

Bridging Financial Barriers: A Study of PM Vidyalaxmi and NEP 2020 Goal-Highlights the Alignment with NEP 2020 and GER Targets

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Abstract: Education has long been recognized as the most powerful instrument for social transformation and national development. In the Indian context, higher education is not only a pathway to individual empowerment but also a critical driver of economic growth, innovation, and global competitiveness. However, despite significant progress in expanding access to education, financial constraints continue to pose a formidable barrier for millions of meritorious students, particularly those from economically weaker and marginalized sections of society. Rising tuition fees, living expenses, and the burden of high-interest loans often deter talented youth from pursuing higher education, thereby perpetuating cycles of inequality and limiting the nation's human capital potential.

Keywords: PM Vidyalaxmi Scheme, NEP 2020, Higher Education Financing, Collateral-free Loan, Gross Enrolment Ratio (GER), Equity in Education, Interest Subvention, Digital Education Ecosystem

1. Introduction

The National Education Policy (NEP) 2020 provides a visionary framework for transforming India's education system in the 21st century. Built on the foundational pillars of Access, Equity, Quality, Affordability, and Accountability, NEP 2020 sets ambitious targets, including achieving a 50% Gross Enrolment Ratio (GER) in higher education by 2035. To realize this vision, the policy emphasizes the need for inclusive financial support mechanisms that ensure no student is denied education due to economic hardship. It is within this context that the Pradhan Mantri Vidyalaxmi Scheme has been launched as a mission-mode initiative.

The PM Vidyalaxmi Scheme represents a paradigm shift in education financing. Unlike traditional loan systems that often require collateral or guarantors, this scheme provides collateral-free and guarantor-free loans to meritorious students admitted to top-ranked Higher Education Institutions (HEIs) under the National Institutional Ranking Framework (NIRF). By offering interest subventions, credit guarantees, and digital disbursement mechanisms, the scheme directly addresses the structural barriers that have historically excluded disadvantaged students from accessing quality education. With an initial budget allocation of ₹3,600 crore for 2023–2031, the scheme is expected to benefit 22 lakh students annually, thereby significantly contributing to India's GER targets.

Furthermore, the scheme is not merely a financial intervention but a holistic support mechanism. By integrating digital platforms such as the PM Vidyalaxmi portal and leveraging Central Bank Digital Currency (CBDC) wallets, the government ensures transparency, efficiency, and traceability in loan disbursement. This digital-first approach aligns with India's broader vision of becoming a knowledge-driven and digitally empowered society. The scheme also complements existing initiatives like the PM Uchchar Shiksha Protsahan (PM-USP), Central Sector Interest Subsidy (CSIS), and the Credit

Guarantee Fund Scheme for Education Loans (CGFSEL), creating a cohesive ecosystem of support for students.

In essence, the PM Vidyalaxmi Scheme embodies the spirit of NEP 2020 by democratizing access to higher education. It seeks to bridge the gap between ambition and opportunity, ensuring that financial limitations do not hinder academic excellence. By empowering students to pursue professional and technical courses without the burden of financial stress, the scheme contributes to building a skilled workforce capable of driving India's socio-economic transformation. As Prime Minister Narendra Modi has emphasized, initiatives like Vidyalaxmi reflect India's commitment to becoming a welfare society where education is a right, not a privilege. This journal explores the scheme's objectives, methodology, and potential impact, while also offering suggestions for strengthening its implementation to maximize benefits for future generations.

2. Review of Literature

The financing of higher education has been a subject of extensive research and policy debate worldwide. Scholars and policymakers have consistently emphasized that equitable access to higher education is contingent upon robust financial support mechanisms. The PM Vidyalaxmi Scheme emerges as a response to these longstanding challenges, and its design can be better understood in the context of existing literature.

1) Policy Frameworks in India

- **National Education Policy (NEP) 2020:** The NEP underscores the importance of affordability and inclusivity in higher education. It sets the ambitious target of achieving a 50% Gross Enrolment Ratio (GER) by 2035, recognizing that financial barriers are among the most significant impediments to enrolment.
- **Existing Schemes:** Prior initiatives such as the Central Sector Interest Subsidy (CSIS) and the Credit Guarantee Fund Scheme for Education Loans (CGFSEL) have attempted to reduce the financial burden on students.

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However, studies (Kumar & Jha, 2024) highlight that these schemes often suffered from limited outreach, bureaucratic hurdles, and lack of awareness among rural populations.

- **PM Uchchatar Shiksha Protsahan (PM-USP):** This scheme provided targeted support for technical and professional courses, but its scope was narrower compared to Vidyalaxmi, which aims to cover a broader spectrum of meritorious students.

