

Education Loan in Higher Education: A Study with Special Reference to Dakshina Kannada

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ABSTRACT

Higher education plays an important role in the development of a nation, as it equips individuals with the knowledge, skills, and competencies required to contribute to various sectors of the economy. However, the rising costs of higher education have made it increasingly challenging for many students and their families to afford the expenses associated with pursuing advanced degrees. This financial barrier has the potential to limit access to higher education, particularly for students from economically disadvantaged backgrounds. Education loans have emerged as a crucial financial aid instrument, enabling students to overcome the financial limitations and pursue their academic aspirations. In the context of Dakshina Kannada district, which is known for its rich educational heritage and a significant number of higher educational institutions, the availability and accessibility of education loans have become increasingly important. The district boasts a diverse range of colleges and universities offering various courses in fields such as engineering, medicine, arts, commerce, and sciences. However, the high costs associated with these programs, including tuition fees, accommodation, and other expenses, can pose a significant financial burden for many families.

The study reports are the findings from a survey with reference to Dakshina Kannada district of Karnataka. A questionnaire was administered to 30 respondents in the study area. The analysis of the findings states that the percentage mean shows that there is a significant difference (75%) in perception towards Education Loan in Higher Education. Thus, Null hypothesis has to be rejected. It is inferred that there is a significant relation among various components of Education Loan in Higher Education.

Keywords: EMI, CHESLA, MEFA, HPSL, MPOWER

INTRODUCTION

Education loans provide a means for students to finance their higher education without compromising their academic aspirations. These loans are designed to cover a wide range of expenses, including tuition fees, hostel fees, book costs, and other related expenses, thereby lessen the financial strain on students and their families. By the help of education loans, students can focus on their studies without the added stress of financial limitations, ultimately enhancing their academic performance and increasing their chances of securing rewarding careers. The study on education loans in higher education with a special reference to Dakshina Kannada district aims to explore the current landscape of education loan schemes, their utilization, impact, and associated challenges. It seeks to understand the awareness levels among students and their families regarding the availability of education loans, the processes involved in obtaining these loans, and the factors influencing their decision to help them.

Furthermore, the study will investigate the role of education loans in facilitating access to higher education, particularly for students from economically disadvantaged backgrounds. It will examine the impact of these loans on student enrolment and retention rates, as well as their potential implications for socio-economic mobility and career prospects. By conducting this study, valuable insights will be gained into the challenges and concerns associated with education loans, including repayment difficulties, interest rates, procedural hurdles, and documentation requirements. The findings of this research will contribute to the development of recommendations and strategies to improve the accessibility, effectiveness, and sustainability of education loan

schemes in Dakshina Kannada district and potentially other regions as well. Ultimately, the study aims to provide a comprehensive understanding of the role of education loans in higher education, with a specific focus on Dakshina Kannada district. The insights gained from this research can inform policymakers, educational institutions, and financial institutions in their efforts to enhance access to higher education and empower students to pursue their academic and career aspirations. Education loans play a crucial role in facilitating access to higher education, particularly for students from economically disadvantaged backgrounds. However, like any financial instrument, they come with both advantages and disadvantages. Here are some of the key advantages and disadvantages of education loans in higher education

Conceptual background

While education loans provide a valuable opportunity for students to pursue higher education, it is essential to carefully consider the potential advantages and disadvantages. Proper financial planning, responsible borrowing, and effective repayment strategies are crucial to ensure that the benefits of education loans outweigh the drawbacks. Additionally, policymakers and educational institutions should work towards addressing the challenges associated with education loans and promoting more accessible and sustainable financing options for higher education.

There are several types of education loans available to students pursuing higher education. Here are some of the common types:

1. Federal Student Loans (US)

- ✦ Direct Subsidized Loans: Need-based loans where the government pays the interest while the student is in school or during deferment periods.
- ✦ Direct Unsubsidized Loans: A non-need-based loan where interest accrues from the time the loan is disbursed.
- ✦ PLUS Loans: Loans for graduate or professional students and parents of undergraduate students to help cover education costs not met by other financial aid.

