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STRIDES - A STUDENTS' JOURNAL OF SHRI RAM COLLEGE OF COMMERCE

VOLUME 4 – ISSUE1 & 2 **JULY 2019 - JUNE 2020**

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STRIDES - A STUDENTS' JOURNAL OF SHRI RAM COLLEGE OF COMMERCE

ISSN 2581-4931 (Print)

Shri Ram College of Commerce is well known for its academic excellence and dedicated approach towards dissemination of knowledge in the academic world. The college appreciates the role of research in education and is committed to developing an inclination towards research in both faculty and students. In this pursuit, the college has taken the initiative to launch a new Journal named 'Strides - A Students' Journal of Shri Ram College of Commerce'.

ABOUT THE JOURNAL

It is a double blind reviewed bi-annual Journal launched exclusively to encourage students to pursue research on the contemporary topics and issues in the area of commerce, economics, management, governance, polices etc. The journal provides an opportunity to the students and faculty of Shri Ram College of Commerce to publish their academic research work.

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Shri Ram College of Commerce is committed to upholding the high academic standards. Therefore, the Committee on Publication Ethics (COPE) follows a 3-Stage Selection Process while approving a paper for publication in this Journal. The policy is as follows:

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The following guidelines are to be carefully adhered by the students before final submission of the manuscript. The submitted manuscripts not conforming to the following guidelines are not taken into consideration for any further processing.

Format

Format of the article on the front page should be:

1. Title
2. Name(s) of the student(s) and mentor along with their details
3. Abstract
4. Keywords

Abstract

The abstract should capture the essence of the article and entice the reader. It should typically be of 100 -150 words, and in Italics.

Font type and word limit

The research paper is to be typed on A-4 size paper with single line spacing. The complete length of the paper should not exceed 5000 words including endnotes and references. The font size should be 12 and font style should be Times New Roman.

Referencing style

The Journal adheres to the APA (American Psychological Association) Referencing Style, Sixth Edition. Students must refer to the APA Referencing Guidelines to ensure conformance to this reference style. For further information you may visit the following link - http://www.apastyle.org

Endnotes

Endnotes should be serially arranged at the end of the article well before the references and after conclusion.

Table, Figures, Graphs

The first letter of the caption for table, figure, graph, diagram, picture etc. should be in capital letter and the other words should be in small letter - e.g. Table-1: Demographic Data of Delhi, Figure-1: Pictorial Presentation of Population etc.

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The hard copy (3-Sets) of the manuscripts should be submitted in the Administrative Office of the College.

Declaration

As part of the submission process, the student and mentor needs to declare that they are submitting original work for first publication in the Journal and that their work is not being considered for publication elsewhere and has not already been published elsewhere. Again, the paper should not have been presented in any seminar or conference. The scanned copy of duly signed declaration by the students and their respective mentors has to be emailed along with the research paper.

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Principal's Message

To achieve and promote excellence in research and publish quality academic as well as educational resources as guided by the Mission Statement of the College, Shri Ram College of Commerce had launched a Journal, “Strides- A Students' Journal of Shri Ram College of Commerce” on the occasion of 91st Annual Day of the College held on 13th April, 2017. The Journal was released by then the Hon'ble Union Minister of Human Resource Development, Shri Prakash Javadekar. The Journal publishes the research papers and articles written by students of the College under the mentorship of Faculty Members which go through an intense review mechanism before getting published.

Through the Journal, students get an excellent platform to enhance their research calibre, display their academic perspective, and practically apply their classroom learnings to real-world situations. The present Issue includes several multi-disciplinary and contemporary topics such as “Quantum computing: A futuristic frontier in the financial sector”, “Unfolding the Global Hunger Index 2020”, “Role of Monetary and Fiscal policies during Covid-19: India and Comparative Analysis”, “An analysis of macroeconomic and bank-specific causes for burgeoning NPAs in India”, “The political leaning paradox”, and “Re-engineering climate change solutions through carbon credit trading”.

I wholeheartedly congratulate the Editor, Strides, Dr. Rajeev Kumar and students whose research papers got published in Volume 4 Issue 1 & 2 of the Journal. Simultaneously, I encourage more students to contribute their research papers for the successive Issues.

My best wishes for your future endeavours!

Prof. Simrit Kaur
Principal

Editor's Message

Shri Ram College of Commerce is well known for its academic excellence and dedicated approach towards dissemination of knowledge in the academic world. The College acknowledges and values the role of research in education and is firmly committed to develop and encourage an inclination towards research in both faculty and students. To reaffirm this ethos, the College has taken the initiative to launch a new Journal named 'Strides - A Students' Journal of Shri Ram College of Commerce' to encourage students to pursue research under the guidance of the faculty of Shri Ram College of Commerce.

It is a bi-annual Journal launched exclusively to publish academic research papers and articles by the students on contemporary topics and issues in the area of commerce, economics, management, governance, policies etc.

In order to maintain high standards of publication, COPE (Committee on Publication Ethics) has been constituted. The COPE is the apex authority which authorises over all the decisions related to publication of research papers and articles in Strides. The recommendations and decision of COPE is final and binding.

To maintain high academic standards, academic ethics and academic integrity, a rigorous process of double-blind review of research papers is followed along with screening of plagiarism of each manuscript received by the COPE for publication. The research work published in Strides is absolutely original and not published or presented in any form at any other public forum.

The foundation issue of the Journal "Strides - A Students' Journal of Shri Ram College of Commerce, Volume 1, Issue 1, 2016-17" was successfully released on 91st Annual Day of SRCC held on 13th April, 2017 by Shri Prakash Javadekar, Honb'le Union Minister of Human Resource Development, Government of India. The successive issues of 'Strides - A Students' Journal of Shri Ram College of Commerce' have been released bi-annually. However, due to the COVID19 pandemic and ensuing lockdowns the current issue has been delayed.

I congratulate all the students whose research papers are published in this issue of Strides and express my sincere thanks to their mentors and referees.

Dr. Rajeev Kumar
Editor

STRIDES - A STUDENTS' JOURNAL OF SHRI RAM COLLEGE OF COMMERCE

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Education Crisis in India and its Impacts

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Abstract

This paper primarily focuses on the need of students to take education loans in India and the burden created on them due to several factors, one of them being the weak education system. Through our analysis, we found that the government intervention in the Education system through its expenditure policies is way below the standard. This makes the Indian Education System weak, leading to students opting to go abroad or join Private Universities in India and thus raising the demand for an education loan. We conducted a sample survey which helped us in reaching various conclusions. One of them being the high per subject expenditure for secondary school level education which ultimately leads to an overall high population expenditure on education for pursuing higher education as well i.e. for under-graduation or post-graduation, education loan becomes a necessity. In this paper, we have tried to consider all such parameters which direct the student to opt for an education loan and its various implications. Besides, we have also analysed the terms and conditions of sanctioning education loans in India and the consequences when such loan is not repaid.

