, based largely on the British model, but also in part on the American model of Higher Education. In the federal arrangement, most institutions of higher education are under the provincial government, but several reputed institutions are directly under the national government. The new private sector has not only accelerated the growth, but has also added a new dimension to the higher education landscape. The Indian higher education system is now a large and complex body. This chapter maps the institutional structures enrolment pattern and trends of higher education growth in the country [Agrawal, 2006]".

In recent times, there has been stupendous growth in the number of aspirants for higher education, but there is also an inadequacy of resources for providing this education. [Tilak J.B.G, 2003]". "There has been a phenomenal expansion in higher education in the country during the post-independence era. This can vividly be explained if one looks at some aspects of education like the number of educational institutions including universities, types of disciplines and courses imparted, the number of learners and their enrolment and composition and quality of teaching fraternity etc. [Gupta, 2004]" "The quantitative expansion is impressive however, qualitative changes are scanty. Higher education in India appears to be experiencing a dilemma, leading to inefficiency, distributive inequity and the financial crisis. [Pancharukhi, 1975]".

#### **Higher Education: New Challenges**

There has been a rapid expansion in higher education, with student enrollment growing at about 5 percent annually over the past two decades. This growth is about two-and-half times the population growth rate, and results from both a population bulge in lower age cohorts as well as increased demand for higher education. However, even today's gross

enrollment ratio of Indians in institutions of higher education is approximately 7 percent of the age cohort, which is considerably higher than developing country averages, but lower than the average for Asia as a whole [11 percent] and much lower than other countries. Enrollment ratios vary across Indian states, with the Southern and Western states faring better than their Eastern counterparts. Women now constitute about 40 percent of all student enrollments, varying from a low of 24 percent in Bihar to a high of 60 percent in Kerala. The bulk of students [nearly two-thirds] are enrolled in arts and science, with another 18 percent in commerce/management. This is of some importance because most 'private investment' in higher education is concentrated in engineering, medicine and management and consequently does little for the majority of students. Notwithstanding the great hopes reposed by a spate of committee reports on alternative sources of funding for higher education [World Bank, 2000], the state will continue to have to occupy the commanding heights of at least this sector of the economy. Although total expenditure on higher education has risen since independence from 483 crores to 2418.3 crores between 1980 and 1995, spending per pupil in real terms declined for nearly two decades before recovering modestly. Higher education occupies a low priority in public expenditures. Its share of GNP was nearly one [01] percent during the 1970s and just 0.35% in the mid-1990s before increasing modestly to 0.6 by the end of the decade.

#### **Higher Education in Gujarat**

Though the Government in Gujarat claims that higher education has been expanding, the real figures show that there are 25 colleges per lakh population in the age group of 18-23, equal to the all-India average. This is lower than states like Andhra Pradesh [48 colleges], Karnataka [44 colleges], Himachal Pradesh [38 colleges], Haryana [33 colleges], Maharashtra [34 colleges], Rajasthan [32 colleges], Uttarakhand [32 colleges], Kerala [30 colleges] and Tamil Nadu [30 colleges].

The last five years, has been stressing excessively on skill development and technical education, claiming itself to an all-India model for other states to follow has led to a situation where there is an 'in-ward migration' from other states into Gujarat. For instance, the report by British Council Report entitled '*The Indian States: Opportunities for international Higher education collaboration-[2015]*' says, 'Non-availability of skilled professionals for ship-building and ship-breaking industries forces industrial units to acquire skilled professionals from southern states like Tamil Nadu' It adds, while an even higher proportion of workers come as groups from Uttar Pradesh and Bihar as contract workers for working in the industry in Gujarat, there is a need for 'adequate skilling of local youth in related segments' in order to 'provide local employment opportunities'.

