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Determinants of Interest Subsidy on Education Loans in India: Who Gains and Who Loses?

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Abstract

This paper examines whether the means-tested interest subsidy on education loans in India reaches poor students across different groups. We seek to understand the determinants of interest subsidy in a stratified society India, using a unique data availed from the bank which operates the scheme. It covers students who received subsidy during 2009-10 to 2012-13. The blanket equal subsidy, 'one size fits for all' approach promotes inequity in reality. Mean interest subsidies and education loans are progressive. Also better off male students benefit higher amount of subsidies across social, religious, location and course groups. The underrepresentation of less affluent socioeconomic, religious, rural children and female in higher professional education has important implications for social policy, economic efficiency and social justice.

Keywords: Education Loan; Interest Subsidy; Economic Groups; Social and Religious Groups

Introduction

The Government of India in its Union Budget 2009–10 introduced a supplementary scheme to provide interest subsidy during the period of moratorium to cover loans taken from scheduled commercial banks under the Educational Loan Scheme of the Indian Banks' Association (IBA). Department of Higher Education, Ministry of Human Resource Development, Government of India has launched this interest subsidy scheme with the purpose of helping the economically weaker sections with parental income of less than Rs. 0.45 million per annum. The details of the scheme include:

(i) Interest payable for professional courses for the period of moratorium (i.e., course period, plus one year or six months after getting job, whichever is earlier) is subsidised.

(ii) Interest subsidy is available to the eligible students only once, either for the first undergraduate course or post graduate degrees/diplomas or for combined post graduate courses;

(iii) It is not available for those students who either discontinue or are expelled on disciplinary or academic grounds but available for discontinuation on medical grounds; and

(iv) Students who availed interest subsidy will get one per cent concession in interest rates. The details of educational loan are given in annexure I.

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Interest Subsidy on Education Loans

The basic objectives of an education loan program influence the choice and design of various parameters viz., choice of administering and funding agency; who is eligible to get the loan; security or guarantee required; loan amount covered – whether tuition or living or both expenses; rate of interest charged – a significant lever in deciding the subsidy; extent of grace and repayment period; repayment modalities: repayment incentives and waivers (Ziderman, 2002; Johnston, 2006; Chapman, *et al*. 2010). Of all these, interest rates and repayment modalities received much attention in the literature. The level, nature and size of interest subsidy depends on the basic objective of a loan program whether it aims at addressing (i) access and equity, (ii) cost recovery, (iii) expansion and (iv) easing financial burden (government or for students or both).

Interest rate is a significant parameter in deciding implicit subsidy. Usher (2005) while reviewing the global debt burdens in OECD countries suggest three basic approaches to deal with interest rates: 'zero-nominal' 'zero-real', and 'cost of government borrowing'. In the zero-nominal interest approach, loan does not grow in nominal terms for the duration of the study period. In real terms, the loan shrinks while the student is in school, reaps the largest government subsidy. No real interest is charged under the zero-real interest approach, but loans are allowed to grow with inflation so as to remain in constant value. This too enjoys a larger government subsidy but less than zero nominal type. But the interest rate is charged as per the cost of government borrowing, there is no subsidy.

In a similar vein, Asplund *et al*, (2008) in their review categorize three groups of European countries. In the Netherlands and the Nordic countries where the vast majority of students are entitled to take loans, students pay an interest rate that is close to the market rate, like 'zero-real'. In the Netherlands, whenever a loan is not converted into a grant, it has to be repaid subject to an interest rate that is around 2 per cent on top of the rate on long-term government bonds. So they cover the cost of government borrowing and hence there is no hidden grant to the student. In Germany, France and Italy, interest-free loans are targeted at students from low-income families. This is similar to the interest subsidy scheme in India, which is 'zero-nominal'. In Denmark and Finland, students pay all or some of the interest on their loans while studying, like 'cost of borrowing'. India adopts a similar approach for those students who are not covered under interest subsidy scheme.

Though interest subsidy is primarily a debt management tool, the provision of it is often based on the principles of equity and efficiency:- (i) Should interest rates be charged on student loans? There are two contrary views; both base their arguments on equity. A zero nominal or real interest rate is a subsidy to the borrower. Those advocating positive interest rates argue that such subsidy increases inequality because of over-representation of students from higher socio-economic backgrounds. Those defending zero interest rates emphasize the longer repayment period of students from lower-income families, induces an equity-enhancing re-distributive effect between borrowers from different socio-economic backgrounds (Biffl & Isaac, 2002).

Should interest rates on student loans be subsidised or not? It is opposed primarily on mitigating adverse selection and moral hazard problems. Equity aspects also arise. Interest-rate subsidies, if targeted at students from poorer backgrounds, are seen to have an equalizing impact on attitudes towards borrowing (Asplund *et al*, 2008). Others argue that this effect should be aimed at through repayment arrangements viz., risk sharing type of income contingent loans (Chapman, 2006).