INTRODUCTION

"The highest education is that which does not merely give us information but makes our lives in harmony with all existence." *-Rabindranath Tagore*

India has one of the highest populations in the world with nearly 1.3 billion minds. This can be the best tool for India to harness its unutilised potential to develop. Education is the means to make use of the brilliant human minds in building a better society and environment. But with this huge population, cut throat competition becomes a part of every race.

With time, Indian citizens have seen a drastic increase in the expenditure to educate themselves. Students are struggling for every seat available in any educational institution, every scholarship offered, etc.

Government and government aided institutions did not have sufficient seats to satisfy the growing population needs. The Education Policy of 1992 was a move to incentivise the private players to enter the education field. Private institutes came up and several deemed universities were made. This has increased the number of seats available for students. This move might seem to be good from the point of view of the government, but it comes at the cost of increased education expenditure.

Meritorious but poor students try their hands to get government scholarships, grants or subsidies to cover the increasing cost of education.

Rich people have sufficient resources to pay off their expenses but the middle class and lower-class people are unable to do so. They need external assistance and this is where the lending institutions, especially the banks, play an important role. They have the obligation to provide loans to such students so that the country flourishes. Also, the central bank and the Indian Bankers' Association introduced a model education scheme that seeks to provide loans at affordable rates.

So, throughout this paper we have tried to analyse how exactly the expenditure on education has drastically been increasing despite a fall in the quality of education, further instigating people to take loans to pursue studies at better institutes or sometimes abroad. Its implications and the role of the banking sector in the whole scenario have also been studied in depth.

LITERATURE

According to the then human resource development minister Mr. Kapil Sibal, only 12 out of every 100 children in India reach graduation level whereas it is 50-70 in Europe and the global average is 27. The government wished to increase the figures to 15 by 2012 and 30 by 2020.

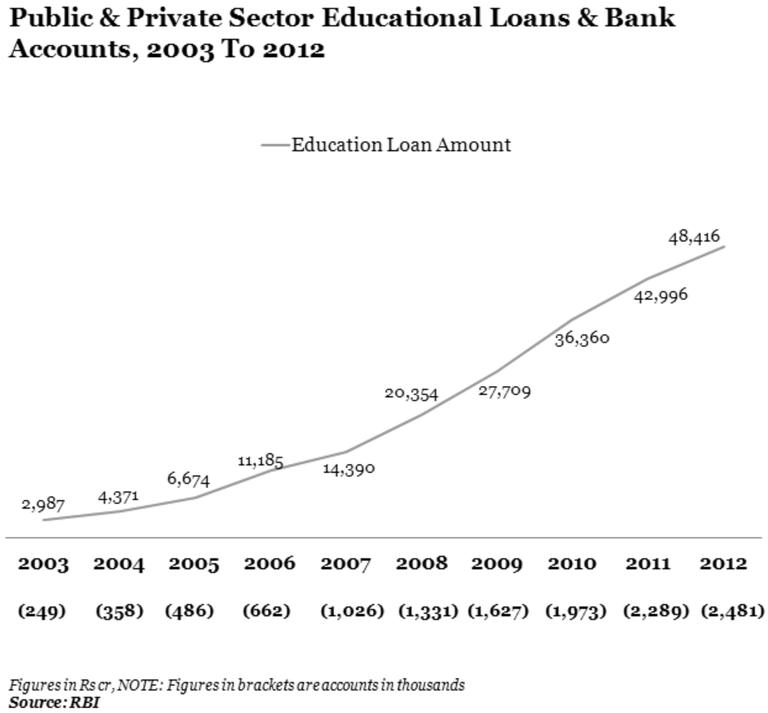
Moreover, Globalization makes a clear statement that only those countries that have a knowledgeable and adaptive human capital can survive amidst the cut throat competition.

To bring about the changes, India had to push its investment in the country. So, "The Right of Children to Free and Compulsory Education Bill, 2009" was passed by the Indian Parliament on August 4, 2009. The bill aimed to increase both the literacy rate and the number of students passing out as graduates.

To move ahead with this aim, several public and private sector banks were asked to mandatorily issue educational loans. Earlier these loans were granted on similar terms to those of personal loans but later the model was changed by the Indian Banking Association. Terms were changed and majority of the loans were granted to students taking up careers and courses oriented towards more demanding jobs in the market. This action was further fuelled when students started committing suicide as they were unable to finance their education and couldn't fulfil their dreams.

Since then, the number of loans has been following an upward trend. The amount of education loans granted by commercial banks both public and private has been increasing from 2003 to 2012. When self-financing institutions were allowed to operate, the number of educational loans drastically increased.

Chart 1: Graph showing total amount of educational loans granted from 2003-2012



As per the data extracted from NSSO, the number of educational loans was 2.3 million in 2011–2012, which increased from 0.11 million in 2000–2001. The proportion of students sanctioned loans and enrolled in higher education constituted about 1.3% of total number students enrolled in 2000–2001 and increased to around 9% by the beginning of 2011–2012. Not only has the number of students sanctioned with education loans increased, but also the monetary amount of education loans given has also increased rapidly.

Although the amount of loans being granted have increased for the last decade, recently it has witnessed a drop. The outstanding loans, as on September, 2017, stood at Rs 71,975 crore and fell to Rs 66,902 crore in November, 2019. On a year-on-year basis, the education loan portfolio of banks has shrunk by 3.5% in the twelve months to November, 2019.

The amount of growth in educational loans was more than the expenditure incurred by the government on higher education indicating the fact how the government gradually withdrew from funding higher education of the Indian citizens.

This is because, although the government has been spending higher amounts each year, it is comparatively lower in proportion to the increasing GDP. According to several economists, the gross enrollment ratio should be at least 20% in higher education, which is much lower in India.

The extent of public and private share of enrollment and institutions in higher education determines the demand for education loans. Hence, demand for education loans is determined by several factors such as family income, social composition of the population and public versus private share of enrollment in higher education, cost of higher education, subsidy in education loans and benefits derived by spending such loan.

Human Capital Theory suggests that an individual will invest in human capital only if the future benefits derived exceed the cost incurred on education.

To get better job prospects and a potential to earn higher income, investment in higher education is desirable and mandatory. The same can be associated with the reputation and better knowledge imparting abilities of colleges and universities. The better value a university holds, more are the chances that big brands and MNCs hire its students, offering them handsome packages.