2. Private Student Loans

- ✦ These loans are offered by private lenders, such as banks, credit unions, and online lenders.
- ✦ They typically have higher interest rates and stricter credit requirements compared to federal student loans.
- ✦ Terms and conditions vary among lenders.

3. State-Sponsored Education Loans

- ✦ Some states offer their own education loan programs to residents attending in-state or out-of-state institutions.
- ✦ These loans may have more favorable terms and interest rates compared to private loans.
- ✦ Examples include the CHESLA Loan (Connecticut), MEFA Loan (Massachusetts), and SELF Loan (Missouri).

4. Institution-Specific Loans

- ✦ Some colleges and universities offer their own loan programs to students.
- ✦ These loans may have more flexible repayment terms and lower interest rates than private loans.
- ✦ Examples include the MIT Loan (Massachusetts Institute of Technology) and the Cornell Loan (Cornell University).

5. Career-Specific Education Loans

- ✦ These loans are designed for students pursuing specific careers, such as healthcare, law, or engineering.
- ✦ They may offer specialized repayment options or loan forgiveness programs.
- ✦ Examples include the Health Professions Student Loan (HPSL) and the Loans for Disadvantaged Students (LDS).

6. International Student Loans

- ✦ These loans are specifically designed for international students studying in another country.
- ✦ They often require a co-signer or collateral and may have higher interest rates.
- ✦ Examples include the Global Student Loan Corporation and the MPOWER Financing.

7. Education Loan Consolidation

- ✦ This option allows students to combine multiple education loans into a single loan with a fixed interest rate and extended repayment period.
- ✦ It can simplify the repayment process and potentially lower monthly payments.
- ✦ Examples include the Federal Direct Consolidation Loan and private consolidation loans.

The availability and terms of these education loan types may vary depending on the country, state, or institution. It's essential for students to research and compare different options to find the most suitable loan program that meets their specific needs and financial situation.

The procedures for obtaining an education loan typically involve several steps. While the specific requirements and processes may vary depending on the country, educational institution, and the lender, here is a general outline of the procedures for securing an education loan:

Determine Eligibility

Check the eligibility criteria set by the lender or the education loan program you are applying for. This may include factors such as academic performance, family income, course of study, and nationality or residency status.

Research and Compare Loan Options

Explore different education loan programs offered by the government, banks, financial institutions, or educational institutions. Compare interest rates, repayment terms, fees, and other conditions to find the most suitable option for your needs.

Gather Required Documents

Compile the necessary documents, which may include academic records, admission letters, and income proof (for you and your parents/guardians), identity proofs, and any other documents specified by the lender.

Submit the Loan Application

Fill out the loan application form accurately and completely, either online or offline, depending on the lender's requirements. Provide all the requested information and supporting documents.

Loan Processing and Approval

The lender will review your application and supporting documents to assess your eligibility and creditworthiness. If approved, the lender will communicate the loan amount, interest rate, and repayment terms.

Loan Agreement and Disbursement

Carefully review and sign the loan agreement, which outlines the terms and conditions of the loan. The lender will disburse the approved loan amount, either directly to the educational institution or to your designated account.

Loan Servicing and Repayment

Once you start your course, the lender will provide information on loan servicing, including repayment schedules and options. Typically, repayment begins after you complete your studies or after a grace period, depending on the loan terms. Make timely loan repayments to avoid late fees, penalties, and negative impacts on your credit score.

REVIEW OF LITERATURE

Rajesh Tiwari and Bimal Anjum wrote a research paper on the role of education loan in Indian higher education. This paper explores the role of educational loans for development of human capital in India. Secondary data have been collected (2005 to 2012) and analysed in this study. Authors found that getting education loan is increasing from 2005 to 2012 those who are pursuing higher education. This paper also said that poor banking access (50% people do not have bank accounts) to a large section of people restricts the access of educational loan to meritorious and deserving students. The banking regulators and other stakeholders need to come up with a framework to provide access of educational loans through the public private partnerships and involvement of self-help groups, to unbanked people.