Interest subsidies can benefit college attendance and or completion and making loan payments more manageable or less default rates. A lower interest rate reduces lifetime costs of college, so a rational decision-maker in human capital framework would include this price subsidy in a calculation of lifetime, present-discounted value of schooling. However, there is no empirical evidence on this

cost-benefit approach. It appears that interest-rate subsidies are not tangible when students decide whether to enrol in college. It is because students obtain same funds irrespective of interest rates, though influence of interest subsidy on enrolment seems to be unknown (Dynarski, 2014). Hence, she argues that interest subsidy is therefore a poorly targeted and expensive tool for reducing loan default in a mortgage-style repayment system. However, implementing income contingent plan would require good collection system.

The foregoing discussions suggest that interest subsidy can serve the objective of equity if targeted. In the present paper, we examine whether the means-tested interest subsidy on education loans in India reach poor students across different sections of the student population. We seek to understand the determinants of interest subsidy in a diverse and a highly stratified society, India.

Studies hardly examine the equity aspects of financing higher education focusing on social and religious groups. Few studies examine the distribution of government expenditures on education across expenditure groups. They conclude that the well-off benefit more than proportionally than their population share (Mahal, 2004; Geetha Rani, 2014). The present paper is an attempt to fill this gap and adds value in multiple counts. It examines the consequences of equal interest subsidy to all means-tested students despite their unequal experiences and prior educational opportunities in professional higher education. We examine a number of aspects viz., economic, gender, social, religion and location advantage or disadvantage of students in getting access to interest subsides. While doing so, we examine their participation in professional education especially among the lower strata of the society. The primary focus of the paper is to estimate the determinants of interest subside on education loans. This is an unexplored area in the Indian context.

Data and Methodology:

The paper uses possibly a unique data availed from the bank which operates the Central Sector Interest Subsidy Scheme (CSIS). It covers all students who received interest subsidy during 2009-10 to 2012-13 (Table 1).

Table 1: Details on Interest Subsidy on Education Loans in India

Period	Interest Subsidy Accounts*	Education loan Accounts	% of interest subsidy beneficiaries in Education Loan availed	Interest Subsidy (Rs in 10 Millions)
2009-10	618860	1928350	33.41	296.86
2010-11	838655	2235532	40.18	735.49
2011-12	698316	2287843	42.99	1198.88
2012-13	854728	2509465	34.06	1295.47

Source: Based on data from Canara Bank; Banking Statistics Relating to Banks India, Reserve Bank of India, relevant reports.

Students who claimed interest subsidy constitute around 30 to 40 per cent of education loans. It does not cover all students who took loans hence suffer from selection bias. Each observation corresponds to a loan profile, viz., loan limit, interest rate and year of sanction. Parental income is available and is self-reported incomes ratified from a designated Government official. However, there is no way of verifying this claim in the Indian context. Characteristics of individual borrowers include gender, social groups, religion, and location. Social group is referred as caste in India, similar to race in developed nations. They are broadly categorised as General or the upper case, Other Backward Caste (OBC). Scheduled Caste (SC) and Scheduled Tribe (ST). SC\ST are the most deprived caste groups and benefit meagrely compared with OBC. Religious affiliation is yet another categorical variable defined as Christian, Muslim, Other Minority and Hindus. Location or area is defined as Metro, Urban, Semi-urban and Rural.

Course choice indicates the expected earnings, affordability and marketability. The most popular course among students is the engineering (above 60 per cent of total beneficiaries), management (around 8 per cent) and medical (around 6 per cent). The rest of the courses are spread over. Hence, we regrouped them in six broad categories as Medicine, Engineering, Law/science, Paramedical, Diploma with reference category of Medicine and used in the regression as a categorical variable.

Methodology

The paper estimates the determinants of interest subsidy by estimating a series of regressions applying OLS. Since the objective of interest subsidy is to ease out credit constrained students, it may be more meaningful to investigate the effect of income and other variables at different income quintiles. Our dependent variable is log of interest subsidy. The independent variables are log of parental income, log of loan size, gender; caste or social groups -: General, OBC and SC/ST; area-: metro, urban, semi urban and rural; religion-: Christians, Muslins, Other minorities and non-minorities and courses classified in sixteen groups. However the model includes six major groups -: Medicine, Engineering, Law/science, Paramedical, and Diploma with reference category of Medicine. Accordingly, we specify the equation for the log of interest subsidy for individual i as follows:-

$$ISi^* = \beta 0 + \beta 1\, LS + \beta 2' Yi + \beta 3\, Gi + \beta 4\, Si + \beta 5\, Ai + \beta 6\, Ri + \beta 7\, Ci + ui \quad ....(1)$$

where IS denotes interest subsidy, LS is log of loan size, Y refers to log of income, G is for gender, S for social group, A for area, R for religion and C for courses taken by students. Gender, caste, area, religion and course groups are categorical variables. We estimate them as categorical variable in the regression. So that it compares the parameter value of the reference category with the next category of the mean of the dependent variable. The reported results indicate the difference between the base category and the compared category. For instance, in Table A1, a reported parameter value under Gender is interpreted as difference in male students to that of female students (Ender *et al*, 2003).

