

# Self-made badge by opting for an education loan

RAJESH KACHAVE

IN a bid to boost the education sector, the government of India increased the allocation of the education budget by 11.86 per cent this year. The biggest hurdle between students and their aspirations is the rising costs of education, owing to inflation and now the pandemic too. A daunting thought that preoccupies the minds of students and parents is invariably about the funds without exhausting all their savings. An education loan bridges the gap between an aspirant and quality education, and hence it is a prudent choice.

**Let's look at some of the benefits of an education loan:**

## No need to dip into savings

Although parents meticulously plan for a child's higher education, rising cost of education forces them to liquidate the family savings.

## An education loan bridges the gap between an aspirant and quality education

However, students can help their parents preserve the family savings by opting for an education loan. Students can responsibly repay the education loan without having to sell any assets or borrow from family and friends.

### An interesting way of evaluating applicant profiles- Employability potential

Financial institutions take a student-centric approach to evaluate profiles for education loans. Rather than depending only on the co-borrowers' financial background, lenders evaluate the student thoroughly – past academic performance, entrance test scores, pedigree of university/institute and courses are some of the crucial parameters. Organisations evaluate multiple criteria to generate the employability potential score of a



student and designs the best solution to suit his/her exact requirements.

### The perfect opportunity to earn the self-made badge

Students can earn a self-made badge by funding their education

independently without depending on their parents. Education loan offers a perfect opportunity for students to embark on their academic journey without being a burden on their parents. So, instead of parents bearing the cost of education, students can start paying the easy EMIs soon after finding employ-

ment or choose to make small contributions in the form of simple interest or partial interest during the moratorium period.

### Student loans cover the holistic cost of education

Most financial institutions offer

student loans that cover the holistic cost of education, including tuition fees, accommodation, living & travel expenses, cost of learning devices, and other education-related expenses. Therefore, after opting for an education loan, students don't have to arrange finances to cover other educational expenses.

### Helps to strengthen the credit score

Students are at the cusp of experiencing a major transition in their lives and will eventually require other financial products such as home loans, car loans, credit card, etc. An education loan is usually one of the initial debts taken by an individual. Responsible repayment of the same helps build a healthy credit score and increases creditworthiness, which in the long run allows them to avail better deals on

other financial products in the future.

### Instils financially prudent habits

Students start to spend judiciously to save enough funds to pay the EMIs against their education loan. Planning their repayment strategy and setting aside some corpus to utilize it in case of emergency inculcates financially prudent habits among the student fraternity.

Education loans are specifically designed to suit the needs of students who aspire to pursue their higher education. Academic success largely depends on quality education. By opting for an education loan, students will never have to compromise on their academic aspirations and can achieve their ultimate goal of building a successful career.

*(The author is the Business Head – Education Loans- Avanse Financial Services (Educational NBFC))*