Sailabala Debi has written a monograph on loan financing to higher education. This study raises few research question are what is the socio - economic background of the students taken loan? What is the repayment pattern of the loans? Is it a burden on the student or on the parents? Is the return to education of the loan holders higher? Does it meet specific manpower needs? Does the government further reduce the expenditure on higher education/subsidy as a result of loan financing to higher education? Based on these research questions the study used both primary and secondary data. The study found that (i) bank loan is directly related to income of the family and fathers' occupation when it is higher income earning occupation. It indicates that the loan is not able to solve the problem of inequality in access to higher education, (ii) More than half of the loan holders are general castes and only 3 percent are scheduled castes,(iii) Across gender the loan is always found to be lower for females than their male counterparts as about 3/4th of the loan goes to male students and the rest goes to female students, (iv) The average loan amount is the highest for MBBS degree followed by MTech degree. The lowest amount of loan is found for the diploma course. The study said that the empirical evidence of the present study seems to confirm that bank loan does not fulfil the social objective of equity criteria of higher education.

Objectives of the Study:

The objectives of a study on education loans typically include assessing the impact of loan availability on access to education, understanding borrower behaviors and experiences, evaluating loan repayment patterns, and examining the effectiveness of loan programs in promoting educational attainment and socio-economic mobility. The following major objectives of the study are;

1. To assess the Impact of education loans on student's accessibility to higher education
2. To analyses the socio-economic outcomes of education loans on graduates

RESEARCH METHODOLOGY

Methodology refers to the systematic approach or sets of procedures used to conduct research or solve a problem. It outlines the steps and techniques employed to collect data, analyses information, and draw conclusions in a structured and organized manner. This study has conducted to know the students who have taken loans for their higher studies in Dakshina Kannada. For this research SPSS tool is used to calculate the percentage mean and standard deviation to uncover insights into collected data.

Data Collection

In research methodology, there are primary data and secondary data. This research/study is based on primary data. The primary data is raw data and the information is collected raw from the survey. The valuable source of primary data is the questionnaire which will be answered or filled in by 30 respondents from Dakshina Kannada District.

The secondary data is second-hand data or data which is collected from sources. Secondary data was collected from various sources such as Websites, Research Articles, National and International journals and online sources. The students who have taken education loans will be the respondents for this survey.

Class	0 - 20	20 - 40	40-60	60 - 80	80 -100
Perception of employee	Strongly disagree	Disagree	Neither or nor	Agree	Strongly agree

Source: Liker's scale

Table – 1 Criteria used for the Research Study

Analysis and interpretations

Students Perception on Educational Loan

In this study, we have used mean, standard deviation and percentage for analysis and interpretation of data. Education loans play a complex and multifaceted role in higher education financing. They are pivotal for enabling access to education but come with significant financial and social implications. This analysis delves into the various aspects of education loans, examining their effects on access to education, the debt burden on students and families, repayment challenges, policy interventions, and broader socioeconomic impacts. Education loans are crucial in bridging the gap between the rising costs of higher education and the financial resources available to students and their families. By providing the necessary funds upfront, these loans make it possible for many individuals to pursue college degrees and other forms of higher education.

Research consistently shows that education loans significantly boost enrollment rates among students from low and middle-income backgrounds. For instance, Schwartz argues that without loans, higher education would be unattainable for a substantial portion of these students. The availability of loans helps democratize access to education, enabling individuals to overcome initial financial barriers. The theory of human capital, as discussed by expert positions education loans as an investment in future earning potential. This perspective is supported by empirical evidence showing that higher education typically leads to increased earnings over a lifetime, thereby justifying the initial debt incurred. Some students, particularly those from low-income backgrounds, may be debt-averse and thus less likely to take out loans even if it means forgoing higher education.

The benefits of education loans are closely tied to students' ability to complete their degrees. Students who drop out before graduating often struggle to repay their loans, as they do not reap the full economic benefits of their education. This issue is particularly acute for students attending for-profit institutions, which tend to have higher dropout rates and lower job placement rates.

