

**A ROLE OF PUBLIC AND PRIVATE SECTOR BANKS TOWARDS DEVELOPMENT OF EDUCATION SECTOR IN INDIAN ECONOMY**

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**Abstract**

Education is the key tool for socio-economic transformation. Since the beginning of 21<sup>st</sup> century till 1947 India was under British Rule which experienced a Combination of both Public and Private sector banks to mark the beginning of Era. The “Reserve Bank of India” was established in the year 1935 as Central Bank of India. After Independence our First Prime Minister laid more focus on development of public sector banking and various other public sectors in the economy. Our Late. Prime Minister Smt. Indira Gandhi Nationalized 14 Banks in the year 1969 and SBI was the biggest nationalized bank established in 1955 to support priority sectors in Indian economy. The bureaucratic functioning of Indian public sector and RBI policies affected the development and progress of public sector banking and rise in NPAs of these banks. Till 1990 the Indian economy was dominated by public sector banks as financial support to various sectors in the Indian economy. After the announcement of liberalization privatization and globalization policy in 1991 and growth of private sector banks and reforms in banking sectors there is revolution in the banking sector. Due to announcement of new economic policy, the importance of private banks has tremendously increased as both private and international banks started operating in India. The Scale of banking transactions increased due to growth of MNCs demanded excess financial support from banks. The technological transformation in the Industrial segment induced quality human resource from educational institutions that increased demand for education loans from banks. Thus the role of banks became crucial to impart quality education and fulfil industry expectations of placing quality manpower in industry. This paper would highlight the contribution of public and private banking segments in the Growth and development of Indian economy since the announcement of new reforms in banking sector in terms of Industry -Academic collaboration.

**Keywords:** Education, Banking, Public Banks, Indian Economy, Reforms, Finance

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## 1. Introduction

India is the developing economy. The education plays a vital role in the socio-economic development, human capital formation and inclusive growth, particularly in emerging economies like India (Choudhury et al., 2024). In this context, the role of financial institutions, especially public and private sector banks, has become increasingly significant in facilitating access to education through targeted financing mechanisms such as education loans, infrastructure funding, and support for skill development initiatives. Public sector banks have traditionally played a developmental role by implementing government-backed schemes aimed at promoting educational inclusion among economically weaker sections, while private sector banks have contributed through innovative financial products, digital lending platforms, and strategic partnerships with educational institutions (Varghese, 2016). The expansion of banking services in education financing has not only improved affordability but also enhanced opportunities for higher education and professional training, thereby contributing to workforce development and economic productivity (Becker, 1993). Furthermore, the integration of financial inclusion policies with educational financing has strengthened the linkage between banking and human development outcomes, highlighting the need for a comparative analysis of public and private sector contributions in this domain (Demirgüç-Kunt et al., 2018). A good education system is crucial for a country's success, driving economic growth through skilled

workers, fostering social progress by reducing poverty and inequality, promoting good governance with informed citizens, enhancing individual well-being, and building a foundation for innovation, critical thinking, and global competitiveness. It empowers people, boosts health, encourages civic engagement, and helps solve complex problems, ultimately leading to a more prosperous and stable nation. Education is capable of changing or transforming individuals and societies. That's why its significance cannot be overlooked. This makes the basis of self-development, self-belief, and economic prosperity that brings a brighter and fairer future. Banks play a multi-faceted role in education, primarily by providing essential financial support through loans and scholarships, offering comprehensive financial literacy programs.

## **2. Background of Study**

The education sector in India has undergone significant transformation in recent decades, driven by policy reforms, technological advancements, and increased demand for skilled human resources (Gaikwad, 2016). Despite this progress, access to quality education remains uneven, particularly among economically weaker and rural populations, largely due to financial constraints. In this context, the role of banking institutions has emerged as a crucial enabler in bridging the gap between educational aspirations and financial capability. Public sector banks have traditionally been instrumental in implementing government-sponsored schemes such as education loan subsidies and priority sector lending, thereby promoting equitable access to higher education. At the same time, private sector banks have introduced innovative financing models, faster loan processing systems, and digital platforms that enhance efficiency and accessibility in educational financing. This dual contribution reflects a growing synergy between the banking sector and educational development, reinforcing the importance of financial support in achieving inclusive growth (Tilak, 2015).