But this is not the only way to get good jobs as data suggests that in these premier institutions 30-35% students get jobs and only 10-15% get jobs with a higher earning capacity. However, in today's economic turbulence with occasional work-force reduction all over the world, fuelled with the pandemic, even big companies are recruiting a smaller number of candidates.

Even after studying at a reputed educational institution when a student isn't able to get a job, he has no means left to pay off his debt. Such students are said to be credit-constrained if they are unable or unwilling to invest their parental income in their education. Credit-constrained students are being defined as those who did not receive financial support from their parents for education. For these kinds of students borrowing through student loans to finance college education is a utility maximization solution for credit-constrained students.

These students may not enjoy the benefits of student loans even if credit is available. It is observed that they are hesitant to finance their education through student loans because of debt aversion, self-control, complexity of the loan terms and institutional barriers. A student loan borrower has to consider the future repayment which depends on his own future earnings. Hence, a risk-averse student may decide not to borrow for college even though the expected return may be greater than the cost.

Several researchers have also found that debt caused more graduates to choose higher-salary jobs rather than lower-pay "public interest" jobs. To increase the culture of entrepreneurship in India, youth should be free from financial constraints then only they will think of going for risky ventures where income is uncertain.

Private loans granted by banks and other financial institutions are made based on repayment ability and security attached with the borrower and hence are geared towards students with better financial stability. There are many challenges in the private student loan market. These include uncertainty about college completion (as many students aren't able to cope up with college studies and then banks withhold their future loan instalments), their unpredictable future income and information asymmetry. In the absence of an efficient student loan market, credit-constrained students might compromise their consumption and leisure to achieve a college degree.

Due to the emergence of a large number of sub-standard educational institutions running with poor infrastructure and under-qualified faculty, have also made employers wary of hiring, contributing to the increase in student loan defaults.

The slowdown in the economy resulting in lack of job opportunities is identified as the prime cause for educational loan defaulters. Another major concern many banks face today is wilful defaulters, those who don't care to repay banks simply because they have forgotten to repay these educational loans despite having a job and steady income.

Along with other factors of default, one of the major reasons has been the bad career choice made by the students. Many a time students end up taking such courses which have high earning potential but without having the right aptitude and interest for a particular field. This makes them unskilled graduates and that in turn reduces their chances of getting a good job, thus making them obvious defaulters of educational loans.

Let's have a look at how the Banks issue student loans and the measures they have adopted to reduce defaults.

In the year 2001, Indian Banking Association adopted a framework for issuing educational loans through public sector banks as recommended by the Central Government. As public sector banks have adopted this, private, cooperatives and other scheduled banks also accepted it. Private loans have also been issued at different rates based on the educational loan terms such as provision of co-signer, collateral, etc.

Before a loan is granted there are several factors that are taken into account, one of them being Financial Need which is equal to the total cost of the course* reduced by the parental contribution for the same.

*The cost of the course for enrolment/admission is determined by information on tuition fee, exam fee, cost of study material, stationery, lab fee, computers, lodging and boarding, travel, insurance and others.

So, the net of financial need will be estimated by the excess of total financial need over scholarships and other concessions.

Educational loans come under the priority sector. Hence 40% of total loans must be under that category. Certain banks like UCO bank maintains different loan products such as ASPIRE Loan for loan amount more than 75 lakhs which is for students going abroad and requires both collateral and co-signer, PREMIUM loan for loan amount more than 30 lakhs for education in IITs & IIMs with no collateral and only co-signer.

Subsidies are also granted to students during payment of loan whose family income is low but is not a defaulter under certain schemes like CSIS, Ambedkar Student subsidy, Padho Pardesh etc.

All these schemes allow the benefit of interest subsidy only once in the whole educational tenure of the student whether at the time of under-graduation, post-graduation or Ph.D.

However, the criteria for granting loans are different for different sections of the society (based on geography) and gender. Female students are given grants or loans at concessional rates. Certain relief measures are provided to the disabled. Another important criterion being often looked at is the type of institution where the student is going to study. That in turn determines their prospective earning capacity. Central and private institutions are considered of better value than state and private aided ones. Background check of the family is equally important to understand the repayment ability of the borrower (CIBIL score of borrower, parents and spouse). People with CIBIL score below 600 are denied.

As the banks charge simple interest on the loan till the education is completed by the student and start compounding it when the student graduates or gets a job, it was felt that a major part of loan burden was not the principal amount but the interest accumulated on the same which may be the reason for increasing NPAs.

Consequently, increase in NPAs has caused a sudden decline in the amount of loans granted in 2017, 2018 and 2019 of 3.3%, 4.7% and 5.6% respectively. Today 91% of the student loans are granted by government banks hence they bear the maximum burden of such defaults. Although the percentage is less than the private sector is preferring to lend for other lucrative purposes. With bad loans on the rise from this sector, banks have come with novel ways of tracking wilful defaulters. Banks have now started following their borrowers on social media. This also makes it easier for banks to trace the student's whereabouts that would facilitate banks to recover loans in a cost-efficient manner.

Additionally, banks have also started issuing joint loans to students along with their parents as many defaulters being females were married and banks couldn't reach them. Also, just because their parents had no liability against the loan, the banks were unable to recover their loan amount. Sometimes wilfully, the parent has to take the additional burden of repaying the student loan if their daughter is married soon after graduation in order not to embarrass the groom.

Loans are granted to those individuals whose family's salary accounts are maintained in the same bank. Banks make the use of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI ACT) to auction residential and commercial properties held by banks as collateral to recover the loan.

Despite all these measures, there was a delinquent behaviour observed in loans overdue for more than 90 days, with 13.34% increase in March, 2020 than 12.76% in December, 2019. The non-performing assets have been on the rise in the education sector and have registered an increase of 142% from 2013 to 2016 estimating to Rs. 3,127 crores. The share of NPAs saw an increase to 8.76% from the earlier 5.4%.

Increasing NPAs force banks to ask for more collateral hence following the vicious cycle again. Human capital cannot serve as a collateral because of its intangible nature hence something tangible must be there in the form of a security. Therefore, this requires intervention of the government to break the cycle. Giving out loans seems to endure an imbalance and insensitivity towards the poor.

Today central and several state governments are found to have a different motive to issuing loans which is to win the favour of people in elections. This was noticed when the state government of Kerala announced in its previous budget to write off interest on educational loans granted between 2003 and 2009. Although these policies are widely believed to have a political motive, they cannot be disregarded as much needed economic interventions.

The most important question as to whether educational loans should be waived off or not, or should a moratorium period be provided or any interest subsidies is the subject matter of the paper.