Over the years the state has raised its concerns about the quality of education, therefore the access and equity will continue to be important and the state's main focus would be on improving in the

quality of higher education. For this, the state has planned various initiatives which include,

1. Augmentation of capacity of higher education institutions
2. Emergence of Vadodara as a knowledge hub with multiple universities sharing common amenities
3. Provision of incentives to faculty to teach in rural/tribal areas
4. Increased allocation of resources to rural/tribal areas

It is evident that Gujarat shows a positive response in terms of promoting higher education. According to the Government, increased private participation in the state's higher education sector will lead to rise in the number of international collaborations. While the Gujarat Government offers complete autonomy to its state institutions to collaborate at their own levels, it is keen to attract international partners to develop and exchange higher education faculty. It is willing to fund eminent international scholars to go to Gujarat and teach courses and other shorter duration programmes in its higher education institutions.

Making higher education vocation oriented is another key area for potential collaboration, specifically to develop soft and IT skills to improve the employability of higher education graduates in the state. This has catalyzed the scenario of banks providing loans for professional courses and this became the prominent reason for analyzing the availability of loans becoming the objective of the present study.

#### **Problem Statement**

Education is the most important investment one makes in life and higher studies demand additional financial inputs from time to time. Student loans make it easier for those who are from financially weak backgrounds to acquire a respectable college education. Various studies in this area clearly reveal the inability of the government to finance higher education. What can be the probable option that will further help the government to share the burden of financing of higher education? Can easy availability of educational loan help in minimizing the problem of financing of higher education? Loan can be one of the tools of financing higher education for students at tertiary level.

#### **Review of Literature**

There has been a substantial extension and expansion of Higher Education in India over the last two decades. In relation to widening access the higher education has made substantial progress. At the same time lot of debate is taking place with regard to equity and availability of higher education. A culture of widening participation, embracing both access and retention and success, is now firmly embedded in the mainstream of most higher education providers let it be under government or the private suppliers.

However, challenges remain: to build on and sustain the progress that has been made; to ensure the participation and success of particular groups; to bring fair access to 'high dividend' courses as well as institutions; and to setting up finite resources equitably

and effectively in a period of fiscal restraint. Those who are Higher education providers are addressing these issues during a period of immense change when the Indian economy is facing lot of transformation, with new funding arrangements and uncertainties about student behaviors overlain with challenging demographics.

According to Blaug [1950] as per him higher education has been the fastest growing segment of the education system the world over, especially in developing countries, whether measured in terms of enrollment or in terms of financial outlay.

The study conducted by Dutt [1969] measured the source of financing of 28 colleges which included four state colleges and 24 private colleges in Haryana and they were further categorized under three headings as the state colleges, private women colleges and other private colleges. The various sources of financing of higher education was found to be: [i] fee income; [ii] government grants [State, UGC, and local bodies]; [iii] other sources [fines, sale of prospectus, etc.]; and [iv] funds given by the governing bodies. The sources of income were very much different in all colleges. So far as state colleges were concerned the main contributor was of course the state government. The private women colleges depend mainly upon state grants in- aids, and other private colleges depend upon the fees and funds and the UGC grants, if any. After the government grants, among the private sources, the major source was fees and funds that were paid by the students.

Azad [1972] studied macro-level financing of higher education in India, and attempted to analyze the pattern of higher education finance, procedures and policies of providing financial assistance at central and state level. The Study also discusses certain policy implications related to financing of higher education in order to assess the adequacy of financial administration.

Pandit [1972] in his study described the social and private cost of the resources used in the educational process. This was the first study in India where the capital cost of education has been measured by calculating the stock of physical capital. The study also analyzed the share of direct cost and opportunity cost in the total private cost, and found that the share of direct cost [tuition and non-tuition] in the total private cost had declined, while the share of opportunity cost had augmented. The private cost of education is becoming more and more prominent showing the students' contribution paid in the form of fees. So far as institutional costs were concerned, per unit current cost showed rise while the capital cost remained constant. Therefore, the increase in the social cost and that of the share of private cost indicates the increasing participation of private sector in education.

Subrahmanyam [1982] in his study analyzed and discussed the financing pattern of the Andhra University and it was found that its major sources of income [60 per cent] were the internal sources. However, across the non-academic income sources, major contributors were the press, publications, and

interest on corpus fund. Further, on the expenditure side, major proportion of funds was consumed by the teaching departments [40 per cent to 69 per cent].

Psacharopoulos [1985] found that the direct cost of education in most developing countries, largely the taxpayers' money rather than the individual student finance. It was further held that in certain cases the tuition fees substantially high.