## **3. Scope and Significant of Study**

Privatization in service industry since 1991 changed opportunities for both Private banking and education sectors in India. Private Banks like ICICI Bank AXIS bank laid foundation for developing more services for the education sector. After banking reforms, India's education sector saw new schemes focusing on digital access, skill development, and holistic learning under the National Education Policy 2020 (NEP 2020), PM-Vidyalaxmi (collateral-free loans), PM SHRI (model schools), and digital platforms like DIKSHA & NDEAR, complemented by ongoing programs like Samagra Shiksha and Skill India, integrating technology and industry needs for better employability.

## **4. Objectives of Study**

1. To study co-relation between industry education system and banking sector for development of economy
2. To understand how reforms in banking have uplifted Quality education system in Indian economy
3. To know how banking reforms can resolve financial problems of Students and education system in Indian Economy
4. To create awareness regarding new schemes introduced by banks for women education post banking reforms

## **5. Key Govt. schemes and initiatives:**

India's higher education and skill development ecosystem has witnessed significant transformation through a range of policy initiatives aligned with the objectives of the National Education Policy (NEP) 2020. The PM-Vidyalaxmi Scheme (2024) enhances access to higher education by offering collateral-free education loans up to ₹7.5 lakh, supported by a 75% credit guarantee and interest subvention for economically weaker sections through digital disbursement systems. Complementing this, the PM SHRI (PM Schools for Rising India) scheme (2022) focuses on developing model institutions that embody holistic, skill-oriented, and quality education, while also serving as

mentoring hubs for other schools. The Skill India Mission and Pradhan Mantri Kaushal Vikas Yojana (PMKVY) continue to play a crucial role in equipping youth with industry-relevant, job-ready skills, thereby improving employability outcomes. Additionally, the Academic Bank of Credits (ABC) introduces flexibility in higher education by enabling digital storage and transfer of academic credits, supporting lifelong learning pathways. Institutional strengthening is further supported through the Higher Education Funding Agency (HEFA) and the World Class Institutions Scheme, which aim to enhance infrastructure and research capabilities to achieve global academic standards. The DPS (Donation of Professional Services) Scheme by AICTE also bridges academia-industry gaps by engaging industry experts for lectures and mentorship, thereby enriching practical exposure and employability. At the school education level, several initiatives have been introduced to ensure inclusive, equitable, and technology-driven learning. The Samagra Shiksha scheme, extended up to 2025–26, integrates various components of school education under a unified framework aligned with NEP 2020, emphasizing universal access, foundational literacy and numeracy, digital education, and vocational training. Digital transformation in education is further accelerated through platforms like DIKSHA and the National Digital Education Architecture (NDEAR), which aim to bridge the digital divide by providing accessible e-learning resources and standardized digital infrastructure. These platforms facilitate teacher training, student learning, and content dissemination on a large scale. Additionally, e-Pathshala, developed by NCERT, offers a comprehensive repository of digital resources including e-books, audio, and video materials, thereby promoting self-paced and technology-enabled learning. Collectively, these initiatives contribute to building a resilient, inclusive, and future-ready education system in India.

## **6. Literature Review**

The relationship between banking institutions and educational development in India has been explored through the lens of human capital theory, emphasizing the role of financial support in enhancing access to education. Studies have indicated that public sector banks have played a dominant role in promoting educational inclusion by extending priority sector lending and implementing government-backed education loan schemes. These initiatives have significantly contributed to increasing enrolment in higher education, particularly among students from economically weaker sections, thereby supporting long-term economic growth and social mobility (Tilak, 2015). At the same time, the expansion of education financing by banks has been associated with improved access to professional and technical education, reinforcing the linkage between financial systems and human resource development.