We have dissected the paper into 6 parts. The first being the **overview** which helps the readers understand the method through which the paper has been approached, second being the **literature** which draws the picture of the financial industry and how the educational loan environment has been progressing, its current state and developments, then the third part is **research methodology** where we have tried to understand the impact in greater depth through both primary and secondary data, fourth part being the **results and implications** where we have explored the sample data, fifth part being the **analysis** where we have stated the final say on the idea of waiving of educational loans in the Indian market and the various policies that can be taken up in the future and last but not the least is the **conclusion** where we end the paper by stating our results and the things we expect to be undertaken in India for it to become a superpower house in the educational front.

RESEARCH METHODOLOGY

We conducted a small survey comprising 169 people, majorly undergraduate students, to analyse how efficient is the education system in India, what were the major responses among the survey group and what were their takeaways on the systems. Several questions were asked in the questionnaire ranging from their annual expenditure on education including coaching classes and tuitions, reasons for taking additional classes, loans taken to study abroad, methods of repayment of loan etc. Further t-tests and z-test were applied on the data so collected to understand how the population inclined from the sample data.

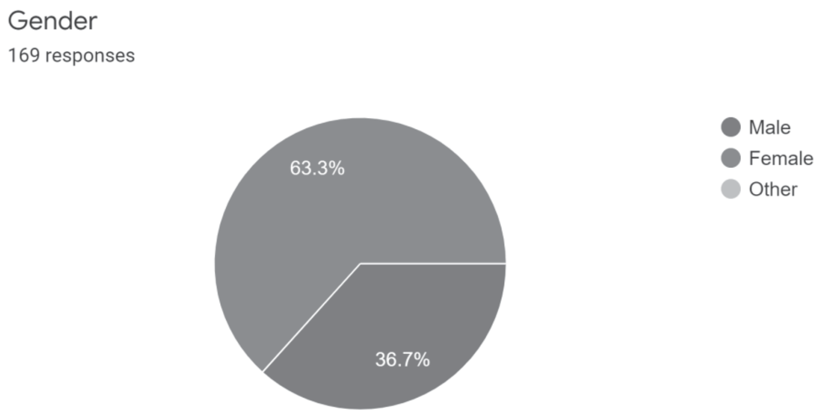
DEMOGRAPHY OF DATA

The target group in the survey is the middle income and the upper middle-income group. Out of the group of 169 people, 63.3% were females and 36.7% were males. A lot of females were asked to fill the survey to get an aspect of their thinking and preference in the current world rather than focussing on male since major research papers have a male dominated group.

Due to data constraints, the major group of people being surveyed are from the Commerce background. The preferences are hence inclined towards the domain of business, analytics, management, finance, M.Com etc.

The survey is done via google forms that were distributed through social media platforms. The demography is mainly Indian in nature.

Chart 2: Proportion of male and female out of total respondents

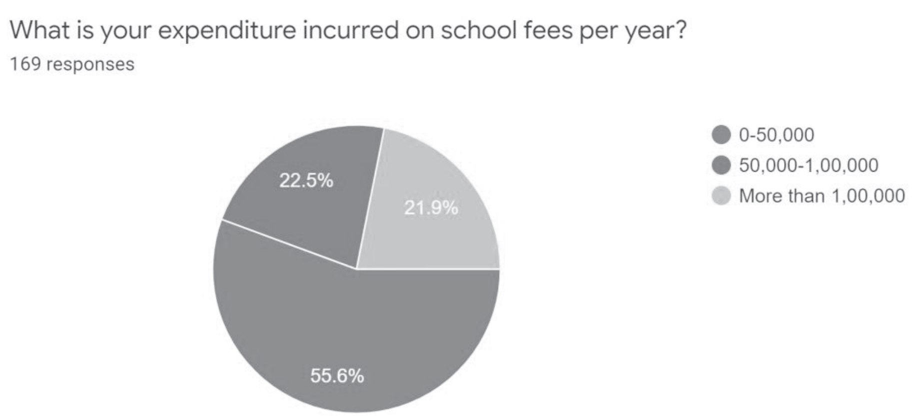


Source: Sample survey of 169 students conducted by the authors of this research paper

The visualisation of the data represents the responses collected through the survey forms.

VISUALISATION OF DATA

Chart 3: Per year expenditure on school fees incurred by the respondents



Source: Sample survey of 169 students conducted by the authors of this research paper

We can see that usually the expenditure incurred by the people from the sample group falls under the category of 0- 50,000 Indian rupees and with nearly an equal number of people who spend more than 50,000 but less than 1,00,000 and people who spend more than 1,00,000 yearly.

Table 1: Inflation figure for the respective years

Year	Percent
2010	11.99%
2011	8.86%
2012	9.31%
2013	10.91%
2014	6.35%
2015	10.91%
2016	4.94%
2017	2.49%
2018	4.86%
2019	7.66%

Source: World bank.org

Table 2: Sample statistic of the data surveyed

sample mean	73955.38
sample standard deviation	54841.72
n	169
95% confidence	
confidence interval width	8268.292

Source: Sample survey of 169 students conducted by the authors of this research paper

We can say that the population expenditure for the middle section of the society lies at about rs 65,687.09 to rs 82,223.67 per year.

Table 3: Preference of surveyed candidates to attend government schools or foreign institutes (including the need to take educational loans)

Would you prefer attending government schools/colleges?	Are you planning to study abroad? Or have you got admission abroad?	Have you taken any loan or are you planning to take one for pursuing education abroad?	No of responses in each category
Yes	Yes	No	13
Yes	Yes	Yes	12
No	No	Yes	1
No	Yes	No	6
Yes	No	No	2
No	Yes	Yes	5

Source: Sample survey of 169 students conducted by the authors of this research paper

Accordingly, we finally shortlisted the most important categories highlighted in pink. The "No yes no" and " No yes yes" categories help in understanding how many people wish to continue their education abroad. Among the major reasons for opting to study outside India was because the education system was poor, obsolete and not practical in nature to what hirers actually required. This tells us the deteriorating condition of the most important system prevalent in India. This is one of the reasons why India experiences a higher rate of brain drain and why Indian youth studying in India face so much difficulty in being placed in a good commercial organisation.

We conducted t-tests to find out the population proportion of the number of people who do not prefer to study in government institutions but those who wish to go out (on their own wealth or by taking loans both included). The results derived were (given 38 as the degrees as freedom)

Table 4: Categorization of choices (from table 3) and the respective t-test result (Scenario 1)

Categories			
No yes yes	5	p- sample proportion	0.282051
no yes no	6	q	0.717949
Total	11		

	Case 1
t value	2.024394164
standard error	0.072057377
mean error	0.145872533
confidence interval (starting from)	0.136178749
confidence interval (ending at)	0.427923815
mean error using excel formula for verification	0.145872533
standard deviation of the sample distribution of sample proprtion	0.449998174

Source: Sample survey of 169 students conducted by the authors of this research paper

From the above data we can understand the population proportion can be expected to be about 13.61% to 42.79% which shows a significant number of students willing to go abroad.