Description of Beneficiaries of Interest Subsidies

Despite the fact that this data correspond to interest subsidy on students loans, it represents a microcosm of the participation and financing of higher education in India. The pattern of demographic characteristics clearly indicate that male students dominate (two third of total students) in acquiring interest subsidy across years (Table 2).

Table 2: Socio-economic Characteristics of the Student Beneficiaries of CSIS

Characteristics	Sub-Groups	2009-10	2010-11	2011-12	2012-13
Gender (in %)	Male	65.13	66.15	64.71	64.78
	Female	34.87	33.85	35.25	35.22
Location (in%)	Metro	7.98	7.20	6.73	6.19
	Urban	25.99	24.80	25.05	23.9
	Semi Urban	35.56	35.74	35.51	35.88
	Rural	30.48	32.24	32.68	34.01
Social group (in %)	General	55.72	55.20	56.92	50.82
	OBC	36.63	37.72	36.05	37.50
	SC/ST	7.65	7.08	7.02	11.67
Religion (in %)	Christian	8.80	8.35	8.97	8.78
	Muslim	4.30	4.41	4.76	4.43

	Other Minorities	25.74	24.33	23.40	25.32
	Hindu	61.13	62.84	62.86	61.47
Parental Income (in Rs.)	Poorest	6877	18109	17428	12342
	Quintile 2	30195	37204	37319	32922
	Quintile 3	60591	68855	67484	53817
	Quintile 4	139329	145590	142758	122119
	Richest	315281	610632	335091	458821
	Income Gap	46	34	19	37
N		6,18,452	8,97,918	9,83,377	8,83,741

Source: based on unit data

This is not the case in terms of enrolment of women, which is 45 per cent of the total enrolment in 2012-13 (AIHS, 2013). Since interest subsidy is available for the professional courses, the participation is biased towards male students. In terms of location, the students residing in semi-urban followed by urban areas dominate. Together, these two areas predominate in acquiring interest subsidy over years. In social groups, upper castes constitute around fifty per cent of the students, followed by OBC over the years. Socially deprived section (SC/ST) constitute a very small proportion around ten per cent. The picture is no different from their participation trends by social groups in 2012-13 (AIHS, 2013).

In the religious affiliation Hindus dominate with 60 per cent and Muslims represent the least, yet both groups under represent their population share. Income of the poorest quintile is Rs.6,877 while among the richest quintiles, it is Rs.3,15,281, the income gap estimated as ratio of income of the richest to that of the poorest is 46, declined to 19 in 2011-12 and further increased to 34 by 2012-13.

Preference of courses by students and family indicate choice, affordability, expected future earnings and labor market signals. Course wise education loans and interest subsidy indicate that highest loan to medical course, followed by architecture, law, fashion, management. Both medical and architecture get more than Rs.3,00,000 on an average. While courses like Diploma, Commerce and Education obtained the least amounts less than Rs. 100 thousands. Also in that hierarchy those courses which acquired highest loans were served with highest interest subsidy. Interest subsidy for medicine, the high cost course gets the highest subsidy over the years. Gap between education loans across the high cost course Medicine and for instance one of the low cost courses, Education widens from 5.17 in 2009-10 to 7.98 by 2011-12 and marginally declined to 7.61 in 2012-13. Gap between the same courses across interest subsidy increased from 2.32 in 2009-10 to 7.08 by 2012-13 (Table 3 on next page).

Students who opted for market oriented courses enjoy an edge over others. This potentially creates new inequalities where students from poorer backgrounds qualify for a diploma and those from affluent backgrounds achieve professional degrees. Courses such as medical and engineering are not only long duration and high cost courses but also high paying degrees, would perpetuate the inequality across life time earnings. Unlike the students from upper income strata, these students would be looking for employment just after completing their course work. Such competition would result in imbalance in the course structure across market oriented and conventional courses.

Discussion of Results

The OLS results are reported in Tables A1 to A4 in annexure correspond to 2009-10 to 2012-13 respectively. Interest subsidy is expected to exert negative relationship with income as per the scheme. Since both variables are in logs, it informs us about the income elasticity of interest subsidy.

It does exert a negative relationship as expected in 2009-10 across models of sub-samples. The co-efficient value is less than one indicating less elasticity.

Table 3: Average Education Loan and Interest Subsidy by Disciplines in India (in Rs.)