Awareness of Taking Higher Education loan

Response	Frequency	Percent	Valid Percent	Mean	SD	% Mean
Uncomfortable	3	10.0	10.0	3.600	0.96847	72%
Neutral	13	43.3	43.3			
Comfortable	7	23.3	23.3			
Very Comfortable	7	23.3	23.3			
Total	30	100.0	100.0			

Table – 2 Awareness of Taking Higher Education loan

From the above table 23% of the respondents Very Comfortable that Awareness of Taking Higher Education loan, 23.3% of the respondents Comfortable, 43% of the respondents natural and 3.3% of the respondents Uncomfortable that awareness of taking higher education loan. The percentage mean 82 (Mean and SD

$4.1 \pm .71197$) shows that awareness of taking higher education loan is essential to the students as it falls in the category of 60% to 80%.

Perception towards Education Loan is essential

Response	Frequency	Percent	Valid Percent	Mean	SD	% Mean
Disagree	1	3.3	3.3	4.1000	.71197	82%
Neutral	3	10.0	10.0			
Agree	18	60.0	60.0			
Strongly Agree	8	26.7	26.7			
Total	30	100.0	100.0			

Table – 3 Perception towards Education Loan is essential

From the above table 26.6% of the respondents strongly agrees that education loan is essential, 60% of the respondents agrees, 10% of the respondents neither or nor and 3.3% of the respondents disagree. The percentage mean 82 (Mean and SD $4.1 \pm .71197$) shows that educational loan is essential to the members as it falls in the category of 80% to 100%.

Process adopted for Applying Education Loan

Response	Frequency	Percent	Valid Percent	Mean	SD	% Mean
Disagree	5	16.7	16.7	3.3000	.794890	66
Neutral	12	40.0	40.0			
Agree	12	40.0	40.0			
Strongly Agree	1	3.3	3.3			
Total	30	100.0	100.0			

Table – 4 Process adopted for Applying Education Loan

From the above table 3.3% of the respondents strongly agrees that Process adopted for Applying Education Loan, 40% of the respondents agrees, 40% of the respondents natural and 16.7% of the respondents disagree that Process adopted for Applying Education Loan. The percentage mean 66 (Mean and SD $3.3 \pm .7949$) which shows that the process adopted for applying education loan to the members as it falls in the category of 60% to 80%.

Perception On Interest Rate

Response	Frequency	Percent	Valid Percent	Mean	SD	% Mean
Strongly Disagree	1	3.3	3.3	3.6667	.96847	73%
Disagree	3	10.0	10.0			
Neutral	8	26.7	26.7			
Agree	11	36.7	36.7			
Strongly Agree	7	23.3	23.3			
Total	30	100.0	100.0			

Table – 5 Perception on Interest Rate

From the above table 3.3% of the respondents strongly disagree, 10% of them disagree, 26.7% of them neither or nor agree or disagree, 36.7% of them agree, 23.3% of them strongly agree that Perception on Interest Rate. The percentage mean 73% (Mean and SD $3.633 \pm .96847$) shows that .96847 as it falls in the category of 60% to 80

Perception on Covering Up Expenses Related to Higher Education

Response	Frequency	Percent	Valid Percent	Mean	SD	% Mean
Disagree	3	10.0	10.0	3.6333	.76489	72%
Neutral	7	23.3	23.3			
Agree	18	60.0	60.0			
Strongly Agree	2	6.7	6.7			
Total	30	100.0	100.0			

Table – 6 Perception on Covering Up Expenses Related to Higher Education

From the above table: 0% of the respondents strongly disagree, 10% of them disagree, 23.3% of them neither or nor agree or disagree, 60% of them agree, 10% of them strongly agree that Perception on Covering Up Expenses Related to Higher Education. The percentage mean 72% (Mean and SD 3.633 ± 0.76489) shows that Perception on Covering Up Expenses Related to Higher Education as it falls in the category of 60% to 80%

Education Loan or Scholarship, Better Option for Funding Higher Education

Response	Frequency	Percent	Valid Percent	Mean	SD	% Mean
Strongly Disagree	1	3.3	3.3	3.2667	0.90716	65%
Disagree	4	13.3	13.3			
Neutral	13	43.3	43.3			
Agree	10	33.3	33.3			
Strongly Agree	2	6.7	6.7			
Total	30	100.0	100.0			

