A Study of Educational Loans for Students in Thirunelveli District

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Abstract

Educational Loan is the aid option for higher education students. Cash is loaned to students to aid with their support expenditures and to pay for college fees at a financing rate. Graduates compensate the administration for these advances after their pay exceeds the limits. These loans are thus a strategy for private commitments on higher education expenses. One goal of the emotionally supportive study network is to ensure that direct costs do not deter potential training. Graduates recompense the study progress and, in the majority of cases, have greater than projected wages. The explosion in the financial portion has led to the arrival of a significant amount of training advance assets. Currently, instructional loans from different banks in India are effectively accessible, and this change empowers a growing number of understudies to do advanced education, notwithstanding their monetary inadequacies. Many have nationalised, as have private banks, various instructional plans which understudies can benefit from. This study is carried out in the District of Tamilnadu, Tirunelveli. The educational loan would provide financial support to worthy students for educational loans in India and abroad. The study's objective is to analyse the current trends in education loans and the reimbursement behaviour of educational recipients. Data were collected via a personal survey.

Keywords: Educational loan, commercial bank, student.

Introduction

The education loan is under the lending services of Retail Banking that enters under the modern functions of commercial banks. Educational loans are loans given to students with

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academic brilliance, studying at recognized technical colleges/ universities in India and abroad. The finance can be availed to meet the expenses on Tuition Fees/ maintenance Cost/ books and other equipment. An educational loan is a kind of monetary support that has to be reimbursed on time. There are various types of loan alternatives which can assist you. The educational loan can be a vital element for assisting the student as a whole. It does not matter whether you opt to study at the university level, at a college or at a private school. It differs from other types of loans in that the interest rate is substantially lower and the repayment schedule is deferred while the student is still in education.

Scope of the Study

Government of India in consultation with Reserve Bank of India (RBI) and Indian Banker's Association (IBA) has framed a Comprehensive Educational Loan Scheme to ensure that no deserving student in the Country is deprived of higher education for want of finances. The new scheme covers all type of courses in schools and colleges in India and abroad. The present study will help in understanding the repayment behavior of beneficiaries of educational loan and its impact on the performance of banks. The study will help in understanding the support of educational loans to the beneficiaries for their higher education.

Objectives of the Study

- To understand the present trends relating to educational loan.
- To study the repayment behavior of beneficiaries of educational loan.
- To study about the support of educational loans to the beneficiaries.

Hypothesis

- There is no significant difference between the current status of respondents and their course of study.
- There is no significant difference between the year of educational loan taken and the category of courses of respondents.
- There is no significant difference between the amount of educational loan taken and the courses of respondents.

Methodology of the Study

For the present study, primary data is collected from student beneficiaries, who availed educational loan and has completed their studies with the help of a well-structured questionnaire. In the present study, the population constitutes the entire student beneficiaries,

in Tirunelveli district of Tamilnadu with a sample size of 330 respondents, under stratified random sample technique.

Analysis and Interpretation

Table 1.

Age Wise Classification

CATEGORY	Below 20	21 – 25	26 - 30	Above 30	Total
Arts & Science	12	9	0	0	21
Medical	12	24	6	6	60
Nursing	6	36	39	3	84
MBA	0	60	27	15	102
Engineering	6	36	15	6	63
Total	36	165	99	30	330
F- test (Anova test)				7.46	
Table value: df(4,16) at 0.05 level				3.01	

Source: Compiled from primary data

The above table showing the age wise classification of the respondents. The table shows that out of 330 respondents 165 [50 %] are coming under the age group of 21 to 25. Out of this MBA category shows in the topmost position i.e., 60 respondents [18 %]. Then 99 respondents are under the age group of 26 to 30. Out of this nursing category shows the top rank i.e., 39 respondents [12%]. Now it is imperative to ascertain age wise classification of respondents with respect to various courses for which f – test was conducted. The analysis done is shown in the above table.

The table value of F at 5% level of significance for (4, 16) degree of freedom is 3.01. The calculated value of F is more than the table value of F. Therefore it is concluded that the age wise classification of the students who enrolled in various higher education sectors do not have the same status. That means there is a significant difference in the age group of respondents enrolled in the higher education sector.

Table 2.

Table Showing the Current Status of Persons

CATEGORY	Govt. Employee	Private Employee	Student	Business	Others [Not employed]	Total
Arts & Science	6	3	3	0	9	21
Medical	18	15	24	0	3	60
Nursing	9	30	30	0	15	84
MBA	6	39	21	18	18	102
Engineering	6	21	12	12	12	63
Total	45	108	90	30	57	330

Source: Compiled from primary data

The above table shows the details regarding the current status of persons. The table shows that out of 330 respondents 108 [33 %] are coming under the group of private employees. Out of this 12 % are under MBA category. Then 27 % are under the group of students. Out of this 9% are under the nursing category. The Government employees are in the next rank i.e., 45 respondents [14 %], out of this 5 % [18 respondents] are under the category of medical. Only 9 % of respondents started the business. 17 % are not still employed.

