Issues with education loans

What is the status of educational loans in India?

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- NPA level of education loans are high in India.
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- Loans were more likely not offered to the poor.
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- The branch managers don’t have the power to grant education loans.
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- Many of first-generation learners are applying for the loans.
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- The poor student population either need to sell their assets or get loans of mortgage.
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What are the issues with educational loans?

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- In actual practice the loans given by the banks were few.
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- Banks invariably insisted on collateral, but banks were forbidden to ask for collateral except in the case of a loan in excess of
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Rs 7.5 lakhs.

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- The average growth rate of the loan in the last years is just 5.3 per cent.
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- Due to NPA’s in other sectors as well as in education sector, banks think that education loans are not a priority.
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- The graduates are unable to repay the loans because they cannot find jobs in a period of jobless growth.
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- For collection of loans banks are going after borrowers like savage moneylenders.
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How marginal class are denied of loans?

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- Bank management rejects applicant that her place of residence or the place of the college did not fall within the service area of the branch.
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- If a persevering applicant was able to cross all the hurdles, the ultimate weapon of denial was to demand collateral.
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- In case the student was able to provide the collateral citing some obscure rule only a part of the amount applied for was sanctioned.
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What are the measures taken so far?

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- Branch manager don’t have deciding powers on granting such loans.
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- The applications be sent to the regional office or the head office for appraisal and decision.
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- The concept of service area was abolished.
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Source: Indian Express

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