Course Name	2009-10		2010-11		2011-12		2012-13	
	Education Loan	Interest Subsidy	Education Loan	Interest Subsidy	Education Loan	Interest Subsidy	Education Loan	Interest Subsidy
Medical	335077	5726	326511	10568	333370	17095	344461	21642
Architecture	291815	4795	248745	5097	313408	9410	314137	11744
Law	232654	4052	181779	5708	252480	11546	278437	15208
Fashion	271637	4739	300749	14230	297536	14367	274430	15104
Management	269925	7785	261922	13130	274918	18811	259212	19069
Nursing	231394	3503	249507	7421	239743	10683	237839	10699
Engineering	231024	4378	225797	7640	232726	11440	234054	14620
Pharmacy	228000	4813	229268	7447	233133	10528	233495	12410
Hospitality	225602	4770	230876	8662	226708	11642	231271	13827
Others	194762	4198	190731	7359	193005	11167	205557	14357
Physiotherapy	215592	3493	99630	3170	196133	6886	205438	8948
Science	178799	3560	159277	5459	176742	7875	172293	9392
BCA/MCA*	157131	3326	220669	7315	155837	6633	157227	8374
Diploma	117078	2968	145851	5069	124348	6122	125821	8203
Commerce	115713	2404	151124	5127	99255	4274	97502	5348
Education	64860	2467	66123	2767	41776	2793	45265	3057
All	233949	4708	229907	8188	235692	12261	238322	15162
Gap^	5.17	2.32	4.94	3.82	7.98	6.12	7.61	7.08

Note: * BCA - Bachelor of Computer Applications; MCA- Master of Computer Applications; ^ refer foot note 6; ^Gap is measured as the ratio of Loan Size (interest subsidy) of Medicine to that of Education.
Source: Unit data

So, interest subsidy declines less than proportionally for a given change in income. On the contrary, it reports positive relationship with interest subsidy in 2011-12 to 2012-13. Co-efficient value is less than one that interest subsidy increases less than proportional to change in income. This is true across all models. The irony is that interest subsidy which is means tested but based on the principle of equal subsidy for all favours the ones who have taken higher amounts of loans. *The blanket equal subsidy, 'one size fits for all' approach promotes inequity in real sense.*

Such income gap starts at schools and widens at higher education. For instance, using the second Demographic and Health Survey for 1998-99, that 82 percent of children from the richest 20 percent of households complete grade 8 but only 20 percent of children from the poorest 40 percent of households do so (Filmer and Pritchett, 1999). In the poorest quintile one per cent of the population attain higher education but above ten per cent attainment in the richest quintile during 1999-2000 as noted by Central Advisory Board of Education (CABE, 2005).

Loan size and interest subsidy apparently are positively related across all years and models. The value of co efficient is greater than one at the lowest, Q2 and Q4, indicate that it benefits more than proportionately. However in Model Q3, it is little less than one while in Q5 it is 0.95. Higher the size of the loan, higher is the interest subsidy. However, this is not the case from 2010-11 onwards. The co-efficient values are less than one, around 0.8 across models.

Gender is a categorical variable with the reference category Male. The results indicate that the co-efficient value compares the mean of the dependent variable (log of interest subsidy) for female and male yielding the difference -0.46 and statistically significant. In all models and over years women get lesser interest subsidy than male students. There is clear gender discrimination in the

access to interest subsidy. Many studies on India categorically reveal that households prefer to invest more in the education of boys rather than girls (Saha, 2013, etc.). Yet another related disadvantage for women is education loans being treated as *negative dowry* in the marriage market. Marriages in India are characterized by payments of dowries of huge amounts which broadly connotes a transfer of wealth made by the family of the bride to that of the groom at the time of 'arranged' marriages. Numerous instances can be cited where rising dowry levels have been associated with higher education and hence better employment of the grooms.

Though dowry is a social evil and Dowry Prevention Act is in force since, 1961, it is still practiced. For example, upper-middle-class doctors, engineers and Indian Administrative Service officers claimed the highest dowries, followed by lawyers, company executives and senior bureaucrats. In this socio cultural milieu, education loans operate differentially for men and women. Student loans obtained by men for higher studies and eventually for a better employment are expected to bring in higher dowry. On the contrary, women who borrow and subsequently marry whose loan commitments constitute a form of negative dowry.

Stratification based on social group one belongs to is deep rooted and about 3000 years old. It is acknowledged among social scientists that caste, determined by birth, is a persistent determinant of power, economic inequality, and poverty and hence lack of access to quality education in contemporary India. This is true in the access to interest subsides on education loans. Social group is a categorical variable with General, OBC and SC/ST. General or upper caste is the highest in the hierarchy and hence the reference category. OBC benefit marginally better than general caste category and the co-efficients are statistically significant across models in 2009-10 except at Q4. On the contrary, since 2010-11, the OBC category exert lesser benefits from interest subsidy across Qs and statistically significant.

Another interesting pattern that emerge that the SC/ST among the poorest Q1 and Q2 sub-samples are statistically insignificant while middle to upper quintiles are statistically significant in 2009-10. But results exhibit significantly less benefit than general caste in 2010-11, 2011-12 and 2012-13. The mean difference from general caste is much higher compared to OBC across Qs over the last three years. The least beneficiary groups are SC/ST as found in other sectors and reported in studies and committee reports. That only 7 per cent of the students' benefits from interest subsidy while their share in the population is little over 20 per cent.

