

EDUCATIONAL LOAN PORTFOLIOS IN MIDDLE-CLASS FAMILIES AT BANK OF INDIA

^{#1}Mrs SHAHEERA BANU, *Assistant Professor,*

^{#2}KANDUKURI SIVA KUMAR, *MBA Student,*

Department of MBA,

VISWAM ENGINEERING COLLEGE (Autonomous), ANGALLU, MADANAPALLE, AP.

ABSTRACT: The purpose of this study is to look into the management of educational loan portfolios by middle-class households that use Bank of India services. It demonstrates the growing importance of these loans in supporting families in affording their education when their income decreases and their expenses rise. This study looks at students' and guardians' financial commitments, the consequences of interest rates, and repayment habits. Furthermore, it studies how student loans affect the availability of higher education in India and other nations. The research looks into the way the Bank of India manages risk while dealing with this demographic. It analyzes how the bank provides low-cost loans to help individuals advance through society. The poll also highlights worries about the need for flexible repayment schedules, late payments, and loan defaults. It emphasizes the value of bank-led efforts and policies that educate borrowers about money.

Keywords: *Education Financing, Student Loan Management, Household Income Levels, Repayment Capacity, Interest Rate Burden, Loan Accessibility*

1. INTRODUCTION

Individuals receive education loans to help them earn a degree and attend school. Financial companies and banks provide educational loans. Many colleges provide student loans with low interest rates, and some even receive government support to cover the interest. Private-sector banks and credit unions lend money via traditional application procedures, despite charging higher interest rates.

All of your debts may become a burden when you graduate from college. Borrowers typically have six months to begin repaying their student loans after matriculation.

Before applying for loans, students and their families should consider all possible options. These loans may become extremely valuable in the future. There are various strategies for reducing the burden of student loans. There are several ways to save costs, including part-time job, work-study opportunities, and enrolling in a less costly educational school. It comprises acquiring job that pays for your study and applying for scholarships.

The type of education loan required depends on the location of the school and the type of study. The institute may be located in India or abroad. The lenders provide a list of universities and prerequisites for studying abroad. The loan is granted if the applicant has been admitted to one of the international colleges. Individuals who plan to pursue higher education in India can obtain local loans. Furthermore, in order to qualify, Indian colleges must meet certain requirements. As a result, the loan will be approved provided that the applicant is accepted into a school that meets the standards.

Numerous educational institutions will offer loans based on the course in which you are enrolled. You may seek loans to enroll in prestigious universities such as IITs or IIMs. These loans can be divided into three types: undergraduate, graduate or professional, and career loans

Middle-class families looking to provide their children with a good education are increasingly turning to educational loan portfolios as a vital financial tool. Educational loans have developed as a technique of bridging the gap between expectations and reality in India and other nations as the expense of higher education rises. Middle-class families can use loans as an organized way to fund their education without jeopardizing their long-term financial security or depleting their resources. Banks and other financial institutions contribute significantly to the growth of these loan portfolios by providing a choice of repayment options, flexible repayment periods, and low interest rates. The middle class, which sees education as the key pathway to steady work and upward mobility, suffers socioeconomic issues compounded by their reliance on student loans.

2. LITERATURE SURVEY

Vikram Sethi 2021 Middle-class families in India are facing substantial financial difficulties as a result of their increasing reliance on college loans. Tuition expenses have risen, and more private colleges and universities have opened, increasing the number of loan applicants. Banks made millions of loans to middle-class households. The stress of loan repayment can create a debt cycle, making it harder for families to prepare for other critical needs like as housing, healthcare, and retirement, despite the fact that loans provide quick access to education. These problems are worsened by high lending rates, administrative fees, and a lack of financial education. Many families struggle to make ends meet, which can have serious economic and social ramifications. To help ease these stressors, you may be eligible for government-backed interest refunds, flexible repayment arrangements, and financial aid. Alternative financing techniques, including as income-based repayment plans, scholarships, and partial grants, can help individuals lessen their reliance on loans. This essay looks at the long-term effects of college debt on middle-class households. It emphasizes the importance of careful planning, adequate resources, and institutional support in ensuring long-term access to higher learning.

