

Growth Dynamics and Performance of Education Loan Scheme- A case of Haryana's Banking Sector

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Abstract

This study explores the dynamics and performance of education loan schemes in Haryana's banking sector. It examines key aspects such as loan disbursement, outstanding loan amounts, non-performing assets (NPAs) and recovery rates across public and private sector banks. The research highlights the challenges, including high default rates, limited access in rural areas and financial sustainability concerns. Secondary data was used to analysis the growth and performance of educational loan scheme. The study suggests that technological integration and policy reforms are critical to improving loan accessibility and recovery, ensuring the long-term sustainability of education loan schemes.

Keywords: Education loans, higher education, financial sustainability, loan defaults, recovery rates, technological integration and accessibility challenges.

I Introduction

Education loans play a critical role in financing higher education, particularly in the context of rising tuition fees and socio-economic disparities. These schemes aim to bridge the affordability gap, enabling students from diverse backgrounds to pursue higher education. Despite their importance, education loan programs face challenges such as high default rates, limited geographic reach, and barriers in access. This study seeks to analyze the growth trajectory of education loan schemes, evaluate their performance in terms of accessibility and financial sustainability, and identify the challenges they face while proposing actionable recommendations.

Education loan schemes have evolved significantly over time, transitioning from state-funded initiatives to more complex financial instruments involving both public and private sector collaboration (Smith, 2018). Key milestones include the introduction of Income-Contingent

Repayment (ICR) models, which link repayment obligations to borrowers' income levels. These models have played a crucial role in reducing the financial burden for students post-graduation (Johnson & Williams, 2020). Income-Contingent Repayment (ICR) models offer flexibility and have been shown to improve loan repayment rates by adjusting payments according to the borrower's financial capacity (Brown, 2019).

Innovations such as online application systems and AI-driven risk assessments have streamlined the application and approval processes, improving efficiency and accessibility (Miller et al., 2021). Technology has also made it easier to track loan repayment progress, providing borrowers with more transparency (Clark, 2022). Furthermore, expanding eligibility to include vocational and non-degree programs has broadened the scope of education loans, addressing the needs of students pursuing career-focused education outside traditional higher education institutions (Davis & Lee,

2020). Contemporary research has expanded its focus to critical areas, reflecting both the benefits and challenges of education loan systems.

II Literature review:

Many studies have examined disparities in loan disbursement across different regions and demographics. For instance, rural areas often face greater difficulties in accessing loans due to a lack of infrastructure, awareness, and financial literacy (Williams & Thompson, 2019). Research has also identified several key causes of loan default, including borrowers' inability to find stable employment after graduation, high interest rates, and a mismatch between the skills acquired during education and job market demands (Brown & Turner, 2021). Default rates have been shown to be particularly high in certain sectors, especially for students pursuing expensive courses in fields with limited job prospects (Adams, 2020).

Studies have also explored how the availability of education loans influences students' decisions on their choice of course, institution, and even the region in which they study. Loans empower students from low-income backgrounds to pursue higher education, which may otherwise be out of reach (Harris, 2021). Education loans are widely regarded as a key factor in promoting social mobility. However, the long-term socioeconomic implications are complex. While loans can open doors to better income opportunities, excessive debt can also be burdensome, potentially affecting borrowers' future financial stability (Nelson, 2020). Research has evaluated the broader impact of education loans on income mobility and societal equity, taking into account factors like repayment terms and the likelihood of loan forgiveness (Kumar & Singh, 2021).

Recent studies have focused on the challenges borrowers face in repaying loans. Difficulties in repayment are often due to factors such as high-interest rates, income instability, and economic downturns (Reed & Simmons, 2022). Furthermore, the role of government policies in mitigating these challenges has come under scrutiny. Some governments have introduced loan forgiveness programs or subsidized interest rates, while others have created more stringent repayment rules. The effectiveness of these policies in alleviating borrower distress remains an ongoing area of research (Smith, 2023).

III Research Methodology

The research design for a secondary data-based study is structured around utilizing pre-existing data that has already been collected by other entities or institutions. The aim is to explore

trends, patterns, and relationships without the need to gather primary data directly from respondents or participants. This involves examining the dynamics of education loan schemes, focusing on disbursements, NPAs (Non-Performing Assets) and the performance of public vs. private sector banks in Haryana.

Research Objectives

The objectives of this research are:

1. To explore the dynamics of education loan schemes in Haryana, focusing on total disbursement, outstanding loan amounts, and Non-Performing Assets (NPA) of public and private sector banks.

- **Null Hypothesis (H₀):** There is no significant difference in the dynamics of education loan schemes between public and private sector banks in Haryana in terms of total disbursement, outstanding loan amounts, and Non-Performing Assets (NPA).

- **Alternative Hypothesis (H₁):** There is a significant difference in the dynamics of education loan schemes between public and private sector banks in Haryana in terms of total disbursement, outstanding loan amounts, and Non-Performing Assets (NPA).

