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IMPACT OF WEAK RUPEE ON OVERSEAS EDUCATION LOAN – A STUDY

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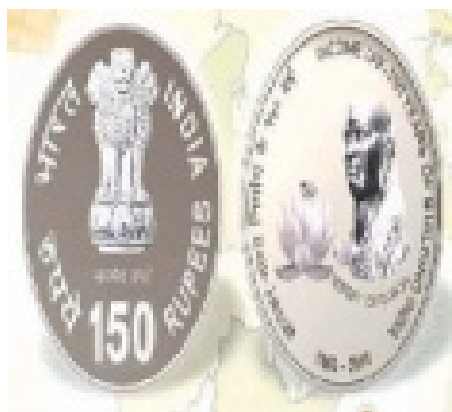
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ABSTRACT

Indian rupee is weakening due to heavy demand from the oil companies, corporate, euro zone crisis etc. This weak rupee affects the students who want pursue higher education in abroad. Students are forced to drop the higher education or postpone their studies to next academic/calendar year, due to increased cost of education. Their dream of higher education in foreign countries depends on banks may be in the form of increased loan or top up facilities.

KEYWORDS: *Margin requirement, Security guarantee, Top up facilities, Collateral, Waiver.*

INTRODUCTION



The weakening rupee against dollar upsets the students who are in search of quality overseas education. This uncertainty in rupee dollar conversion has led to slower growth of educational loan. Bankers feel that education loans started picking after 2008, when the Reserve Bank of India (RBI) relaxed lending norms. There has been a reduction in the number of students going to Australia for higher education. Also, on the whole, there is a fall in the number of people seeking loans to study overseas. However, the overall low credit growth scenario has minimal impact on education loans, as

more people are seeking education. Presently 1 lakh students went to US in 2010-11 and 41,350 students went to UK in 2010-11 were facing major financial problem due to decline in Indian rupee. But banks are ready to give relief to the students by giving top up loan due to increased cost of education. So students will not be left high and dry in their pursuit of higher education.

OVERSEAS EDUCATION LOAN- A SNAP SHOT

1	Cost of study			
	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">In dollar</td> <td style="width: 50%;">In Rupee</td> </tr> <tr> <td>\$25,000 to \$ 60000 per year.</td> <td>Rs,13 lakh to 32 lakh as per Current exchange rate.</td> </tr> </table>	In dollar	In Rupee	\$25,000 to \$ 60000 per year.
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\$25,000 to \$ 60000 per year.	Rs,13 lakh to 32 lakh as per Current exchange rate.			
2	Maximum loan amount Rs.20 lakhs			
3	Average loan amount 14 lakh to 15 lakh			
4	Margin requirement 15%			
5	Tenure 3 to 4 years.			
6	Interest rate 13 to 14.5%			
7	Loan disbursement Semester basis or as per the institute demand.			
8	Repayment Starts after one year after course completion or 6 month after student gets job which ever is earlier.			
9	Security guarantee			
	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">4 lakh to 7.5 lakh</td> <td style="width: 50%;">Above 7 lakh</td> </tr> </table>	4 lakh to 7.5 lakh	Above 7 lakh	
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	Personal guarantee is needed	Tangible security like house, bank deposit etc. is needed.
10	Rupee falls 17% in last 5 months	

INCREASED EDUCATIONAL COST

Indian students keen to earn a foreign degree will have to shell out more to fulfill their dreams. Due to sharp decline in the rupee, they will have to incur higher expenditure in rupee terms to cover their tuition fees, food, stay and other living expenses. This will add to the high cost of education overseas. Cost of studying in US including tuition fees and living expenses varies between 25000\$ to 60000\$ for an under graduate students and more than 60000\$ in case of management education. At the current exchange rate it works out to 13 lakh to 32 lakh per year. Banker grant loan for foreign students at an average of 14lakh to 20 lakh. Payment of tuition fees made every semester by the bank to the university.

NEW BORROWER ARE WORST AFFECTED

Weakening rupee hits the borrower in many ways –

- Students have to get top up loan.
- Parents funding child overseas education from personal saving will be critically hit as the rupee slip more and more.
- Rupees depreciates will benefits the students completed their course and working abroad who are about to start their repayment. They have to pay less due to the falling rupees.

STUDENTS ARE IN PANIC

Pain of the students planning to study abroad is likely to multiply as foreign exchange players anticipate further fall in rupee. The fall is not the bottom of the panic, it is just the beginning. The student and their co- application will however have to bring in more collateral for getting the top up loan. In education loan there is no one size fit all plan. It differs from case to case based on the cover available and value of relationship. Individual's cases will be decided by the concerned manager on specific merits of the case.

A BIG HOLE IN THE POCKET

Even after getting waiver from the tuition fees, accommodation and other charges, parents has to pay out of their own pocket. The steady depreciating rupee has left the parents in the rock. They have to dip into the PF account to sponsor their son/daughter education. If the rupee breach further low parent has to face sever financial problems.

CONCLUSION

As the rate is changing it is too early to measure its reaction. US are giving quality education in international standard in order to put demands on the foreign students. There are varieties of need based financial assistance program and merit based scholarships designed to ensure that talented students from around the world benefits from higher education experience in the US. If the situation continues students who are interested to go for foreign university has to wait for the RBI intervention to save the weakening rupee which will fulfill their dreams.