Table 5: Categorization of choices (from table 3) and the respective t-test result (Scenario 2)

People wishing to go abroad(despite saying yes to govt schools)		Case 2	
yes yes yes	12	p- sample proportion	0.641026
yes yes no	13	q	0.358974
total	25		

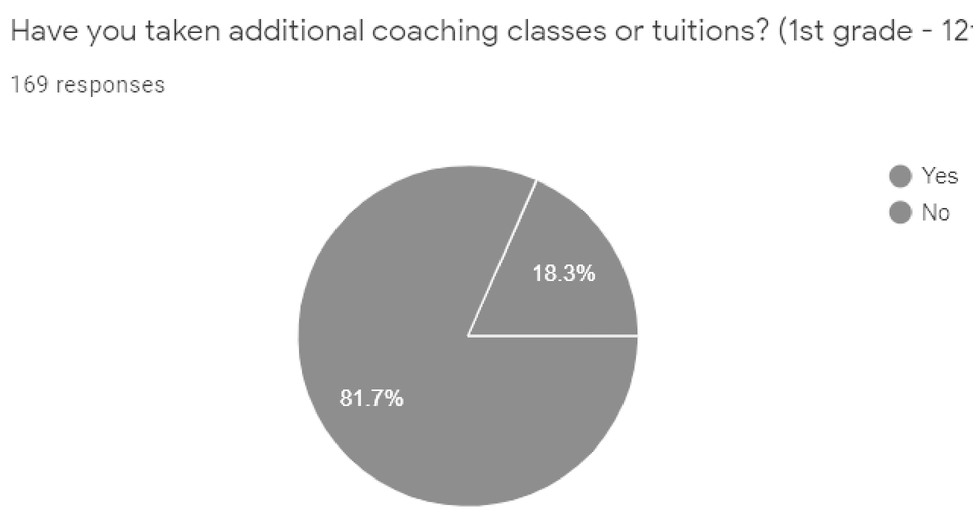
t value	2.024394
standard error	0.076813
mean error	0.155501
confidence interval (starting from)	0.485525
confidence interval (ending at)	0.796526
mean error using excel formula for verification	0.155501
standard deviation of the sample distribution of sample proprtion	0.4797

Source: Sample survey of 169 students conducted by the authors of this research paper

For the next two most important categories clubbed as one (highlighted in red) it considers those students who wish to do their undergraduate in India and then move abroad to pursue higher education (taking loan and without taking loan). One of the causes which we can find among the sample survey responses was the efficiency of Indian education system in certain domains like the government medical institutes, few top engineering institutes like IIT, NIT etc and management colleges and universities (IIMs). The most preferred were these. This part of the survey also tells of the want of students to go outside India.

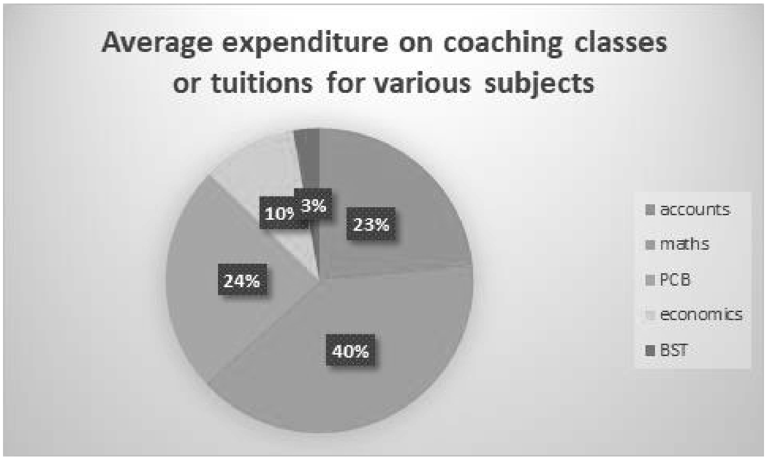
From the above data we can understand the population proportion can be expected to be about 48.55% to 79.65% which shows a significant number of students willing to go abroad after they finish their undergrad degree to several ivy league universities in the US and some famous ones in the European Union.

Chart 4: Percentage of students who opted additional coaching classes from 1st to 12th grade



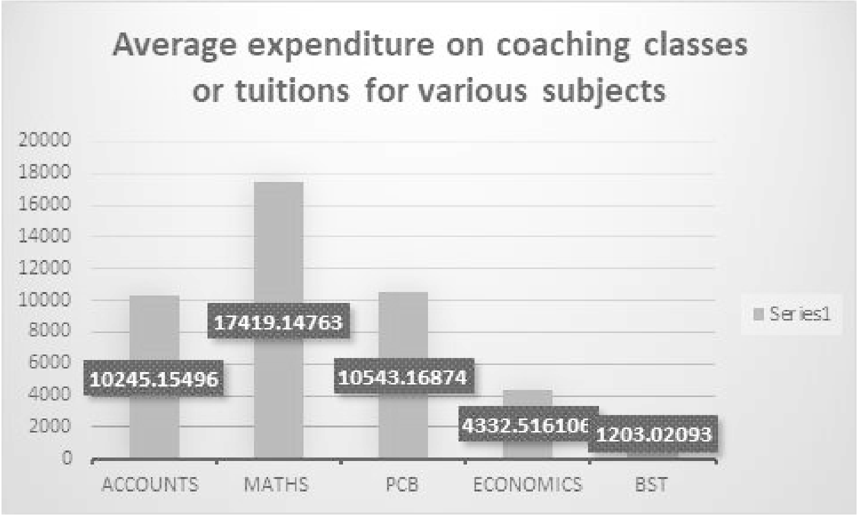
Source: Sample survey of 169 students conducted by the authors of this research paper

Chart 5: Distribution of average expenditure incurred on additional classes amongst various subjects (pie chart)



Source: Sample survey of 169 students conducted by the authors of this research paper

Chart 6: Bar graph on average expenditure incurred on additional classes for various subjects