2) Global Perspectives

- **United States:** Literature on the U.S. student loan system (OECD, 2023) reveals that while GER is high (around 80%), the burden of repayment often leads to long-term financial stress. This highlights the importance of India's approach of offering collateral-free loans with interest subventions.
- **Canada and Australia:** Both countries have adopted income-contingent loan repayment models, ensuring that students repay loans only when they reach a certain income threshold. This model has been praised for balancing accessibility with sustainability.
- **European Union:** Nations like Germany, with a GER of 70%, emphasize free or heavily subsidized higher education. Comparative studies suggest that India's Vidyalaxmi scheme, while not offering free education, seeks to replicate the equity outcomes by reducing financial barriers.

3) Digital Integration in Education Financing

Recent literature emphasizes the role of digital platforms in streamlining financial aid. Research by the World Bank (2022) highlights that digital disbursement mechanisms reduce leakages, enhance transparency, and improve student trust in government schemes. The PM Vidyalaxmi portal, with its integration of Central Bank Digital Currency (CBDC) wallets, aligns with these global best practices, ensuring traceability and efficiency.

4) Socio-Economic Impact

Studies on education financing in India (AISHE 2022-23) reveal that GER remains at 28.4%, significantly lower than developed nations. Scholars argue that financial constraints disproportionately affect students from marginalized communities, perpetuating cycles of poverty. The Vidyalaxmi scheme, by targeting 22 lakh students annually, directly addresses this gap. Literature also suggests that increasing GER has a multiplier effect on national productivity, innovation, and social mobility.

5) Challenges in Implementation

While the literature acknowledges the potential of financial aid schemes, several challenges are noted:

- **Awareness and Outreach:** Research indicates that many students, especially in rural areas, remain unaware of available schemes.
- **Administrative Bottlenecks:** Studies on CSIS and CGFSEL highlight delays in loan approvals and disbursements.
- **Sustainability:** Scholars caution that large-scale loan schemes must balance accessibility with fiscal sustainability to avoid long-term financial strain on the exchequer.

3. Objectives

- To analyze the role of PM Vidyalaxmi in bridging financial gaps for meritorious students.
- To evaluate the scheme's alignment with NEP 2020 goals.
- To study its potential impact on Gross Enrolment Ratio (GER) in higher education.
- To assess the effectiveness of collateral-free and guarantor-free loan mechanisms.
- To suggest improvements for maximizing outreach and sustainability.

4. Research Methodology

The present study adopts a descriptive and analytical research design to examine the role and impact of the PM Vidyalaxmi Scheme in promoting equitable access to higher education in India. The methodology is structured as follows:

1) Nature of Study

- **Descriptive:** To provide a detailed account of the scheme's objectives, features, and implementation mechanisms.
- **Analytical:** To critically evaluate its potential impact on Gross Enrolment Ratio (GER), affordability, and inclusivity in higher education.

2) Sources of Data

a) Secondary Data:

- Government reports and policy documents (NEP 2020, AISHE 2022–23).
- Official press releases and budget allocations related to PM Vidyalaxmi.
- Scholarly articles and books on education financing and equity.
- Comparative data from OECD and World Bank reports on global higher education financing.

b) Primary Data (Optional for extended study):

- Surveys or interviews with students, faculty, and administrators at Higher Education Institutions (HEIs).
- Case studies of beneficiaries of similar schemes (e.g., CSIS, PM-USP).

3) Sampling

- **Population:** Meritorious students admitted to top 860 HEIs under NIRF rankings.
- **Sample Size:** For empirical validation, a purposive sample of students from diverse socio-economic backgrounds could be selected.
- **Sampling Technique:** Purposive and stratified sampling to ensure representation of marginalized groups.

4) Data Collection Tools

- **Document Analysis:** Review of government notifications, scheme guidelines, and academic literature.
- **Questionnaires/Surveys:** Structured questionnaires to capture student perceptions of accessibility, affordability, and ease of application.

- **Interviews:** Semi-structured interviews with policymakers, bank officials, and HEI administrators to understand implementation challenges.

5) Data Analysis

- **Qualitative Analysis:** Thematic analysis of policy documents and interview transcripts to identify recurring themes such as accessibility, equity, and transparency.
- **Quantitative Analysis:** Statistical comparison of GER trends before and after scheme implementation, and analysis of loan disbursement data.
- **Comparative Analysis:** Benchmarking India's GER and financial aid mechanisms against global practices (USA, Canada, Germany, Australia).

6) Scope and Limitations

- **Scope:** Focused on higher education financing in India, specifically the PM Vidyalaxmi Scheme and its alignment with NEP 2020.
- **Limitations:**
 - Reliance on secondary data may limit real-time insights.
 - The scheme is newly launched, so long-term impacts on GER and employability cannot yet be fully measured.
 - Primary data collection may face constraints due to accessibility of beneficiaries.

5. Analysis and Interpretation of Data and Findings

The analysis of the PM Vidyalaxmi Scheme is based on secondary data from government reports, policy documents, and comparative statistics on higher education enrolment. The findings are interpreted in light of the objectives of NEP 2020 and global benchmarks.