Table – 7 Education Loan or Scholarship, Better Option for Funding Higher Education

From the above table 3.3% of the respondents strongly disagree, 13.33% of them disagree, 43.3% of them neither or nor agree or disagree, 33.33% of them agree, 6.7% of them strongly agree that Education Loan or Scholarship, Better Option for Funding Higher Education. The percentage mean 65% (Mean and SD 3.2667±0.90716) shows that Education Loan or Scholarship, Better Option for Funding Higher Education as it falls in the category of 60% to 80%

Perception on Repayment Process of Education Loan

Response	Frequency	Percent	Valid Percent	Mean	SD	% Mean
Disagree	5	16.7	16.7	3.4333	.93526	68%
Neutral	11	36.7	36.7			
Agree	10	33.3	33.3			
Strongly Agree	4	13.3	13.3			
Total	30	100.0	100.0			

Table – 8 Perception on Repayment Process of Education Loan

From the above table 0% of the respondents strongly disagree, 16.7% of them disagree, 36.7% of them neither or nor agree or disagree, 33.33% of them agree, 13.3% of them strongly agree that Perception on Repayment Process of Education Loan. The percentage mean 68% (Mean and SD 3.2667±0.90716) shows that Perception on Repayment Process of Education Loan as it falls in the category of 60% to 80%

Perception on Repayment Process of Education Loan

Response	Frequency	Percent	Valid Percent	Mean	SD	% Mean
Strongly Disagree	1	3.3	3.3	3.5667	.97143	71%
Disagree	2	6.7	6.7			
Neutral	11	36.7	36.7			
Agree	11	36.7	36.7			
Strongly Agree	5	16.7	16.7			
Total	30	100.0	100.0			

Table – 9 Perception on Repayment Process of Education Loan

From the above table 3.3% of the respondents strongly disagree, 6.7% of them disagree, 36.7% of them neither or nor agree or disagree, 36.7% of them agree, 16.7% of them strongly agree that Perception on Repayment Process of Education Loan. The percentage mean 71% (Mean and SD 3.5667±0.97143) shows that Perception on Repayment Process of Education Loan as it falls in the category of 60% to 80%

FINDINGS

Various policy reforms and innovations are being proposed and implemented to address the student debt crisis. These include capping interest rates, expanding forgiveness programs, and creating alternative funding models like income share agreements. The study has observing following major findings are:

- The study observed that the debt burden has doubled for students over the past decade
- We found that access to student loans has expanded college enrolment, particularly among low-income and minority students. However, the availability of loans has influenced students' choice of institutions, often steering them towards more expensive private or out-of-state options.
- The study has indicated that significant debt burdens may limit economic opportunities for young Students
- The study observed that Default has led to severe consequences, including damaged credit scores and wage garnishment
- We observed that the monthly payments to the borrower's income potentially reduce the financial burden during lower-earning periods.
- The study has observed that some banks have offered loan forgiveness programs for certain borrowers, particularly those working in public service or high-need areas, which has significantly reduced the debt burden for eligible participants.
- We found that education loans are critical for improving access to higher education for underserved populations.

We found that the loan repayment effects persisted long after graduation

Suggestions:

The study observed that the debt burden has doubled for students over the past decade. We found that access to student loans has expanded college enrolment, particularly among low-income and minority students.

However, the availability of loans has influenced students' choice of institutions, often steering them towards more expensive private or out-of-state options.

CONCLUSION

The study on education loans in higher education within Dakshina Kannada reveals that while these loans significantly improve access to higher education, they also pose challenges. The rising debt burden on students underscores the need for policy reforms.

The accessibility of loans has positively influenced enrollment rates among low-income and minority students but has also led to increased debt due to more expensive educational choices. The long-term economic impacts of student debt, including limited economic opportunities and severe consequences of default, highlight the importance of supportive measures like income-driven repayment plans and loan forgiveness programs.

In summary, education loans are essential for higher education access, but ongoing reforms and support systems are crucial to ensure their benefits outweigh the financial hardships they can impose. A balanced

approach is necessary to maximize the positive impact of education loans on students' educational and economic outcomes.

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