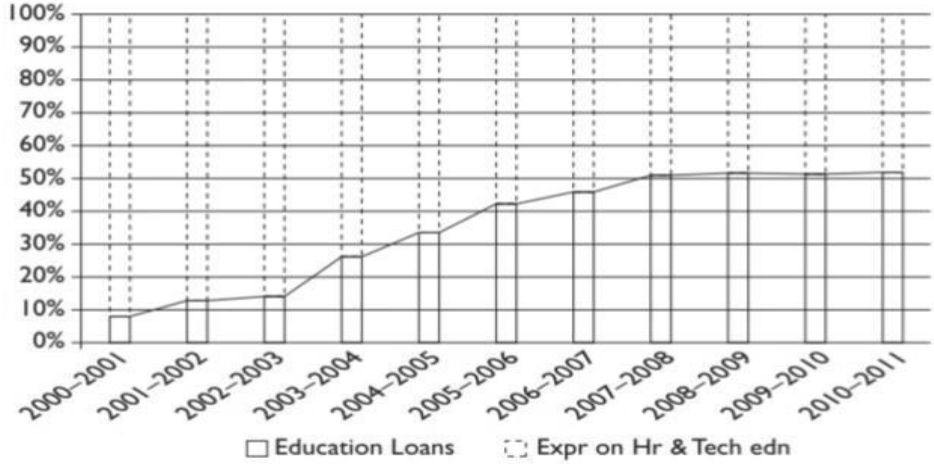
Source: Sample survey of 169 students conducted by the authors of this research paper

Table 6: Growth in Education Loans and Enrolment in Higher Education in India during 2000–2001 to 2010–2011

	Total No. of Education Loans (in 000s)	Total Enrolment (in 000s)	% of Students Obtained Education Loans
2000–2001	112	8,626	1.3
2001–2002	157	8,821	1.8
2002–2003	239	9,517	2.5
2003–2004	347	10,009	3.5
2004–2005	470	11,777	4.0
2005–2006	641	14,324	4.5
2006–2007	1,002	15,553	6.4
2007–2008	1,215	17,211	7.1
2008–2009	1,603	18,649	8.6
2009–2010	1,928	20,741	9.3
2010–2011	2,236	23,078*	9.7
2011–2012	2,288	25,678*	8.9
Growth rates	33.5	11.2	

Source: Statistical tables relating to Statistics in India, Selected educational Statistics for the period 2000–2001 to 2005–2006; Selected Statistics on Higher and Technical Education since 2006–2007. Note: * indicate projected figures using the average annual growth rate in the enrolment of higher education during the period 2000–2001 to 2009–2010.

Chart 7: Growth of Education Loans Sanctioned and Expenditure on Higher and Technical Education



Source: Statistical tables relating to Statistics in India; Analysis of Budgeted Expenditure on Education, various issues

Table 7: Growth of Education Loan and Government Expenditure on Higher and Technical Education during 2000–2001 to 2010–2011

	Education Loans Released (₹in 10 millions)	Government Expenditure on Higher & Technical Education (₹in 10 millions)	Education Loan as a % of Government Expenditure on Higher and Technical Education
2000–2001	1,028	11,723	8.8
2001–2002	1,527	10,648	14.3
2002–2003	2,870	17,719	16.2
2003–2004	4,179	11,893	35.1
2004–2005	6,398	12,649	50.6
2005–2006	10,804	14,670	73.6
2006–2007	14,012	16,583	84.5
2007–2008	19,748	18,969	104.1
2008–2009	27,646	27,190	106.9
2009–2010 (RE)	35,628	33,647	105.9
2010–2011 (BE)	43,074	39,798	108.2
2011–2012 (BE)	42,993	–	–
Growth rates	42.8	12.60	–

Source: Statistical tables relating to Statistics in India; Analysis of Budgeted Expenditure on Education, various issues.

Table 8: Who Benefits from Government Financing of Higher Education

		Location		Gender		Caste Groups		
MPCE	National	Rural	Urban	Male	Female	SC/ST	General	Others
Quintile 1	4.1	6.79	5.58	4.85	3.10	6.51	5.65	2.02
Quintile 2	7.6	9.43	9.53	8.43	6.56	10.23	9.99	4.94
Quintile 3	13.0	12.55	15.64	14.28	11.42	16.28	15.64	9.91
Quintile 4	23.1	20.42	26.95	23.31	22.84	23.16	25.24	21.72
Quintile 5	52.2	50.81	42.31	49.13	56.07	43.81	43.48	61.42
All	100	100	100	100	100	100	100	100
Polarization ratio	12.79	7.48	7.58	10.12	18.07	6.73	7.70	30.47
N	5,047	1,856	3,191	2,823	2,224	1,075	1,541	2,431

Source: Estimated from the Basic data of NSSO 64th round.

Having divided the whole society representing monthly per capita consumption expenditure (MPCE) into 5 quintiles, it can be seen that the quintile 5 or the top most quintile was the one which gained the maximum and quintile 1 shared the least amount of expenditure on education.

To analyse whether the amount of expenditure the government has incurred could benefit the poorest sections of the society. , we have made use of the **polarization ratio** to understand if the poor are really getting benefitted out of the education loans financed by the government. The polarization ratio helps in finding by how much do the rich exit from public provisioning of education to the private sector and how much is left for the poor. The lower the ratio, the better it is for the poor in being able to access education facilities. The ratio was found to be higher indicating maximum benefits reached to the urban students than to the rural students.

This shows how poor the government programmes are targeted.

Table 9: Average Size of Education Loans in India during 2000–2001 to 2011–2012

Year	Education Loan Per Student (in ₹)
2000–2001	91,786
2001–2002	97,261
2002–2003	120,084
2003–2004	120,432
2004–2005	136,128
2005–2006	168,549
2006–2007	139,840
2007–2008	162,535
2008–2009	172,423
2009–2010	184,759
2010–2011	192,679
2011–2012	187,919
Growth rates	6.94

Source: Statistical tables relating to Statistics in India, Analysis of Budgeted Expenditure on Education

ANALYSIS

Microeconomic Aspect

As per the sample survey results, we understood that many students are forced to take educational loans due to the increasing cost. A question pertaining to the expenditure incurred on education was incorporated in the Survey. From the sample expenditure so received we conducted a z-test and used the techniques of inferential statistics to understand where the population expenditure for school education lies for the middle class and upper middle-class data per year. Due to data constraints, the poor and higher class have been excluded.

Few assumptions have been taken for simplifying purposes. The average expenditure (in Indian rupees) incurred has been taken from the three brackets of 0-50,000, 50,0000-1,00,000 and more than 1,00,000 which are 25,000, 75,000 and 1,25,000 respectively. The results strongly indicated that population expenditure for the middle section of the society lies at about Rs. 65,687.09 to Rs. 82,223.67 per year which is on the expensive side of the scale. Middle income people comprise 55% of the population. Education is seen as a heavy expenditure, pushing them to take up more loans due to insufficient funds.

We also asked certain questions regarding the institute where they wished to pursue their education if they chose to go abroad, whether they were willing to take loans to continue with higher education, whether they preferred Government schools/colleges. Out of the sample survey we found 39 valid responses that were suitable to be incorporated in the study. Responses were divided under 6 important categories. Nearly 40% to 70% of the middle income and upper middle-income population wish to pursue their undergraduate education in India (values derived from t-tests) but would like to go abroad for higher studies due to the poor system prevalent in India. Most of them also agreed to the fact that they would have stayed in India had the education system been good.