Affirmative action or Reservation polices as called in India make special provisions for the promotion of the educational, social, political and economic interests of these deprived SC/ST and OBC population. These positive discriminatory measures encourage the participation of SC/ST and OBC in the form of seat reservation in higher educational institutions and in political bodies and employment reservation in Government services. The needy SC/ST population is yet to benefit from such reservation policies adequately to represent in higher and professional education. Education policy is supposed to break this cycle given its objective of access to equality of opportunity. On the contrary, unutilised funds under SC/ST components were surrendered almost every year under interest subsidy. This is not only with regard to interest subsidy; it is a regular feature in the SC/ST sub-component plans under various Ministries budget outlays. Such discrimination for the socially deprived section is not only in interest subsidy but in every walk of life.

India is predominantly a rural society, as over two third of her population live in villages. But, access to interest subsidies is primarily an urban phenomena that two thrids of interest subisdy beneficiaries live in metro, urban and semi urabn areas (Table 2). Area is a categorical variable with a reference category metro. Urban students benefit marginally lesser than students in metro. This holds well across different income groups and over years except 2012-13. However, no co-efficient

value is statistically significant. Students residing in semi-urban areas over metro benefit lesser across Qs and all years and the co-efficients are highly statistically significant. Rural students benefit lesser over metro areas and benefit lesser across Qs over all years.

There could be many reasons for this persisting pattern. Culture for acceptance of loans in urban India and among the educated may pervade, but not among rural and uneducated for any loans. 'Buy now and pay later' mechanism as a mode of financing assets and consumer durables is a recent decades' phenomenon. Urban educated and banks prefer such customers who can show their salaried income as security to access loans. Also availability of banking services play a significant role. Further non-availability of good quality higher educational institutions in the locality would add to the challenges. As revealed by Chankseliani (2014) while examining the admission to colleges in Georgia, rural applicants to colleges are unlikely to apply to prestigious universities which are located in the capital. In India, many good quality institutions are located in metros and or capital cities of states. She further confirms with the qualitative data that financial consideration related to living and tuition costs are prohibitive for rural families when selecting a higher education institution. In India, a procedural impediment is that banks cannot mortgage / securitize the agricultural property for education loans. This is one of the biggest challenges for students applying for education loans from rural areas.

Studies and reports establish the religious affiliation does influence the educational attainment in India (Bhaumik and Chakrabarty (2007); Bhushan (2012); Government of India, (2005); Government of India, (2008); Government of India, (2013)). It is more pronounced at higher education. The major share of beneficiaries of subsidy is Hindus with about 60 per cent (Table 2). However, it is much less compared to their share in the population of 80 per cent Hindus as per Census 2011. Muslims, with less than five percent, are severely underrepresented compared with their share of 20 per cent in the total population.

Religion is a categorical variable and the reference category is Christians. The lowest income category Muslim students benefit much lesser than Christian students. However, better off income group students benefit marginally better than Christians in 2009-10, while in 2010-11, consistently lesser benefit for Muslims across Qs and are statistically significant. Similar pattern can be found in 2011-2 and 2012-13 though not statistically significant except at Q5. Other minorities benefit marginally better than Christians. Other minorities benefit meagrely over Christians but statistically insignificant. Hindus have an edge over all other religious affiliation.

Course group is a categorical variable with a reference category Medical. Compared to medical, the courses such as Education, Fashion and Hospitality got the marginal benefit. Besides social, economic and religious groups, tuition charges and student loans across course structure does promote inequity and imbalance in the overall course requirements at the macro level. For instance, the cost / education loan for medicine are six times more than low-cost courses such as education. Given the structure of course costs (education loan) equal interest subsidies across courses essentially create unequal interest subsidy across courses.

Course group on education get marginally better subsidy than medicine in all models during 2009-10 and 2010-11. But, the same group got lesser subsidy than medicine during 2011-12 and 2012-13. Paramedical obtain lesser subsidy than medical and statistically significant across years and almost across models. Unexpectedly Law, Science etc got considerably better than medicine and statistically significant across all years and almost across Qs. Engineering and Computer report marginally better than medical and statistically significant in 2009-10. But these groups lesser benefit than medical in the rest of the three years and statistically significant. Other is a category unidentifiable as reported in data. It obtains marginally better and statistically significant subsidy across Qs during all years.

Concluding Remarks

The Indian context with multi-level deprivation exhibit that female students, socially deprived section of the population - SC/ST students, children residing in rural areas; Muslim students across economic group represent less and access lesser subsidies than their counterparts. These results implicitly indicate that banks tend to discriminate against the more default-prone students - the poorer students among the deprived sections of the population. From the perspective of a lender, asymmetric information and difficulty in collection of payments may be deterring while sanctioning loans. The problem of asymmetric information arises because lenders may know little about the ability of students seeking loans, their ambitions and intended career paths. This leads to the associated problem of adverse selection because it discriminates against students from not only economically challenged sections but also other forms of social, religious and location deprivations.

Hence, we argue that the blanket equal subsidy, 'one size fits for all' approach promotes inequity in real sense. Not only the mean interest subsidies and education loans are progressive as income increases. But also the subsidies are progressive across better social, religious, location and course groups. That socioeconomic privilege confers many direct benefits, both through home culture which tends to reinforce the goals of formal education and through the capacity to fund access to education in private schools for a later capture of access to higher education in. In other words, children from better off families exit from publicly provided low quality school education to capture the freely provided or highly subsidized high cost and high quality public higher education. The underrepresentation of less affluent, less privileged social, religious, rural children and female in higher education has important implications for social policy, economic efficiency and social justice.