In contrast, private sector banks have been recognized for their efficiency, innovation, and customer-centric approaches in education financing. Research suggests that private banks leverage technology-driven platforms, streamlined loan processing systems, and customized financial products to attract students and educational institutions. This has resulted in faster credit delivery and improved customer experience, although concerns remain regarding higher interest rates and stricter eligibility criteria, which may limit accessibility for marginalized groups (Ghosh, 2018). The comparative performance of public and private sector banks thus highlights a trade-off between accessibility and efficiency, indicating the need for a balanced approach in educational financing policies.

Further literature emphasizes the broader role of banks in supporting educational infrastructure and institutional development, beyond individual student financing. Financial institutions contribute to the development of universities, research centers, and skill development initiatives through project financing and public-private partnerships. Such contributions are crucial in strengthening the quality and competitiveness of the education sector in India's evolving knowledge economy. However, existing studies also point to challenges such as rising non-performing assets (NPAs) in education loans, lack of awareness among beneficiaries, and regional disparities in credit distribution, which affect the overall effectiveness of banking support in education (Kumar & Singh, 2019). These

findings underline the importance of policy interventions and strategic coordination between public and private sector banks to ensure sustainable and inclusive educational development.

## 7. Research Methodology

The researcher has used descriptive research method for research study. In this study Bank schemes for education independent variable whereas number of students getting educated through education loan and schemes is dependent variable. As new facilities and schemes are offered through banks more number of students will be educated. As literacy level increases there will be better industrial growth and development in the society with support of banks. After banking reforms, India's education sector saw new schemes focusing on digital access, skill development, and holistic learning under the National Education Policy 2020 (NEP 2020), like PM-Vidyalaxmi (collateral-free loans), PM SHRI (model schools), and digital platforms like DIKSHA & NDEAR, complemented by ongoing programs like Samagra Shiksha and Skill India, integrating technology and industry needs for better employability. These initiatives reflect a shift towards technology-driven, skill-focused, and inclusive education, aiming to meet NEP 2020 goals and enhance India's human capital. The bank also offers specific academic development programs that include assured job opportunities. Education Loans: Axis Bank offers education loans to help finance higher education, covering expenses such as tuition fees, hostel charges, the cost of books, equipment, and travel expenses.



IBA's Model Educational Loan Scheme for pursuing Higher Education in India and Abroad – March 2021 The main emphasis of the scheme is that a meritorious student, who may be poor, is given an opportunity to pursue education with a financial support from the banking system at affordable terms and conditions. These schemes can be adopted by all member banks of the Association. These schemes now also covers overall expenses towards exchange programme, whereby an Indian education institution sends its students to pursue education at a partner foreign university for six months to a year. The education loan portfolio is divided into three categories: a. Loans to students admitted to top rated institutions b. Loans to those students who are admitted to other domestic institutions c. Loans to students seeking studies abroad. Depending upon risk perception, reputation of the institution and employability of the students, banks will be able to fine tune their terms and conditions of sanction suitably to these categories.

## 8. Discussion and Analysis

### Schemes of Private sector banks

In addition to government schemes, private banks offer their own branded loan products with competitive features, often for higher loan amounts and international studies.

HDFC Bank: Offers education loans up to ₹1.5 crore for international studies and up to ₹50 lakh collateral-free for premier institutions; Features pre-admission sanctions and flexible repayment tenures up to 15 years.

ICICI Bank: Provides loans up to ₹3 crore for international and domestic studies; Offers pre-admission sanction letters and various repayment options (Partial Simple Interest, Simple Interest, EMI).

Bank of Baroda: Offers specific schemes like Baroda Gyan (for general higher education in India), Baroda Scholar (for premier institutions), and loans for executive development programs abroad; Provides collateral-free loans up to ₹40 lakh for identified premier institutes.