We also have tried analysing the responses that we got regarding the excess expenditure incurred by students for taking up additional classes besides college or school education. After taking into account the inflation, we got the following results.

We realized that Maths was the subject which people often took classes for, then was Accountancy and then Physics, Chemistry and Biology. Another point to be noted is that although the demography of the people from whom the survey was taken from commerce major students, Maths being a common subject for both science and commerce, showcased the fact that the education system of India doesn't provide absolute justice to what it stands for as the "Land where Mathematics was developed"

Among the major reasons that we found as to why people took coaching classes was the fact that their teacher either wasn't good or they felt the need of studying again with an external support factor.

Increase in educational loans can be seen as a positive aspect but the fact that the rise comes from the increase in demand by people in the middle class who do not have sufficient collateral is an important factor which drives NPAs higher. Waving off their loans would definitely relieve them from the burden but if it really would incentivise such people to invest somewhere leading to the development of the economy is a question that we seek to look into.

After thoroughly understanding the data, we understood that in the short-term there might be temporary benefits but not substantial ones. The unemployment rate at the time of graduation tends to have a long-term impact on lifetime earnings and health. Good education is also seen as an indicator of a lower likelihood of unemployment, success, in both the labour and marriage markets, happier marriages, more successful children, more civic participation, more welfare, better health, enhanced decision-making skills and decreased risky behaviours.

With increasing concerns about student loan debt and the defaults, researchers and policymakers are now beginning to realize these short-term impacts that extend beyond simply defaulting or the ability to repay the debt. The effects of student loan debt on health, financial capability, transitions to adulthood such as marriage and homeownership, and wealth accumulation are the key factors that noted substantial change.

When compared to students having low financial concerns to those with high financial concerns, it was seen that anxiety and nervousness levels were more for students with high financial concerns and they faced more criticism by people, and they had more difficulty sleeping. Drinking and driving, amphetamine use, condom use, depression, physical inactivity, and a higher BMI were significantly associated with high-risk credit behaviour.

Macroeconomic Aspect

After having tried to understand the secondary data, we found a few strong implications that educational loans have on society.

From the polarization figures we found that there is inequality in the loans that have been granted. Urban students are the ones who are gaining the most. Hence government, due to its inability to benefit poor students and finance the increasing social demand for higher education, has innovatively shifted from provision of public subsidies such as grants-in-aid, block grants and maintenance grants, to performance-based grants, efficiency-related grants, outcome-based grants, etc, and from the provision of public subsidies of grants/scholarships, tuition subsidies and cost of living subsidies, to voucher schemes and education loans.

But, the conversion of a loan into a grant can affect the financial viability of the student loan scheme. It would be criticised on the basis that such conversion can have drastic effects on the health of the banking system and will contribute to multiplying the non-performing assets (NPAs). The establishment of credit guarantee fund scheme, which provides a guarantee for education loans disbursed by Indian banks under the model framework of education loan scheme by Indian Banking Association, helps in easing this situation.

Every scheme that the government specifies has an objective which is driven by several factors such as the interest charged, collateral requirements, eligibility to get loans, amount recovered, repayment period, grace period etc. Better schemes and structures are being introduced to ensure full recovery of the loans. Recovery is a way forward for the government to give more loans and more waive offs to those who are actually in need of it.

Like the hidden component in the National Student Loan Scholarship Scheme is the grant (low recovery ratio) compared to the loan component. When we talk about the structure of the New Educational Loan Scheme, 2001, the main focus is on **maximum recovery**. The government has actively been thinking of ways to increase its receipts to further boost the economy.

Despite the comprehensive plans that focus on maximum recovery of loans, it is evident from the past that the rate of non-repayment of educational loans in the banking sector has been increasing.

There can be various reasons for non-repayment of loans such as income shocks, that are beyond the control of the households and asks for government intervention to ease temporary resource constraints. Default can also be due to moral hazard which creates inability to pay resulting from unproductive expenditures incurred by the households. However, one of the major reasons is the financial hardship faced by students.

Tuition fees of educational institutions at various levels have been rising tremendously and continue to rise more rapidly than the rate of inflation.

It has also been observed that human capital investment made in the developmental stage and at later stages is complementary in nature rather than substitutable i.e. an increase in investment in developmental stage would simultaneously increase the investment in later stages rather than decreasing it. So, there is a gradual increase in educational expenditure.

Data also shows that 67% of students attend private institutions which has led to an increase in the total number of admissions in private institutions. Since, private institutions charge higher fees than government institutions, there is a need for financial assistance. And hence, financial assistance from parental transfers, grant aid, or student loans has become critical for college completion. But, parents invest their resources in their children based on their socioeconomic status and educational expectations. If the parents are unable to contribute well financially, the children face increased difficulties in financing their education. This leads to an increase in demand for external financial aid.

Due to this, 71% of Indian students and their parents are ready to go into debt for financing their college education believing that there are positive returns to education and the student will be able to repay the debt.

Students always consider education loans as a means to make their desired career rather than a form of debt. Parents shape the students' attitudes toward this debt. The fear of debt and debt utility, both are associated with how debt was described.

But, an educational loan waiver by the government implies that the government settles the private debt that a student owes to a bank. Doing so eats into the government's resources, which, in turn, leads to one of following two things: either the concerned government's fiscal deficit (or, in other words, total borrowing from the market) goes up or it has to cut down its expenditure.

A higher fiscal deficit, even if it is at the state level, implies that the amount of money available for lending to private businesses — both big and small — will be lower. It also means the cost at which this money would be lent (or the interest rate) would be higher. If fresh credit is costly, there will be fewer new companies, and less job creation.

If the state government doesn't want to borrow the money from the market and wants to stick to its fiscal deficit target, it will be forced to accommodate by cutting expenditure. More often than not, states choose to cut capital expenditure — that is the kind of expenditure which would have led to the creation of productive assets such as more roads, buildings, schools etc — instead of the revenue expenditure, which is in the form of committed expenditure such as staff salaries and pensions. But cutting capital expenditure also undermines the ability to produce and grow in the future.

Furthermore, whenever the government waives off loans at a large scale, it comes with various implications on households. There have been certain economists who were in favour of government intervention via fiscal channels during exceptionally harsh economic circumstances. One argument in favour of fiscal stimulus programs which operates through credit markets assumes that in situations where households are facing severe macroeconomic shocks and they are unable to manage their finances, then such policies will prevent excessive dead weight losses from foreclosure. Another argument rests on the premise that these economic stimulus programs may distort borrower incentives and ultimately lead to moral hazard.