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Annexure I: **Education Loans by State Bank of India**

Criteria	Details
Eligible Courses	All courses having employment prospects; Graduation / Post Graduate / Professional and Other courses approved by UGC/Government/AICTE etc.
Expenses covered for loan	Tuition Fees; hostel and mess charges; Exam/Library/Laboratory fees; Purchase of Books etc; Caution Deposit/Building Fund/Refundable Deposit (maximum 10% tuition fees for the entire course); Travel abroad, Purchase of computers, etc, Cost of a Two-wheeler up to Rs. 50,000/-; Any other expenses required to complete the course like study tours, project work etc.
Amount of Loan	For studies in India, maximum Rs. 1 Million Studies abroad, maximum Rs. 2 Million
Interest Rates (with effect from 27th June 2008)	For loans up to Rs.4,00,000 - 0.50% below SBAR i.e.12.25% p.a. Floating For loans above Rs. 4,00,000 and up to Rs.7,50,000 - 1.00% above SBAR 13.75 % Floating For loans above Rs.7,50,000 - SBAR - 12.75% p.a. Floating
Processing Fees	No processing fee/ upfront charges Deposit of Rs. 5000/- for education loan for studies abroad which will be adjusted in the margin money
Grace period	one year after completion of course or 6 months after securing a job, whichever is earlier
Repayment Period	Same 5 to 7 years, now extended to 10 years for studies in India for Rs. 1 Million and for Studies in abroad for Rs. 2 Million
Collateral	Up to Rs. 4,00,000, there is no security required. From Rs. 4,00,000 to Rs. 7,50,000, collateral security is in the form of suitable third party guarantee; Above Rs.7,50,000, tangible collateral is the security
Margin	No Margin for loans up to Rs. 4,00,000 For loans above Rs.4,00,000 - Studies in India: 5% and Studies Abroad: 15%

Source: based on www.sbi.org downloaded as on 31.5.2010

Annexure II

Table A1: OLS Regression Results across Income groups in 2009-10

Dept. Variable: lInt_Subsidy	All		Q1		Q2		Q3		Q4		Q5	
	coef	**se**	**coef**	**se**	**coef**	**se**	**coef**	**se**	**coef**	**se**	**coef**	**se**
lIncome	-0.178***	0.004	-0.191***	0.010	-0.196***	0.012	-0.169***	0.011	-0.185***	0.009	-0.147***	0.009
lEd_Loan	1.018***	0.007	1.053***	0.017	1.009***	0.021	0.982***	0.018	1.008***	0.014	0.949***	0.012
Gender-Girls	-0.048***	0.002	-0.074***	0.005	-0.038***	0.005	-0.032***	0.005	-0.042***	0.005	-0.035***	0.005
Caste_OBC	0.029***	0.002	0.050***	0.005	0.059***	0.005	0.040***	0.005	0.007	0.005	0.027***	0.006
Caste_SC/ST	-0.043***	0.004	-0.009	0.008	-0.010	0.009	-0.032**	0.010	-0.073***	0.009	-0.067***	0.009
Area_Urban	-0.043***	0.004	0.008	0.009	-0.075***	0.016	-0.106***	0.010	-0.070***	0.008	-0.036***	0.008
Area_Semi-Urb	-0.049***	0.004	-0.035***	0.008	-0.025	0.015	-0.076***	0.010	-0.050***	0.008	-0.047***	0.008
Area_Rural	-0.061***	0.004	-0.016	0.008	-0.071***	0.015	-0.084***	0.010	-0.057***	0.009	-0.014	0.009
Minor_Muslims	0.023***	0.006	-0.014	0.012	-0.030*	0.014	0.019	0.014	0.041**	0.015	0.005	0.017
Minority_Others	0.020***	0.004	0.000	0.007	0.000	0.009	-0.009	0.010	0.031**	0.011	0.015	0.012
Minority_Hindus	0.085***	0.004	0.061***	0.007	0.015	0.008	0.047***	0.009	0.080***	0.010	0.063***	0.012
Course_Edn	0.254***	0.009	0.270***	0.018	0.281***	0.018	0.299***	0.021	0.208***	0.022	0.162***	0.026
Course_Paramedic	-0.025***	0.006	0.016	0.012	-0.001	0.012	-0.016	0.014	-0.056***	0.015	-0.020	0.017
Course_Law/Science	0.473***	0.005	0.429***	0.012	0.397***	0.013	0.449***	0.013	0.453***	0.012	0.494***	0.011
Course_Engg/Comp	0.156***	0.005	0.183***	0.009	0.225***	0.011	0.190***	0.011	0.088***	0.011	0.081***	0.010
Course_Others	0.189***	0.005	0.150***	0.010	0.234***	0.012	0.237***	0.013	0.185***	0.012	0.186***	0.012
Constant	-3.890***	0.068	-4.369***	0.171	-3.745***	0.218	-3.455***	0.182	-3.640***	0.144	-3.064***	0.122
N	6,18,452		1,28,969		1,21,381		1,18,819		1,29,801		1,19,482	
Adjt. R^2	0.243		0.259		0.189		0.201		0.220		0.237	