Tata Capital: Provides unsecured loans up to ₹85 lakhs and secured loans up to ₹2 crore; Offers specific loans for professional courses, vocational training, and career development.

The total outstanding education loan debt in India has reached approximately ₹1.17 lakh crore as of January 2024. Public Sector Banks (PSBs) dominate this sector, accounting for nearly 90% of all education loans disbursed by Scheduled Commercial Banks.

- **Disbursements by Bank and State**

Table 1: A three-year period (FY 2022-23 to 2024-25 provisional data), the State Bank of India (SBI) was the largest lender among PSBs.

Bank	Amount Disbursed (₹ Crore)
State Bank of India	32,311.02
Union Bank of India	14,558.77
Bank of Baroda	8,468.53
Canara Bank	7,094.19
Punjab National Bank	5,004.71

Table 2: State wise education loan disbursements, primarily driven by high enrolment in professional courses and overseas education.

State/UT	Amount Disbursed (₹ Crore) (FY22-25)
Maharashtra	11,426.47
Kerala	8,937.78
Andhra Pradesh	8,101.06
Tamil Nadu	7,198.63

In the financial year 2023-24, private banks in India disbursed ₹7,749 crore in education loans. This figure represents a smaller share compared to public sector banks, which disbursed ₹28,699 crore during the same period.

Table 3: Overview of Education Loan Disbursements (FY 2023-24)

Bank Type	Amount Disbursed (₹ in crore)
Public Sector Banks	28,699
Private Banks	7,749
Total (Banks)	36,448

Maharashtra leads all Indian states in the total value of education loans sanctioned by public sector banks, which has a major share of the education loan market. Official the data represents that public sector banks (PSBs) play a dominant role in the education sector, highlights Maharashtra's leading position. As per the data produced in the Rajya Sabha in August 2025, Maharashtra has highest number of loan disbursals by public sector banks over the financial years between 2022-23 and 2024-25 (provisional). Total Amount Sanctioned (FY 2022-23 to 2024-25): ₹11,426.47 crore. Leading Public Lender: The State Bank of India (SBI) was the single largest lender nationwide during this period, disbursing over ₹32,311 crore in student loans. Applications: In the FY 2023-24, public sector banks received 56,947 applications from Maharashtra, a close second after Tamil Nadu in application volume.

- **Private Sector Banks**

Public sector banks mostly cover around 95% of education loan financing across India. While data on private bank sanctions is less centralized, available information indicates a smaller market share compared to PSBs. Total Amount Disbursed (FY 2023-24, Pan-India): Private sector banks has disbursed ₹7,749 crores across the entire country. Applications: In the FY 2023-24, Maharashtra leads the states in number of applications to private sector banks, with 9,506 applications. RBI Stance: The RBI says that all the banks have not maintained state-wise information regarding outstanding education loans.

In this public sector banks has dominated the volume of sanctions, all though private sector lenders specialized like NBFCs (like HDFC Credila) prominently provide high-value international study loans. Public Sector Banks (PSBs): State Bank of India (SBI): The largest lender, has distributed nearly ₹32,311 crore throughout PAN India in the last three years, with a major concentration in Maharashtra. Bank of Maharashtra: Provides specialized local products like the "Maha Scholar" Scholarships for students studying in premier Indian institutions. Other Key Lenders: Union Bank of India (₹14,559 cr nationally), Bank of Baroda (₹8,469 cr), and Canara Bank (₹7,094 cr) are second largest contributors to these totals.

High-Value Loans: Private lenders like ICICI Bank which offer loan amount upto 1 crore and Axis Bank which offers up to 75 lakhs are prominent for students seeking larger amounts for overseas education. Specialized Entities: HDFC Credila and Avanse are leading private players in Maharashtra for education loans up to ₹75 lakh. At presented in Rajya Sabha it shows that public sector banks are heavily funding higher education loans between 2022-23 and 2024-25, with south Indian states dominate and repayment challenges surfacing in several high-loan regions. Details tabled in the Rajya Sabha reveal that during the years 2022-23 and 2024-25 (provisional), banks have sanctioned loans amounts worth to ₹11,426.47 crores in Maharashtra, another ₹8,937.78 crore in Kerala, ₹8,101.06 crore rupees to Andhra Pradesh, and ₹7,198.63 crore to Tamil Nadu.