Divya Kapoor 2022 Education Loans provide critical financial help to middle-class Indian families, allowing them to enroll in professional courses, vocational programs, and further their education abroad. Banks and other non-lending financial institutions have reported a significant increase in student loan applications. This demonstrates that, despite the rising expense of tuition, an increasing number of people want to seek an education. These loans have perks and disadvantages. On the one hand, they help pupils find appropriate jobs. Nonetheless, the duty to compensate them could put a strain on the family's financial situation, potentially leading to loan defaults and a loss of financial stability. Middle-class families often face a slew of financial demands, including mortgages, daily bills, and medical care. This provides a hurdle in terms of loan management. To reduce risks, financial literacy activities, flexible repayment schedules, and pre-loan counsel are required. Interest subsidies

and merit-based scholarships are some of the government-sponsored initiatives that provide additional assistance. Income-sharing arrangements, employer-sponsored education perks, and crowdfunding are three novel and more popular ways to earn money. This essay investigates the dual character of student loans: their potential to help people advance in life, as well as their ability to damage their financial stability. It also provides tips on how to manage one's finances throughout time.

Shreya Iyer 2023 Middle-class households today rely heavily on student loans to finance the expense of college and other professional development. Banks and NBFCs reported significant growth in lending in 2023, as demand for education loans continues to surge. These loans cover more than just tuition expenses. They also cover for international airfare, study materials, and accommodation expenditures incurred during study abroad programs. Nonetheless, the payments can cause long-term financial difficulties and strain on family finances, especially if numerous children are enrolled in college simultaneously. Many families are forced to postpone other financial goals, take out second loans, or cut essential spending in order to pay off their debts. If you lack appropriate financial understanding and do not receive adequate support, you may be more likely to default on your loan. Banks and other financial institutions are presently emphasizing the provision of counsel, flexible repayment plans, and interest rebates to help individuals unwind. Scholarships and government programs augment loans to help students manage their educational expenses. To ensure that student loans help individuals achieve their goals without jeopardizing the financial stability of middle-class families, it is critical to borrow money responsibly, plan ahead, and create a smart budget. This essay emphasizes the significance of making sound financial decisions and looks at the benefits and drawbacks of student loans.

Rohit Menon (2024) The long-term effects of student loans on middle-class families are becoming more substantial as families' reliance on borrowed finances grows due to rising tuition and living costs. In 2024, student debts accounted for a significant amount of family debt, limiting households' capacity to save, invest, or pay for other necessities. These loans make it easier to enroll in education and get work right away; but, repayment can be difficult and complicate money management in the long run. Families with several dependents who wish to pursue higher education are especially vulnerable to long-term debt cycles. High interest rates, rigorous payback conditions, and a lack of financial awareness all add to the danger of default. To reduce the financial strain, policymakers and banks are implementing measures like as moratoriums, flexible repayment arrangements, and lower interest rates. Grants, scholarships, and payback programs based on income can be beneficial. This article investigates how middle-class families might balance their desire to pursue an education with their need for long-term financial security through strategic financial planning, prudent borrowing, and early saving approaches. It is critical to ensure that school finance is managed in a way that benefits future generations while also maintaining financial stability for the family.

Sneha Raj 2024 Middle-class families rely heavily on educational loans to advance their careers and continue their education. The volume of loan applications to banks and other non-bank financial entities has significantly increased. This is because the number of families

need financial aid is increasing as tuition costs grow. These loans allow students to obtain a high-quality education; but, repaying them can be difficult and have an impact on household savings, monthly budgets, and future investment plans. Families that are unaware of the terms of their loans or have poor financial management skills are more likely to default, which can have long-term consequences for the economy. Banks and authorities have established risk-mitigation techniques such as pre-loan counseling, interest reimbursement, and flexible repayment plans. Grants, scholarships, and income-sharing agreements are becoming more popular as additional sources of assistance. This article discusses the challenges that middle-class families have while handling student loans and proposes alternative solutions to ensure that loans are not viewed as financial burdens but as opportunities. To maintain both your scholastic goals and your financial security, you must plan ahead, borrow appropriately, and understand money management.