World Bank [2002] indicated in a study about the more differentiated systems, which included private and non-university institutions. It can help to cater the growing demand and make higher education more responsive in line with the needs and requirements of the labor market. In this regard, other than United States the higher education systems prevalent in Australia and New Zealand, good example of success. It also found in the study that European countries are undergoing a series of policy debates related to financing of higher education and thereby are trying to focus on the extent and degree of cost recovery for enabling the transition from elite to mass oriented higher education.

A study conducted by the OECD [2003] found that 1.7 percent share of GDP spent on the tertiary education in 2000. At 1 percent level of GDP was United Kingdom. Except for Germany and Italy this percentage was lower than the other country. The study suggested that overall support should be available to the students regarding the financing of higher education either in the form of grants or loans or both.

Tilak [1997] has discussed about higher education systems which according to him are increasingly starved of financial resources. India is not an exception. The recent trends in financing of higher education in India are indeed disturbing. Quite a few important proposals are being made in this context by national governments and international organizations. International experience will be of considerable importance in formulating new policies. In this paper a few select proposals are described and the national and international experience on the same is contrasted with each proposal and the necessary lessons are drawn. It is shown that the suggestions that are being made for developing countries do not have empirical validity if the practices of developed countries are taken to provide any guidance.

Majumdar Committee [1999], while analyzing the fiscal implications, came to the conclusion that enhancing the share of investment to 6 per cent of the GNP would be sufficient to provide adequate resources at all levels of the education system.

Varghese [2000] advocates that the case for enhancing individuals' contributions to the increasing costs of education and cautions against the use of marketing mechanisms for raising educational resources due to their adverse implications on equity. The principles on which public provision on higher education rests include its public good nature having strong externalities and its merit good nature, as well as consideration of equity on one hand and equality of opportunity on other.

The study carried out by Sreekantaradhy [2004] highlighted that for meeting household

expenditure on education the bank loans are extremely useful. He also examined the importance of institutional finance by commercial banks and the recent efforts by the commercial banks to improve the scheme of educational loan. According to the researcher, the banks should treat educational loans as a normal banking activity with kind and friendly favor of the borrowers.

A study on educational loan was carried out by FICCI [2006] the study analyzed all significant parameters like interest rate, borrowing limit, payback period, collateral security etc. related to educational loan. It is observed that the important factors taken in to consideration on providing educational loan in India are dependency status of student, Total cost of education, Type of education, Level of performance, payback period etc.

Altbach [2009], while making a comparative assessment of higher education system in India and China, it was observed that in both countries, increasing tuition costs in both public and private sector institutions has shifted the growing burden for funding higher education to students and their families. Neither country contains an adequate system of grants or loans to ensure equal access to higher education, although both have some financial aid programmes in place and have made efforts to provide access to education for the poor students and students from the deprived populations.

Srinivasan and Das, [2011] in the present study discusses about the practices followed in selecting the beneficiary student for grant of education loan for pursuing higher studies in India; problems faced by applicants; background of the problematic borrowers and steps taken to overcome the problems in getting loans. The present study uses probit model for statistical analysis. From the analysis it can be concluded that a student pursuing postgraduate professional courses is more likely to get education loan than a student pursuing undergraduate course. Similarly, banks prefer giving loans to students seeking admission in government owned/approved institution. However, there does not seem to be any discrimination between students with or without prior work experience, for getting education loan. The study further reveals the reluctance of private sector banks in extending loans.

Shinde [2014] Education is central to the Human Resources Development and empowerment in any country. India's recent economic success is due to a large extent to educational investment. The main sources of finance of Indian Higher education is the government and the private that includes household, firms, community, charitable trusts etc. The Government of India introduced Education Loan Scheme through the commercial banks of India for the purpose of completing higher education. For accelerating public expenditure, the Central Budget 2004 introduced a cess of 2% on major central taxes for elementary education and Budget 2007 a cess of 1% for secondary and higher education. In this context, there is an urgent need for enhanced use of education loan to augment resources for higher education within an appropriate framework.