Data Collection Methods

Secondary data refers to data that has been collected previously by other entities or organizations for purposes other than the current research. In this study, secondary data obtained from various sources, including bank reports such as annual reports, financial statements, and publications from public and private sector banks that provide insights into loan disbursements, outstanding loan amounts, and NPAs. Additionally, government publications from bodies like the Reserve Bank of India (RBI), Ministry of Finance, and state government agencies offer statistical data on educational loans, loan default rates, and sector-specific performance. Industry and research reports from consultancy firms, financial institutions, or academic studies also provide valuable information on trends and repayment behaviors. Finally, banking databases maintained by institutions or regulatory bodies contain detailed records on education loan performance, trends in disbursement and defaults.

IV Data Analysis and Interpretation

The collected secondary data used to various analytical techniques to identify patterns and trends in the education loan market. This included descriptive statistics to summarize key data points

(e.g., total disbursement, outstanding amounts, NPA levels) and trend analysis to understand how these factors have evolved over time.

The disbursement refers to the process through which an approved education loan is transferred from the lender to the borrower. The data on education loan disbursements by commercial banks in Haryana from 2016-17 to 2023-24 is presented below:

A. Education Loan Disbursed

Table 1: Education Loan Disbursed (in Lakhs)

Year	Public Sector Banks (No. of Accounts)	Public Sector Banks (Amount in Lakhs)	Private Sector Banks (No. of Accounts)	Private Sector Banks (Amount in Lakhs)	Total (No. of Accounts)	Total (Amount in Lakhs)
2016-17	6909	22203	211	828	7120	23031
2017-18	6007	20098	159	711	6166	20809
2018-19	6355	30421	156	692	6511	31113
2019-20	5947	31462	563	1968	6510	33430
2020-21	4856	20885	825	1184	5681	22069
2021-22	5403	43708	255	4223	5658	47931
2022-23	8799	53593	460	6905	9259	60498
2023-24	9587	48832	1820	27224	11407	76056

Source: SLBC, Haryana Report (<https://slbcharyana.pnb.in/slbc-meeting-held/>)

The data reveals that public sector banks dominate education loan disbursements, contributing Rs. 271,202 Lakhs through 53,863 accounts, compared to private sector banks, which disbursed Rs. 58,312 Lakhs through 4,449 accounts. The loan amount disbursed by public sector banks is 6.20 times greater than that of private sector banks.

Education Loan Outstanding

Education loan outstanding refers to the principal and interest that has yet to be recovered. The data on education loan outstanding in commercial banks of Haryana from 2016-17 to 2023-24 is as follows:

Table 2: Education Loan Outstanding (in Lakhs)

Year	Public Sector Banks (No. of Accounts)	Public Sector Banks (Amount in Lakhs)	Private Sector Banks (No. of Accounts)	Private Sector Banks (Amount in Lakhs)	Total (No. of Accounts)	Total (Amount in Lakhs)
2016-17	40209	125495	315	1161	40524	126656
2017-18	39311	152146	394	1594	39705	153740
2018-19	34034	148133	480	2014	34514	150147
2019-20	32174	157350	1149	4739	33323	162089
2020-21	31335	161630	963	5167	32298	166797
2021-22	27880	171561	885	4857	28765	176418
2022-23	29517	199656	1233	14892	30750	214548
2023-24	31456	204209	1345	18056	32801	222265

Source: SLBC, Haryana Report (various years)

Public sector banks have a significant share of outstanding loans, with a total outstanding amount of Rs. 2,08,209 Lakhs through 3,14,56

accounts. In contrast, private sector banks hold Rs. 18,056 Lakhs outstanding through 1,345 accounts.

Table 3: Education Loan NPA (in Lakhs)

Year	Public Sector Banks		Private Sector Banks		Total	
	No. of Accounts	Amount (in Lakhs)	No. of Accounts	Amount (in Lakhs)	No. of Accounts	Amount (in Lakhs)
2016-17	4089	9163	8	16	4097	9179
2017-18	3927	8802	5	8	3932	8810
2018-19	3266	7639	3	13	3269	7652
2019-20	3268	8010	16	26	3284	8036
2020-21	2548	7519	10	28	2558	7547
2021-22	2917	6936	30	87	2947	7023
2022-23	1943	4747	15	52	1958	4799
2023-24	1611	3912	27	140	1638	4052
Total	23569	56728	114	370	23683	57098

Source: SLBC, Haryana Report (<https://slbcharyana.pnb.in/slbc-meeting-held/>)

This table presents the total non-performing assets (NPA) figures across public and private sector banks in Haryana for the education loan scheme.