Telangana, Karnataka, Uttar Pradesh, and West Bengal also featured among states with significant education loan activities, prompting strong nationwide demand for higher studies loans. Despite the large disbursements, repayment remains a challenge as in March 2025 (provisional), SBI has reported a ₹336 crore in gross as non-performing assets in education loan category, while Punjab National Bank has reported nearly ₹431 crore, Canara Bank ₹322 crore, and Indian Bank ₹277 crore. The figures point to an increasing reliance on bank loans for funding higher education, coupled with a need to address repayment concerns in states with high exposure.

**Table 4: Public Sector Bank Education Loan Sanctions (Amount Disbursed)**

Financial Year	Amount Disbursed (₹ in crore)	Number of Loan Accounts
2022-23	₹24,997 crore	6,29,594
2023-24	₹28,699.02 crore	7,36,580
2024-25 (Provisional)	₹35,000 crore	Data not available

Note: The 2024-25 data is provisional and incomplete in the sources; the top four states alone accounted for over ₹35,000 crore in that period.

As per the information received from Department of Financial Services, Ministry of Finance, for the financial year 2023-24, the amount of education loan disbursed by the Public Sector Banks were Rs. 28,699 crore and that by the Private Banks were Rs. 7,749 crore. As per the information received from Department of Financial Services, Ministry of Finance, the educational loan disbursement target of PSBs for FY 2022-23 was Rs.20,450 crore vis-à-vis the target of Rs. 16,965 crores fixed for FY 2021-22, which represents an increase of 20.54 % on a Year-on-Year (YoY) basis. The educational loan disbursement target set for FY 2023-24 was Rs.29,725 crore and achievement against it was Rs.28,699.02 crore, which is 96.55%. Scheduled Commercial Banks (SCBs) follow IBA’s Model Education Loan Scheme for pursuing Higher Education in India and Abroad which, inter-alia, provides collateral free loans up to Rs.7.50 lakh. Further, Public Sector. Banks (PSBs) also provide collateral free loans beyond Rs.7.50 lakhs, on case to case basis as per their Board approved policies.

**9. Key Findings of Study:**

- The Public sector banks are the primary source for education loans in Maharashtra and nationwide.
- The government promotes education loans through schemes like the PM Vidyalaxmi scheme, which facilitates applications through a single online portal, and the Credit Guarantee Fund Scheme for Educational Loan (CGFSEL), which provides collateral-free loans up to ₹7.5 lakh.
- The detailed, comparative data for specific private banks within Maharashtra is generally not available in public government or RBI reports, as lending decisions and specific data reporting are largely governed by the banks' own board-approved policies
- It is observed that there is only 5 to 7 % contribution of private sector banks, for attracting educational institutions and students community to apply for education loans in private banks as compared to public sector banks.

**10. Conclusion**

In conclusion, public and private sector banks play a pivotal and complementary role in the development of the education sector in the Indian economy by facilitating financial access, enhancing affordability, and supporting institutional growth. Public sector banks primarily contribute through inclusive policies and government-backed schemes that ensure wider reach among economically disadvantaged sections, while private sector banks bring efficiency, innovation, and technological advancement to education financing. Despite their significant contributions, challenges such as unequal access, stringent eligibility criteria, rising loan defaults, and regional disparities continue to persist. Therefore, a balanced and coordinated approach involving policy support, financial innovation, and improved awareness is essential to strengthen the effectiveness of banking interventions, ensuring equitable and sustainable educational development aligned with the broader goals of economic growth and human capital formation.

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