**Research gap**

Significant Review of Literature was carried out for the study both pertaining to India and abroad. The review of the significant literature illuminates the fact that the subject and issues relating to 'Financing of Education', particularly higher education remains a potential area for researchers and not much work has been carried out in this area. While several existing studies have focused on university finance which is an important aspect of higher education, not many researchers have been carried out in the field of financing higher education which is the need of the hour in a country like India, and it is evident that there is not much literature available on it, be it in scope or quantity. The major areas of interest and research in this field include university finance, grants-in-aid, university and the role of government, resource allocation on education, investment in education, cost-benefit and returns to education, subsidies to students etc.

Higher education finance remains a promising area for research. Virtually all studies on the financing of higher education were carried out largely in a pre-liberalized era and the issue of privatization of higher education was not focused. The growing importance of higher education has led to its economic aspects becoming thrust areas of recent research. If India is to truly become a global player and emerge as a super power, education cannot be neglected.

**Objectives of the study**

1. To study the socio-economic background of students seeking loan.
2. To study the status of family of the students seeking educational loans.
3. To study the level of utilization of loan sought for education.
4. To study whether or not the availability of education loan gives equity of access to higher education
5. To find out courses pursued by the students who avail loan and which types of institutions are opted by them.
6. To find out proportion of students getting scholarship and opting for education loans.
7. To find out the students trust while seeking educational loans from banks.

**Research Methodology**

Research Design is exploratory and descriptive. The Knowledge and awareness about the loans/schemes that is available for students seeking higher education. The data was collected for the period of October 2013 to December 2014. Primary data was collected with the help of questionnaire [structured non-disguised] for students and parents. The secondary data was collected annual reports of banks, manual of instructions on loan and advances, books, articles and research papers and e-resources.

**Sample Design**

Sample and sample size- students 204 [total 220 students/ parents filled up questionnaire, 16 questionnaire were incomplete and eventually not considered for data analysis]. Purposive and snow ball technique were used for sampling. Considering

the objectives and requirement of research, the statistical tools used were frequency, percentage, cross tabulation, graphs. SPSS and MS Excel were used for the purpose of analysis.

**Sample Frame**

Scope of the study was Gujarat state [204]. Six mega cities and educational hub were selected for data collection. Of the total respondents 204, Ahmedabad- 46, Vadodara-50, Surat-33, Bhavnagar-05, Rajkot- 42, Vallabh Vidyanagar-28

**Findings of the Study****Profile of Respondents**

Personal Information of the respondents [n=204] reveals that, nearly two third [66.2%] of the respondents were male. Majority of the respondents were in the age bracket of 18 to 25 years. Less than three fourth [70.1%] of the respondents belonged to general category followed by SEBC category [22.5%] Majority [93.6%] of the respondents were found following Hindu religion.

**Family Information of the Respondents**

More than one third [36.3%] of the respondents had their monthly family income ranged between Rs. 25001 to Rs. 40000. More than one third [39.7%] of the respondent's father and mother [30.4%] had graduation degree as their educational qualification. Less than three fourth [72.1%] of the respondents belonged to medium sized family i.e. having up to 5 members. More than one half of the respondent's fathers were employed in service sector while majority [80.4%] of the respondent's mother were home makers.

**Information regarding Educational Loan**

It found that more than two third [68.1%] of the respondents availed educational loan for further studies. Nearly, one fourth [25.5%] of the respondents availed educational loan from State Bank of India followed by Bank of Baroda [8.3%]. It was also found that, more than one third [35.3%] of the respondents availed educational loan amounting Rs. 1,00,000 – Rs. 2,00,000 while only 6.4 per cent of the respondents availed loan amounting Rs. 4, 00,000 and above. Less than one third [31.4%] of the respondent availed educational loan for Engineering course and 21.6 percent availed loan for management courses.

**Nature of Educational Loan and Loan Procedure**

More than one half [58.3%] of the respondents did not face any problem in availing educational loan for further studies. According to respondents banks considered following criteria while granting educational loans. 1. Reputation of the course [35.3%] 2. Performance at HSC level [26.0%]. It was further observed that less than one half [41.7%] of the respondents observed cooperative attitude of bank staff towards them. Less than three fourth [60.3%] of the respondents had secured educational loan under government scheme.