Note: *** p<0.001, ** p<0.01, * p<0.05

Table A2: OLS Regression Results across Income groups in 2010-11

Dept. Variable: lInt_Subsidy	All		Q1		Q2		Q3		Q4		Q5	
	coef	se	coef	se	coef	se	coef	se	coef	se	coef	se
lIncome	0.033***	0.001	0.018***	0.003	0.050***	0.012	0.014	0.012	0.012	0.011	0.007	0.008
lEd_Loan	0.830***	0.002	0.814***	0.004	0.851***	0.004	0.810***	0.004	0.830***	0.004	0.815***	0.004
Gender-Girls	-0.029***	0.002	-0.025***	0.005	-0.036***	0.005	-0.007	0.005	-0.054***	0.005	-0.032***	0.005
Caste_OBC	-0.045***	0.002	-0.057***	0.005	-0.038***	0.005	-0.027***	0.005	-0.053***	0.005	-0.039***	0.005
Caste_SC/ST	-0.050***	0.004	-0.060***	0.009	-0.061***	0.010	-0.020	0.011	-0.045***	0.010	-0.039***	0.009
Area_Urban	-0.023***	0.005	-0.058***	0.016	-0.019	0.012	-0.020*	0.010	-0.031***	0.009	-0.013	0.008
Area_Semi-Urb	-0.082***	0.004	-0.173***	0.015	-0.048***	0.012	-0.076***	0.009	-0.082***	0.009	-0.076***	0.008
Area_Rural	-0.117***	0.004	-0.233***	0.015	-0.084***	0.012	-0.102***	0.010	-0.093***	0.009	-0.075***	0.009
Minor_Muslims	-0.035***	0.006	-0.011	0.014	-0.037**	0.014	-0.026	0.014	-0.050***	0.015	-0.053***	0.016
Minority_Others	0.000	0.004	-0.005	0.009	0.009	0.009	0.001	0.010	-0.004	0.011	0.005	0.011
Minority_Hindus	-0.008*	0.004	-0.009	0.008	-0.019*	0.009	-0.012	0.010	-0.010	0.010	0.010	0.011
Course_Edn	0.205***	0.008	0.058***	0.017	0.140***	0.019	0.250***	0.019	0.285***	0.016	0.275***	0.015
Course_Paramedic	-0.088***	0.006	-0.124***	0.012	-0.101***	0.014	-0.082***	0.015	-0.096***	0.015	-0.051***	0.015
Course_Law/Science	0.283***	0.006	0.116***	0.014	0.201***	0.014	0.288***	0.014	0.344***	0.012	0.389***	0.011
Course_Engg/Comp	-0.038***	0.005	-0.072***	0.011	-0.068***	0.011	0.003	0.012	-0.028**	0.011	-0.027**	0.010
Course_Others	0.123***	0.006	0.090***	0.012	0.104***	0.013	0.142***	0.013	0.137***	0.013	0.122***	0.012
Constant	-1.847***	0.025	-1.360***	0.058	-2.286***	0.140	-1.423***	0.145	-1.616***	0.136	-1.385***	0.113
N	8,74,977				1,82,598				1,86,160			
Adjt. R^2	0.2390				0.2353				0.2116			