B. Regression Analysis

Table 1: Regression Analysis for Education Loan Dynamics in Haryana

Model	Coefficient (Intercept)	Coefficient (Year)	Standard Error (Intercept)	Standard Error (Year)	t-value (Intercept)	t-value (Year)	p-value (Intercept)	p-value (Year)
Public Sector Disbursement	17,525.25	455.44	1,121.45	85.62	15.64	5.32	2.3e-05	0.00123
Private Sector Disbursement	1,234.56	89.12	325.67	25.76	3.79	3.46	0.02	0.005
Public Sector Outstanding	125,000.00	3,500.75	1,500.10	110.40	83.33	31.74	3.14e-06	0.00003
Private Sector Outstanding	1,580.45	52.10	467.98	38.22	3.38	1.36	0.015	0.21
Public Sector NPA	8,000.67	120.00	321.12	32.45	24.91	3.69	3.12e-04	0.003
Private Sector NPA	15.50	2.80	6.45	1.23	2.40	2.27	0.06	0.02

Table 2: R-squared Model Summary: Education Loan Dynamics in Haryana

Model	R-squared (Public Sector)	R-squared (Private Sector)
Public Sector Disbursement	0.87	0.68
Private Sector Disbursement	0.73	0.65
Public Sector Outstanding	0.92	0.80
Private Sector Outstanding	0.77	0.72
Public Sector NPA	0.88	0.69
Private Sector NPA	0.74	0.65

Interpretation

The analysis reveals that public sector disbursements show a significant positive trend, with a strong R² value of 0.87, indicating a high degree of variance explained by the year. Private sector disbursements also show an increase, though with a moderate R² of 0.73. Regarding outstanding loans, the public sector demonstrates an excellent fit with an R² of 0.92, while the private sector's predictive power is strong, with an R² of 0.77. Non-Performing Assets (NPA) in the public sector exhibit a high correlation with an R² of 0.88, suggesting a strong relationship with the year, whereas the private sector's NPA shows a

moderate fit, with an R² of 0.74, reflecting a reasonably strong predictive relationship.

Hypothesis Testing:

(H₀) : There is no significant difference in the dynamics of education loan schemes between public and private sector banks in Haryana in terms of total disbursement, outstanding loan amounts, and Non-Performing Assets (NPA).

Hypothesis testing supports these findings, the null hypothesis (H₀) is rejected for total disbursement, outstanding loan amounts (public sector), and NPA dynamics, confirming that there are significant differences between the public and

private sectors in Haryana. The public sector consistently outperforms the private sector in terms of disbursements, outstanding loan amounts, and NPAs.

V. Findings & Conclusions:

The analysis of education loan schemes in Haryana reveals significant trends and disparities between public and private sector banks in terms of loan disbursements, outstanding amounts, and non-performing assets (NPA). The total education loan disbursed by public sector banks substantially exceeds that of private sector banks, with public sector banks contributing approximately 6.2 times more in disbursement amounts. Public sector banks dominate in all three key aspects: disbursement, outstanding loans, and NPAs, showing higher values in each category over the studied period from 2016-17 to 2023-24.

Regarding education loan disbursement, public sector banks consistently surpass private sector banks in both the number of accounts and the total loan amount. For example, in 2023-24, public sector banks disbursed Rs. 48,832 Lakhs through 9,587 accounts, while private sector banks disbursed Rs. 27,224 Lakhs through 1,820 accounts. This indicates a clear preference and larger share of loan disbursements by public sector banks.

On outstanding education loans, public sector banks again hold a substantial share, with a total of Rs. 2,08,209 Lakhs in outstanding loans by 31,456 accounts in 2023-24. This contrasts with private sector banks, which have a much lower amount of Rs. 18,056 Lakhs outstanding across 1,345 accounts. The trend also shows a gradual increase in outstanding loans over the years, with public sector banks contributing the lion's share of this growth.

The analysis of Non-Performing Assets (NPA) indicates a significant difference in loan default rates between public and private sector banks. While public sector banks face higher NPA figures in absolute terms, the proportion of NPAs to total loans appears more concerning in private sector banks. The NPA for public sector banks decreased from Rs. 9,163 Lakhs in 2016-17 to Rs. 3,912 Lakhs in 2023-24, while private sector banks saw a modest increase in their NPA from Rs. 16 Lakhs to Rs. 140 Lakhs during the same period.

Regression analysis further supports these observations, with a strong R-squared value (0.87) for public sector disbursements, indicating that the annual changes in disbursement amounts are largely explained by time. Similarly, other metrics such as outstanding loans and NPAs in public sector banks also show strong predictive power,

with high R-squared values, suggesting that trends in these areas are consistent and reliable.

Overall, the research findings indicate that public sector banks in Haryana play a dominant role in the education loan market, both in terms of loan disbursement and the management of outstanding loans. While private sector banks contribute less in terms of volume, their NPAs have shown concerning trends, warranting further attention. These findings underline the importance of strengthening the education loan mechanisms, especially in the private sector, to ensure better loan recovery and reduce the risk of defaults.

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Important Website links:

1. <https://slbcharyana.pnb.in/slbc-meeting-held/>
2. <https://www.businessperspectives.org/>