**Repayment of Educational Loan**

Regarding the repayment of educational loan majority of the respondents reported that they are going to repay the educational loan from the salary once they engage in job. For the repayment of loans, a little less than three fourth [64.2%] of the

respondents adopted monthly repayment plan for educational loan. More than three fourth [76.3%] of the respondents reported that they were confident about repayment of the educational loan. More than three fourth [78.4%] of the respondents were sure about their ability to repay the educational loan. Less than one third [32.4%] of respondents had taken into consideration the future prospectus of educational loan before applying for the same.

#### **Educational Loan as an Opportunity**

Less than one half [41.7%] of the respondents were of the opinion that educational loan is an opportunity that one should grab.

#### **Educational Loan and Promotion of Higher Education**

Little less than one half [49.5%] of the respondents were of opinion that higher educational loan program as started by the government will promote higher education.

#### **Benefits of Repayment of Educational Loan**

Less than one half [49.0%] of the respondents reported that they were not getting any benefit of repayment of educational loan.

#### **Interest rate on Educational loan**

Majority of the respondents were paying interest rate in the range of 8 to 9 percentages per annum.

#### **Preference of Institution for Education Loan**

A little more than one third [34.3%] of the respondents had preference to avail educational loan from nationalized banks than private sector banks. While, a little less than three fourth [74.5%] of the respondents were not getting any scholarship for higher education while 12.7 per cent of the respondents were getting scholarships who belonged to reserved categories. Less than two third [64.7%] of the respondents reported that they were not directed by the educational institutions to any bank for availing educational loan. Less than one half [47.5%] of the respondents were in the favor of private self-financed institutions for higher education. And less than one third [30.9%] of the respondents reported that they had taken career guidance and advice about the availability of educational loan before taking loan.

#### **Conclusion**

The findings of the study revealed that students pursuing higher, postgraduate or professional courses are more likely to get education loan than a student pursuing undergraduate courses. It was also found that in the coming decade, higher educational loans will prove to be a bane in a diversified country like India. The research also revealed that despite globalisation and increase in the Purchasing Power Parity [PPP], the cost of higher education will keep on increasing and families belonging to the low SES as well as high SES would avail the facilities of educational loans that the banks have to offer. The study throws equal light on the fact that despite a disparity of incomes in India, borrowing to finance higher education has increased markedly over the past two decades. Higher education loans have given equity of higher education to the potential students wanting to pursue higher education which will help, in the near future to avail the facilities

provided by the banks and help them in higher education. These trends are associated with a variety of negative economic outcomes for households who hold the debt, but those outcomes must be weighed against the net increase in earnings the households receive from acquiring more education. A variety of policy options exists to reduce the overall debt burden of future students and to adjust repayment plans for those who already hold loans. Given the key role of higher education in modern economies, further analysis of these issues and options will likely yield important results. The educational loans are not very popular in Gujarat. This might be because Gujarat being the most enterprising state therefore people/ students are keener to take an entrepreneurial loan rather than educational loans. It was also observed that the societal/ community set up is very strong in Gujarat state and most of the communities are supporting the education of the children of their community either in cash or kind.

#### **Suggestions and Policy Implications**

##### **For Banks**

Banks need to focus on widening the scope of marketing and advertising of educational loans. As the data analysis indicates very few of such a humongous young population have the awareness of availability of educational loans. Banks should change the 'Approach Us' attitude for customers of educational loans. Instead adopt 'We Reach You' approach for tapping the untapped segments of the society. Banks should introduce simple procedure for availing loan. Banks should introduce simple procedure for availing loan. Banks should keep the interest rates flexible and competitive.

##### **For Educational Institution**

Educational institutes should bridge the gap with the banks for easily availability of loans at the door steps. There should be more initiative of MOUs, collaboration and tie-ups between banks and educational institute. The educational institutions should adopt a policy to encourage admissions to those students, who are looking forward to complete their higher education through bank loans. Offers like relaxations in fees and offering other students and bank befitting and benefitting incentives should be adopted.