Note: *** p<0.001, ** p<0.01, * p<0.05

Table A3: OLS Regression Results across Income groups in 2011-12

Dept. Variable: lInt_Subsidy	All		Q1		Q2		Q3		Q4		Q5	
	coef	**se**	**coef**	**se**	**coef**	**se**	**coef**	**se**	**coef**	**se**	**coef**	**se**
lIncome	0.039***	0.001	-0.023***	0.003	-0.106***	0.011	0.056***	0.013	0.026**	0.009	-0.061***	0.007
lEd_Loan	0.827***	0.002	0.793***	0.004	0.857***	0.003	0.824***	0.004	0.809***	0.004	0.821***	0.004
Gender-Girls	-0.059***	0.002	-0.061***	0.005	-0.075***	0.005	-0.060***	0.005	-0.058***	0.005	-0.046***	0.005
Caste_OBC	-0.118***	0.002	-0.143***	0.005	-0.112***	0.004	-0.095***	0.005	-0.089***	0.005	-0.109***	0.005
Caste_SC/ST	-0.148***	0.004	-0.169***	0.008	-0.196***	0.008	-0.127***	0.011	-0.095***	0.009	-0.117***	0.008
Area_Urban	-0.035***	0.004	-0.122***	0.018	-0.120***	0.011	-0.016	0.010	-0.021**	0.008	0.001	0.007
Area_Semi-Urb	-0.079***	0.004	-0.152***	0.017	-0.144***	0.010	-0.057***	0.009	-0.056***	0.008	-0.059***	0.007
Area_Rural	-0.128***	0.004	-0.207***	0.017	-0.205***	0.010	-0.085***	0.010	-0.088***	0.008	-0.099***	0.008
Minor_Muslims	-0.040***	0.006	-0.015	0.012	-0.031**	0.011	-0.013	0.013	-0.038**	0.013	-0.088***	0.014
Minority_Others	0.008*	0.004	-0.021**	0.008	0.008	0.008	0.045***	0.009	0.025**	0.009	0.016	0.010
Minority_Hindus	-0.040***	0.004	-0.074***	0.007	-0.076***	0.007	-0.015	0.009	-0.003	0.009	-0.002	0.010
Course_Edn	-0.031**	0.010	-0.027	0.018	-0.016	0.021	-0.090**	0.028	-0.078**	0.027	-0.065*	0.032
Course_Paramedic	-0.087***	0.006	-0.082***	0.011	-0.101***	0.012	-0.088***	0.015	-0.119***	0.015	-0.047**	0.016
Course_Law/Science	0.242***	0.005	0.173***	0.012	0.213***	0.012	0.254***	0.012	0.240***	0.010	0.295***	0.010
Course_Engg/Comp	-0.077***	0.004	-0.091***	0.009	-0.082***	0.009	-0.066***	0.010	-0.086***	0.009	-0.055***	0.008
Course_Others	0.139***	0.005	0.114***	0.010	0.178***	0.010	0.127***	0.012	0.112***	0.011	0.140***	0.011
Constant	-1.411***	0.023	-0.272***	0.059	-0.185	0.120	-1.623***	0.151	-1.065***	0.116	-0.158	0.097
N	962794		187646		220099		164042		198973		192034	
Adjt. R^2	0.266		0.256		0.252		0.225		0.218		0.226	

Note: *** p<0.001, ** p<0.01, * p<0.05

Table A4: OLS Regression Results across Income groups in 2012-13

Dept. Variable: lInt_Subsidy	All		Q1		Q2		Q3		Q4		Q5	
	coef	se	coef	se	coef	se	coef	se	coef	se	coef	se
lIncome	0.017***	0.001	-0.007**	0.002	-0.376***	0.022	0.061***	0.014	0.033***	0.008	-0.131***	0.006
lEd_Loan	0.857***	0.002	0.830***	0.004	0.849***	0.005	0.875***	0.004	0.857***	0.004	0.845***	0.004
Gender-Girls	-0.063***	0.002	-0.064***	0.005	-0.093***	0.006	-0.070***	0.005	-0.056***	0.005	-0.049***	0.005
Caste_OBC	-0.102***	0.002	-0.059***	0.005	-0.084***	0.006	-0.119***	0.005	-0.105***	0.005	-0.075***	0.005
Caste_SC/ST	-0.107***	0.004	-0.043***	0.008	-0.135***	0.010	-0.121***	0.009	-0.093***	0.008	-0.111***	0.008
Area_Urban	0.001	0.005	0.029	0.019	0.022	0.017	-0.007	0.011	0.002	0.009	-0.003	0.008
Area_Semi-Urb	-0.079***	0.005	-0.017	0.018	-0.064***	0.017	-0.090***	0.011	-0.063***	0.009	-0.095***	0.008
Area_Rural	-0.110***	0.005	-0.040*	0.018	-0.134***	0.017	-0.125***	0.011	-0.083***	0.009	-0.101***	0.009
Minor_Muslims	-0.014*	0.006	-0.011	0.013	-0.027	0.016	-0.010	0.014	0.023	0.014	-0.044**	0.015
Minority_Others	-0.032***	0.004	-0.061***	0.008	-0.036**	0.011	-0.026*	0.010	-0.001	0.010	-0.032**	0.011
Minority_Hindus	-0.043***	0.004	-0.048***	0.007	-0.081***	0.010	-0.066***	0.009	0.002	0.009	-0.030**	0.010
Course_Edn	-0.178***	0.015	-0.288***	0.024	-0.148***	0.034	-0.168***	0.035	-0.207***	0.037	-0.128**	0.045
Course_Paramedic	-0.372***	0.008	-0.428***	0.013	-0.392***	0.018	-0.365***	0.018	-0.351***	0.018	-0.314***	0.021
Course_Law/Science	0.014*	0.006	-0.122***	0.013	-0.002	0.016	0.009	0.014	0.053***	0.012	0.069***	0.011
Course_Engg/Comp	-0.132***	0.004	-0.187***	0.009	-0.144***	0.012	-0.159***	0.011	-0.109***	0.009	-0.075***	0.009
Course_Others	0.046***	0.005	-0.008	0.010	0.076***	0.014	0.053***	0.012	0.042***	0.011	0.041***	0.011
Constant	-1.207***	0.026	-0.633***	0.058	2.950***	0.243	-1.914***	0.157	-1.434***	0.111	0.747***	0.090
N	8,05,198		1,58,261		1,22,696		1,72,757		1,74,997		1,76,487	
Adjt. R^2	0.248		0.253		0.232		0.215		0.219		0.2103	

Note: *** p<0.001, ** p<0.01, * p<0.05