



The Indian Journal for Research in Law and Management

Open Access Law Journal – Copyright © 2024

Editor-in-Chief – Prof. (Dr.) Muktai Deb Chavan; Publisher – Alden Vas; ISSN: 2583-9896

This is an Open Access article distributed under the terms of the Creative Commons Attribution-Non-Commercial-Share Alike 4.0 International (CC-BY-NC-SA 4.0) License, which permits unrestricted non-commercial use, distribution, and reproduction in any medium provided the original work is properly cited.

A COMPARATIVE ANALYSIS ON STUDENT LOANS AND DEBT ACCUMULATION IN INDIA

INTRODUCTION,

In India, the pursuit of higher education comes with a burden of financial obligations, leading to the accumulation of student loans and other forms of debt which are needed for completion of the degree/course. We live in a nation with the highest population surpassing China, Where access of education is a fundamental right which is to be exercised by every residing citizen but Education has always been beyond reach of many people who mainly lives in small villages and towns and belong to the (EWS) Economically Weaker Section. Though, the government has built schools and universities at these towns and villages but majority of these schools are lacking education due to poor faculty as there's no above authority to keep a check of its smooth functioning. As most of the days the teachers are not present and so there is no education being provided, there's also cruelty in the institution which mentally affects students and scare them from education. Due to poverty, there are people who are not aware of their basic rights and also some people are not aware of their free education. So building schools and institution has always been a easy task for the government but providing education has never been the objective.

Let's look more on these rising issues which is abstaining people to enjoy right to education and get provided with quality teaching. Due to such arising problems, quality education has always been expensive, which is beyond reach of many people, few who reach tends to take student loan and complete their education and repay them with a premier rate of interest.

STUDENT DEBT AND DEBT ACCUMULATION :

Student Loans in India primarily encompass loans offered by Financial Institution, Government Backed Schemes, and Private Lenders to fund Higher Education scheme. These loans typically cover Tuition fees, Books, accomodation and Living Expenses during the course of study. Interest rates and terms for student loans in India vary depending on the type of loan and the lending institution. Government-backed schemes often offer subsidized interest rates and flexible repayment options to ease the financial burden on students. In contrast, interest rates for other forms of debt, such as credit cards and personal loans, tend to be higher and less favorable, leading to increased financial strain on borrowers. Although, Student loans can be a great tool to pursue education and paying them later has given a lot of students access towards education but there are still many students who tend to withdraw their studies as they can't afford to repay the loan later,

this has caused ease and loss to many number of aspiring students who have the dream to study but their weakened wings don't allow them to. Education loan can act as a proxy tool.

With the rising level of competition, every institute wants to give the best possible opportunities to the best possible students, In this free world everything comes with a cost and so is education. In the past two decades it can be observed that the rise in demand to obtain higher education is hooked to the higher cost to obtain it. This results into under investment in education and an untapped willingness for the household to be able to pay for the education.

As the Economists say, that a perfect equilibrium is a myth, and this industry is no exception to it. The demand for higher education has made it tough for the government to offer financial assistance to everybody who asks for it this resulted in the government slightly pulling its hand away from the education finance department and letting the private organisation's take the lead.

No matter as there's ease in availing the credit for anything that is desired has been creating a lot of road blocks to complete education, as because during the procedure of availing the credit, people act mindlessly about the time when it has to be repaid. This is the biggest problem as when borrowers realize that it was an advance not a gift mode of repaying the advance which often leads to default in clearing the dues to which the credit was availed was taken away.

Such stories of default are common with every one person out of 100. The reasons a borrower is not able to pay off its debt are plenty; employability problem, Bankruptcy, Lack of Awareness, etc.

If taking up an education loan the borrower could figure out the structure for its repayment then both the economy and borrower can be saved from the trouble of showing deficits in their account.

Due to private institutions being on the lead from the Governmental backed schemes, the concept of education loan has become very transparent, although availing it is very clear but the execution of such loans becomes tricky. Thus, the process of getting loan gives birth to a new process of repaying it and it's definitely not a cake walk.

The rise in the economy and development has also made rise in the expenditure which directly implies rise in the fee structure that has to be paid by the students which further puts affordability in question.

This rise in the cost of education has eaten up a huge part of every family income leaving the parents of the student worried. All the big colleges are hiking their fees for different courses that it offers. With the arousing level of competition, the grants of the students are also failing making education expensive though it is a birth right of every civilian residing in the nation. Due to this students are not able to cover their tuition fees so they either plan to quit college and look for a small job to support their career through which they can repay their loan that they have acquired through premiums.

The failure in the investment sector might be considered deliberate it can be observed the contribution of the public sector in education sector is unsatisfactory. Shockingly, India is lacking

in lot of areas as compared to the western countries in availing their credit scores which have developed excellent developed government supported student loan program.

This makes it necessary for the central and state government to act with viable and self-sustaining education schemes which is not just for the middle class, but also promising youth from EWS or underprivileged households, as the underprivileged not being the focus of the governments has been an important factor in defaulting of many payments. The default in repayment not only affects the individual who wasn't able to pay and now has to hand over the collateral damage to the authorities but it also affects the banks as well which as a whole affects the Indian economy and can act as a barrier in rising of the economy in global pedestal.

The need for the strategy is not to save the economy but to save the middle class and the underprivileged borrower who might go bankrupt if he is not able to repay his debts. This pressure over the students due to this private organisation's which seek an expensive amount to offer education creates a stack of pressure over student which leads to suicides. The rising rate of suicide by students in India has risen exponentially because of this higher rate of interests and by the peer pressure given by these sectors to students. The successful execution of the process of saving the borrower will in turn save the economy as a whole which will also lead in decline of suicide rates, unemployment, bankruptcy and rise in economy level.