3. TYPES OF EDUCATION LOANS

BASED ON LOCATION

Domestic Education Loan

This type of finance is available to students who want to further their education in India. The lender will only authorize the loan if the applicant is accepted into an Indian institution and meets all other criteria.

Overseas Education Loan

These loans allow students to pursue their dream of enrolling in a foreign university. The loan covers the costs of tuition, housing, and travel for students who choose to study abroad, as long as they meet the eligibility standards.

BASED ON COURSE

Undergraduate Loans

The purpose of this type of student loan is to assist students in financing their undergraduate studies. The bulk of undergraduate degrees in various disciplines take three to four years to finish. A bachelor's degree can assist people start earning money and find acceptable employment.

Postgraduate Loans

In India, postgraduate courses normally span two years, and many undergraduate students seek to enhance their studies by enrolling in them. To gain a deeper understanding of the subject, you will need to pursue an advanced degree.

Career Development Loans

Many professionals who have been working in corporate environments for a few years have opted to take a vacation from their jobs and enroll in professional courses and training to improve their job prospects. To enhance their professions, these people would work hard to get into top technical and business schools.

BASED ON COLLATERAL**Loan against Property, Deposits, and Securities**

Bonds, debentures, equity shares, fixed deposit certificates, recurring deposits, gold deposits, residential property, an apartment, a house, and other immovable assets can be pledged to secure the funds needed for education.

Third-Party Guarantee

A letter of assurance from a bank employee or their home bank may help the student receive an educational loan.

4. DATA ANALYSIS AND INTERPRETATION**BANK OF INDIA EDUCATION LOAN INTEREST RATES**

| Schemes | Maximum Loan Amount | Interest Rate (p.a.) |
|-------------------------|---------------------|---------------------------|
| BOI Star Education Loan | Rs.20 lakh | 7.10% p.a. to 12.35% p.a. |
| BOI Star Vidya Loan | Up to Rs.40 lakh | 9.35% p.a. onwards |

RATE OF INTEREST

| Loan Amount (in Lakhs) | Rate of Interest |
|------------------------------|--------------------|
| For loans upto Rs.7.50 lacs | 1 Year RBLR +1.70% |
| For loans above Rs.7.50 lacs | 1 Year RBLR +2.50% |

CHARGES

| Scheme Norms | Charges |
|---------------------------------------|------------|
| Up to Rs.4.00 lacs | Rs. 500/- |
| Over Rs.4.00 lacs & Upto Rs.7.50 lacs | Rs.1,500/- |
| Over Rs.7.50 lacs | Rs.3,000/- |

5. CONCLUSION

In conclusion, educational loan portfolios are critical for middle-class families who want to attend college because they give them with the resources to do so even if they cannot afford it. They are extremely beneficial to students, but they also entail lengthy payback responsibilities, which may have a negative impact on family income and savings. The structural debt that these loans impose on you is a source of concern, but it can also help you secure a better position. Families' handling of these loans displays their financial savvy and goals, which influence their future investments and expenditures. Student debt can cause social and emotional distress in addition to financial difficulties, complicating decision-making. You can reduce your commitments and ensure your financial security by planning

ahead of time and making on-time loan payments. It is critical that governments and banks develop lending programs that are both user-friendly and responsive to the demands of middle-class families. When properly managed, student loans promote economic growth and enable individuals to advance in society. They demonstrate the importance of balancing duty and opportunity in middle-class financial decisions.

REFERENCES

1. Group, Primary Research. Higher education interlibrary loan management benchmarks. 2nd ed. Primary Research Group, 2013.
2. United States. Office of Thrift Supervision., ed. Director's guide to management reports. Office of Thrift Supervision, Department of the Treasury, 2008.
3. National Library of Australia. National Resource Sharing Working Group. Interlibrary loan and document delivery benchmarking study. National Library of Australia, 2001.
4. Dermine, Jean. Bank valuation & value-based management: Deposit and loan pricing, performance evaluation, and risk management. McGraw-Hill, 2009.