Table 3

Table Showing the Number of Samples taken from each Bank

CATEGORY	Canara Bank	Indian Overseas Bank	State Bank of India	State Bank of Travancore	Punjab National Bank	Total
Arts & Science	6	3	3	6	3	21
Medical	18	15	6	15	6	60
Nursing	21	18	21	18	6	84
MBA	27	24	21	21	9	102
Engineering	18	15	9	15	6	63
Total	90	75	60	75	30	330
F- test (Anova test)					2.30	
Table value: df(4,16) at 0.05 level					2.71	

Source: Compiled from primary data

The above table shows the number of samples taken from each bank. The table shows that out of 330 respondents 27% are coming under Canara Bank. Out of this 8 % are under the category of MBA. Then 23 % are under IOB and SBI and out of this 7%, 6% respectively are under the category of MBA. The SBT is in the next rank i.e., 18% out of this 6 % respectively for Nursing and MBA. Only 9 % of respondents are under PNB. Now it is imperative to ascertain samples taken from each bank with respect to various courses for which f – test was conducted. The analysis done is shown in the above table.

The table value of F at 5% level of significance for (5, 20) degree of freedom is 2.71. The calculated value of F [2.30] is less than the table value of F [2.71]. Therefore it is concluded that the samples were taken from each bank and the category of education have the same status. That means there is no significant difference in the samples taken from each bank and the category of education. According to the f – test, almost all banks are disbursed their loan to the categories reasonably.

Table 4.

Table Showing the Amount of Loan taken by the Respondents

CATEGORY	Up to 4 lakh	4 L to 7.5 Lakh	7.5 to 10 lakh	10 - 15 lakh	Total

Arts & Science	21	0	0	0	21
Medical	9	15	18	21	63
Nursing	66	18	0	0	84
MBA	84	15	3	0	102
Engineering	39	12	6	3	60
Total	219	60	27	24	330
F- test(Anova test)				6.73	
Table value: df(5,20) at 0.05 level				2.71	

Source: Compiled from primary data

The above table shows the details regarding the amount of educational loan taken by the respondents. It is clear that out of 330 respondents 66% are taken the loan up to four Lakh. Out of this 25% are under the category of MBA. Then 18% is taken the loan between 4 lakhs to 7.5 Lakh and out of this 5% are under the category of Nursing. The loan between 7.5 and 10 Lakh is in the next rank, i.e., 8% out of this 5 % for medical. Only 7% of respondents are taken the loan between 10 to 15 Lakh. There is no one taken the loan above 15 lakhs. Now it is imperative to ascertain the amount of loan taken by the respondents with respect to various courses for which f – test was conducted. The analysis done is shown in the above table.

The table value of F at 5% level of significance for (5, 20) degree of freedom is 2.71. The calculated value of F (6.73) is more than the table value of F. Therefore, it is concluded that the amount of loan taken by the respondents and the category does not have the same status. That means there is a significant difference in the amount of loan taken in each category. According to the f - test the amount of below 4 lakh is preferred by most of the categories. [219 respondents. Out of this, most respondents prefer MBA as the course of study i.e., 84 respondents under the amount of loan is up to 4 lakh.

Table 5.

Table Showing the Details of Collateral Securities

CATEGORY	For the full amount	For Double the amount	Third party Guarantee	No Collateral security	Total
Arts & Science	0	0	0	21	21
Medical	0	45	12	6	63
Nursing	6	0	12	66	84
MBA	6	3	9	84	102
Engineering	0	9	12	39	60
Total	12	57	45	216	330

Source: Compiled from primary data

The above table shows the details regarding the collateral securities. It is clear that out of 330 respondents 65% are taken the loan without the collateral security. Out of this 25% are under the category of MBA. Then 17% is taken the loan with the security of double the amount of loan and out of this 14% are under the category of Medical. The loan with third party

guarantee is in the next rank i.e., 14% out of this 4 % respectively for medical, Nursing, Engineering. Only 4% of respondents are taken the loan with the security for the full amount. There is no one taken the loan with half amount of security. Now it is imperative to ascertain the details of collateral security with respect to various courses for which f – test was conducted. The analysis done is shown in the above table.

The table value of F at 5% level of significance for (5, 20) degree of freedom is 2.71. The calculated value of F (5.32) is more than the table value of F. Therefore it is concluded that the details of collateral security and the category do not have the same status. That means there is a significant difference in the collateral security and category. According to the f - a test most of the respondents select the category of No collateral Security i.e., 216 respondents, out of this 102 respondents are under the category of MBA.

Table 6.