##### **For Government**

Government should keep certain reserve fund for providing subsidies in higher education loan especially for economically weaker section of the society. Education loan under priority sector lending should be promoted. One stop web portal for education loan should be launched by government in collaboration with banks and educational institution.

#### **References**

- Altbach Phillip. G. [1982] *"Higher Education in the Third World: Themes and Variations"*, Singapore Maruzen Asia
- Attbach Phillip G. [2009] *"Giants Awake: Higher Education Systems in China and India"*, Economic and Political Weekly, 06 June
- Azad [1972] *"Financing of Higher Education in India"*, Sterling Publishers Private Limited, New Delhi

- Blaug Mark [1970] "An Introduction to the Economics of Education", Allen Lane, The Penguin Press, London.
- CABE Committee [2005] "Report of the CABE Committee on Financing of Higher and Technical Education", Central Advisory Board of Education, MHRD, Government of India, New Delhi. [http://www.education.nic.in/cabe/ Report% 20CABE% 20Committee% 20on% 20Financing% 20Higher% 20 and% 20 Technical%20 EducationL.pdf](http://www.education.nic.in/cabe/Report%20CABE%20Committee%20on%20Financing%20Higher%20and%20Technical%20EducationL.pdf)
- De la Fuente & Ciccone [2002] "Final Report on Human capital in a global and knowledge-based economy" Employment and Social Affairs European Commission, Directorate-General for Unit A.1
- Dutt [1969] "Cost of Financing Higher Education in Haryana: An Critical Evaluation, Haryana Publications, Haryana
- FICCI [2006] "Reservation in Private Sector Educational Institutions Financing Framework", FICCI Federation House, New Delhi
- Government of India [2007]: "Report to the Nation 2006", National Knowledge Commission, January, New Delhi
- Government of India [2007-2012], "Draft Report of Working Group on Higher Education 11th Five Year Plan", Government of India, Planning Commission, New Delhi
- Gupta P.V. [2004], "Higher education in India in the new millennium: Challenges and remedies" in "University News", Vol. 42, No. 50, December 13-19, 2004
- Majumdar Tapas Committee Report [1999] "Report of the Committee on National Common Minimum Programmers Commitment", Ministry of Human Resource Development, Government of India
- OECD [2003] "Governance of Public Research: Towards Better Practices", Organization for Economic Development and Cooperation, Paris
- Panchamukhi P.R. [1975] "Financing of Higher Education in India: An Evaluation", Indian Institute of Advanced Study, Shimla
- Pandit [1969], "Cost of Educational Expenditure-Problems Faced by the Students", Lal Thambaram, Research Foundation, Chennai
- Psacharopoulos [1985] "Higher Education Student Loans in Developing Countries", World Bank
- Ramesh. D [1989], "The effect of Education on Efficiency in Consumption, Saving and Investments", The M.S. University of Baroda, unpublished doctoral dissertation
- Romer, Paul M [1990] "Endogenous Technological Change," Journal of Political Economy, October
- Shinde M.B [2014] "Financing of Higher Education in India", Golden Research Thoughts 4 [2]
- Sodhi, T. S. and Suri C. A. [1999] "Issues in Education and National Development", Patiala Bawa Publications
- Subramaniam. K. N. [1982] "Modern Banking in India", Deep and Deep Publications, New Delhi
- Srinivasan R and Das. D [2011] "Analysis of Education Loan: A Case Study of National Capital Territory Of Delhi" International Journal of Management and Strategy, [IJMS] 2011, Vol. No. II, Issue 3, July-Dec 2011
- Tilak, J B G [1997] "The dilemma of reforms in financing higher education in India" in Higher Education Policy, 10, (1), 7-21, Neupa
- U.G.C. [2005] "University Development in India: Basic Facts & Figures", University Grant Commission, New Delhi
- For various issues of UGC Report [www.ugc.co.in](http://www.ugc.co.in)
- Varghese N.V [2000] "Education and Development in Kerala: Which Way Now?" Paper presented at the National Conference on Education in Kerala's Development: Towards A New Agenda, Thiruvananthapuram
- World Bank [2002] "Constructing Knowledge Societies: New Challenges for Tertiary Education", Washington D.C