1) Gross Enrolment Ratio (GER) Trends

- **India's GER (2022–23):** 28.4% (AISHE Report).
- **Global Comparisons:** USA (80%), Canada (90%), UK (80%), Germany (70%), Australia (85%).
- **Interpretation:** India lags significantly behind developed nations in higher education enrolment. The Vidyalaxmi scheme, by supporting 22 lakh students annually, is expected to accelerate GER growth toward the target of 50% by 2035.

| Country | GER (%) | Financing Model |
|-----------|---------|---|
| India | 28.4 | Collateral-free loans, interest subvention (Vidyalaxmi) |
| USA | 80 | Student loans, high repayment burden |
| Canada | 90 | Income-contingent repayment |
| UK | 80 | Government-backed loans |
| Germany | 70 | Free/subsidized education |
| Australia | 85 | Income-based repayment |

Interpretation: India's approach is unique in combining collateral-free loans with government-backed guarantees, reducing risk for banks while ensuring accessibility for students.

2) Financial Accessibility

- **Loan Features:** Collateral-free, guarantor-free loans up to ₹7.5 lakh with 75% credit guarantee.
- **Interest Subvention:**
 - 3% for families earning up to ₹8 lakh.
 - 100% for families earning below ₹4.5 lakh.
- **Interpretation:** This tiered support mechanism ensures inclusivity across socio-economic groups. It particularly benefits marginalized communities, aligning with NEP's equity goals.

3) Digital Transparency

- **Mechanism:** Loan disbursement through e-vouchers and CBDC wallets.
- **Interpretation:** Digital integration minimizes corruption, ensures traceability, and aligns with India's digital economy vision. Literature suggests this will enhance student trust and reduce administrative delays.

4) Scale of Impact

- **Budget Allocation:** ₹3,600 crore (2023–2031).
- **Beneficiaries:** 22 lakh students annually.
- **Interpretation:** The scale of investment indicates strong government commitment. If implemented effectively, this scheme could transform higher education financing in India, reducing dropout rates due to financial stress.

5) Comparative Impact with Existing Schemes

- **CSIS and CGFSEL:** Provided partial relief but faced outreach and awareness challenges.
- **Vidyalaxmi:** Addresses these gaps by offering a centralized portal and simplified processes.
- **Interpretation:** Vidyalaxmi builds upon earlier schemes, creating a more cohesive and accessible framework.

6) Challenges Identified

- **Awareness:** Rural students may remain unaware of the scheme.
- **Implementation Bottlenecks:** Potential delays in loan approvals if banks are reluctant despite guarantees.
- **Sustainability:** Long-term fiscal sustainability must be monitored to avoid excessive burden on the exchequer.

7) Overall Interpretation

The data suggests that the **PM Vidyalaxmi Scheme** has the potential to significantly improve access to higher education in India. By addressing financial barriers through collateral-free loans, interest subventions, and digital transparency, the scheme directly contributes to NEP 2020's vision of equitable and affordable education. Comparative analysis with global models shows that while India's GER is currently low, Vidyalaxmi provides a tailored solution that balances accessibility with fiscal responsibility. If awareness and implementation challenges are effectively managed, the scheme could be a game-changer in democratizing higher education and achieving India's GER targets by 2035.

6. Suggestions

1) Awareness and Outreach Programs

- Launch nationwide campaigns, especially in rural and semi-urban areas, to inform students and parents about the PM Vidyalaxmi Scheme.

- Partner with schools, colleges, and NGOs to conduct workshops on financial literacy and education financing.

2) Simplification of Procedures

- Ensure that the loan application process remains minimal in documentation and user-friendly.
- Provide multilingual support on the Vidyalaxmi portal to cater to students from diverse linguistic backgrounds.

3) Strengthening Institutional Collaboration

- Encourage Higher Education Institutions (HEIs) to set up dedicated help desks for guiding students through the application process.
- Establish coordination between banks and HEIs to expedite loan approvals and disbursements.

4) Monitoring and Evaluation

- Create an independent monitoring body to track loan disbursement, interest subvention, and student outcomes.
- Use data analytics to identify bottlenecks and ensure timely interventions.

5) Expansion of Coverage

- Extend eligibility beyond the top 860 NIRF-ranked institutions to include regional universities and colleges with proven academic quality.
- Consider including vocational and skill-development institutions to widen the scope of beneficiaries.

6) Integration with Employment and Skill Development

- Link loan benefits with employability programs, internships, and skill development initiatives to enhance repayment capacity.
- Provide career counseling and placement support to ensure students can transition smoothly into the workforce.

7) Sustainability Measures

- Explore income-contingent repayment models, similar to those in Australia and Canada, to balance accessibility with fiscal sustainability.
- Encourage private sector participation and CSR initiatives to co-fund scholarships and loan guarantees.

8) Digital Strengthening

- Enhance the Vidyalaxmi portal with AI-driven eligibility checks, real-time loan tracking, and grievance redressal mechanisms.
- Ensure robust cybersecurity measures to protect student data and financial transactions.

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