Table Showing the Repayment Status of Respondents

CATEGORY	Started	Will start within 1 year	Will start within 3year	Will start within 5year	Not able to repay	Fully repaid	Total
Arts & Science	3	3	3	3	9	0	21
Medical	15	9	9	15	9	3	60
Nursing	12	15	12	6	33	6	84
MBA	18	15	18	3	36	12	102
Engineering	6	6	18	12	15	6	63
Total	54	48	60	39	102	27	330
F- test(Anova test)						2.85	
Table value: df(5,20) at 0.05 level						2.71	

Source: Compiled from primary data

The above table shows the repayment status of respondents. It is clear that out of 330 respondents 31% assumed that they are not financially sound for the repayment of the educational loan. Out of this 11% are under the category of MBA. Only 16% have started the repayment of the loan and out of this 5% are under the category of MBA. Only 8% of respondents are repaid the full amount of educational loan. Now it is imperative to ascertain the repayment status of respondents with respect to various courses for which f – test was conducted. The analysis done is shown in the above table.

The table value of F at 5% level of significance for (5, 20) degree of freedom is 2.71. The calculated value of F (2.85) is more than the table value of F. Therefore it is concluded that the repayment status of respondents and the category do not have the same status. That means there is a significant difference in repayment status and category. According to the f - test it is found that most of the respondents are not started their repayment yet. The 36 MBA students

are undergone in the section of not able to Repay; they are the main source of NPA of educational loans.

Table 6.

Table Showing Factors Affecting the Repayment Ability of Respondents

Factors	Rank Points						Total value
High-interest rate	1224	540	72	0	0	0	1836
Less income	360	720	360	108	0	0	1548
Nonavailability of time Gap	0	30	420	252	222	24	948
Still a student	360	225	0	0	0	0	585
The loan is not secured	0	15	0	0	132	93	240
Not yet employed	36	120	36	0	0	0	192

Source: Compiled from primary data

The above table shows the factors that affect the repayment behavior of respondents. It is clear that the high-interest rate is the main factor that affects their repayment ability. Less income, nonavailability of time gap, still a student, the loan is not secured, and 'not yet employed' came in the next ranks.

Table 7.

Table showing the plan of repayment of an educational loan by the respondents

CATEGORY	Repay after getting a job	Repay by parents	Own repayment	Not yet decided	Not able to repay	Total
Arts & Science	3	3	3	3	9	21
Medical	24	9	15	6	6	60
Nursing	30	6	12	3	33	84
MBA	39	3	15	9	36	102
Engineering	24	3	18	3	15	63
Total	120	24	63	24	99	330
F- test(Anova test)			4.54			
Table value: df(5,20) at 0.05 level			2.71			

Source: Compiled from primary data

The above table shows the plan of repayment of the educational loan by the respondents. It is clear that out of 330 respondents 36% are opinioned that they repay the amount after getting a job. Out of this 12% are under the category of MBA. Then 30% is opinioned that they are not able to repay the amount and out of this 11% are under the category of MBA. Now it is imperative to ascertain the details of collateral security with respect to various courses for which f – test was conducted. The analysis done is shown in the above table.

The table value of F at 5% level of significance for (5, 20) degree of freedom is 2.71. The calculated value of F (4.54) is more than the table value of F. Therefore it is concluded that the plan of repayment of the educational loan by the respondents and the category do not have the same status. That means there is a significant difference in the plan of repayment and category. According to the f - test the 120 respondents belong to the segment of repayment after getting a job and out of this the 39 respondents are under the category of MBA.

Findings

- It is generally assumed that students pursue M.B.A. education is mostly opt educational loan from banks. Also, it is clear that a significant difference exists in the age group of respondents enrolled in the higher education sector which depends on the different professional courses.

- Canara bank is the leader and who disbursed the maximum educational loan in the higher education sector. Accordingly, an amount below 4 lakh is preferred by most of the categories.

- It is clear that 65% is taken the loan without collateral security. Out of this, 25% are under the category of MBA.

- 31% assumed that they are not financially sound for the repayment of the educational loan, and hence they are the main source of NPA of educational loans.

- Factors that affect the repayment behavior of respondents are the high-interest rate.

- The repayment starts only when students get decent jobs.

Conclusion

Student loans can contribute to relieving the financial pressures facing higher education if the loan programs are properly designed, effectively managed and a high rate of recovery is achieved. Student loans are increasingly used to provide financial assistance for students in higher education in Tamilnadu. In Tamilnadu, the last few years witnessed a steady expansion of student loan programs, by the introduction of unaided courses in higher education. Therewith arises controversial sobriety issues pertaining to the advantages and disadvantages of the loan scheme, as to how student loans should be administered: in particular, eligibility and terms of repayment of loans, appropriate rates of interest, and mechanisms to target disadvantaged students by minimizing default. It is seen that the higher the social strata of a person, the lower seems his responsibility to public assets and loans. Though it is necessary for financial institutions to observe prudence, due to political

compulsions and other policy pressures, they continue to lend and are sure to be saddled with large NPAs on these loans. This is a major challenge for the policy planners as sustaining quality education at a lower cost may not be a viable option as the Government may not be able to provide substantial subsidy for higher education unlike in the past. Hence, commercial banks should play a more active role in enhancing the skills and educational competence of large sections of the younger and potential workforce, especially those of the weaker and downtrodden sections of the society.

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