In the past, the council of ministers at the centre had waived off the interest on educational loans availed from scheduled banks during the moratorium period (i.e. upto one year after the course or six months after getting of job whichever is less) for students of families with annual income less than Rs.4.5 lakhs from the 2010-11 academic year. This one-time relief was available for students who secure admission for technical and professional courses after plus two. But the overall economic impact of this scheme was extremely less.

Hence educational loan waivers are not prudent enough in the long run because they hurt overall economic growth apart from ruining the credit culture in the economy since they incentivise defaulters and penalise those who pay back their loans. The costs that the government bears are more than benefits that an individual students get in terms of less burden.

As per a study conducted by ASSOCHAM, the percentage of student loan borrowers belonging to middle class families has been less than 3% in India whereas the same percentage is 85% in the UK, 70% Germany and France, 77% the US. Hence even if the government does waive off, it is only the 3% who are benefited. But this doesn't mean we ignore educational loans completely. Bringing about a drastic change in how the education system functions can improve the job market leading to lower NPAs and giving out loans to the more needy and thereby equalising the whole system.

CONCLUSION

After having understood the Indian education system, we have realised that the vicious cycle in which a student gets trapped is the main reason behind increasing NPAs of educational loans. Granting and waiving off loans is only a facade to the real problem lying behind.

The scheme of granting loans and the model used by the Indian Banking Association should exclusively focus on those who are actually in need of funds. Programs should be implemented effectively and should target the prospective recipient of benefit. There will definitely be a trade-off between seeking equality in granting loans and reducing NPAs in the short run, but in the long run building the right education system will ultimately help us solve both the problems.

Through the cost and benefit analysis of waving off loans in our paper, we have concluded that costs outweigh the benefits. In the short run, the betterment of health and mental peace is given but that in turn is not sufficient enough to reap economic benefits. In fact, the losses that the government bears (increasing deficit) are far more than the advantages. The opportunity cost of waiving off is really high. The only solution to this problem is to firstly bring about a paradigm shift in the education system which requires a good amount of initial investment.

We recommend spending at least 6% of the annual budget on education. In reality the allocation has been around 3.1% of GDP. Out of this, Rs.39,466 crore has been spent on higher education, which is definitely not enough to solve the education loan crisis. A two-way system of spending 40% funds in loans and remaining 60% on new investments in education is a simple step forward in the beginning, and later the ratio can be changed.

We also analysed our survey results by conducting T-tests and F-tests, which further testifies to the poor system that we have in hand. Tests indicate that major students among the middle-income group are willing and in reality, going abroad to pursue their education. A setback to the government given the fact that best brains are moving out of the country.

After having revamped the education system we can expect expenditure to be low not only in terms of actual or primary educational classes but also the additional classes taken up, more students getting employed, and lower creation of NPAs of educational loans. Waiving off educational loans seems definitely a good move in the short term especially during the pandemic but it is not a long-term solution. Problems will persist until the roots of education are strengthened. Motivation to deviate the odds, trying hard to become job givers rather than becoming job seekers can be instilled only if we impart knowledge effectively and efficiently. Good education system will lead to better life, increased earning capacity, lower NPAs, more investments and ultimately increased GDP.

"If you give a man a fish, you feed him for a day. If you teach a man to fish, you feed him for a lifetime."

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HISTORY OF THE JOURNAL

The idea to launch this Journal was discussed in December 2016 by the former Officiating Principal, **Dr. R. P. Rustagi** with **Dr. Santosh Kumari,** the Editor of the Journal. Since the idea appealed to **Dr. Santosh Kumari**, she took the initiative to contribute to SRCC by creating this new academic research Journal and took the responsibility for its Creation, Registration, License and ISSN (International Standard Serial Number) etc. along with *Editorship*. Therefore, **Dr. Santosh Kumari, Assistant Professor in the Department of Commerce, Shri Ram College of Commerce** was appointed as the Editor of the Journal vide. Office Order – SRCC/AD-158/2017 dated March 14, 2017. She meticulously worked hard in creating the concept and developing the structure of the Journal. She introduced the concept of COPE (Committee On Publication Ethics) to maintain the high academic standards of publication.

On behalf of SRCC, **Dr. Santosh Kumari** made every effort in seeking License from Deputy Commissioner of Police (Licensing), Delhi to register the Journal at "The Registrar of Newspapers for India, Ministry of Information and Broadcasting, Government of India". The paper work for seeking license started under the former Officiating Principal, **Dr. R.P. Rustagi** on March 27, 2017. The foundation Issue of the Journal "**Strides – A Students' Journal of Shri Ram College of Commerce, Volume 1, Issue 1, 2016-17**" was successfully released on the 91st Annual Day of SRCC held on April 13, 2017 by **Shri Prakash Javadekar, Honb'le Union Minister of Human Resource Development, Government of India**. The title of the Journal got verified and approved by the Registrar of Newspapers for India, Ministry of Information and Broadcasting, Government of India on April 21, 2017. On September 1, 2017, **Prof. Simrit Kaur** joined SRCC as Principal and signed each and every legal document required for further processing and supported **Dr. Santosh Kumari**.

On December 18, 2017, the College got the license "**License No. - DCP / LIC No. F. 2 (S / 37) Press / 2017"** to publish 'Strides – A Students' Journal of Shri Ram College of Commerce'. Due to change of Printing Press, the License got updated on March 09, 2018. On April 26, 2018, the SRCC Staff Council unanimously appointed **Dr. Santosh Kumari as the 'Editor of Strides**' for the next two academic years.

On April 27, 2018 (The Foundation Day of the College), **Dr. Santosh Kumari** submitted the application for the registration of the Journal. On May 04, 2018, the SRCC received the '**Certificate of Registration**' for ***"Strides – A Students' Journal of Shri Ram College of Commerce"*** and got the **Registration No. DELENG/2018/75093** dated May 04, 2018. ***On behalf of Shri Ram College of Commerce, it was a moment of pride for Dr. Santosh Kumari to receive the 'Certificate of Registration' on May 04, 2018 at the Office of Registrar of Newspapers for India, Ministry of Information and Broadcasting, Government of India (website - www.rni.nic.in).***

On May 07, 2018, **Dr. Santosh Kumari** submitted the application for seeking ISSN (International Standard Serial Number) at "ISSN National Centre – India, National Science Library, NISCAIR (National Institute of Science Communication and Information Resources). Weblink - http://nsl.niscair.res.in/ISSNPROCESS/issn.jsp". Finally, the College received the International Standard Serial Number "**ISSN 2581-4931 (Print)**" **on June 01, 2018.**

We are proud that this journal is an add-on to the enriched catalogue of SRCC's publications and academic literature.

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