

## FACTORS INFLUENCING THE STUDENTS TO AVAIL EDUCATION LOAN

Mr. N.Sivakumar <sup>1</sup>, Dr. S. Vasantha<sup>2</sup>

<sup>1</sup>Assistant professor, Department of Commerce, Sri Krishna Arts and Science College, Coimbatore, India

<sup>2</sup>Assistant professor, Department of Commerce, Government Arts College, Coimbatore, India

\*\*\*

**Abstract-** Higher education is one of the developing skylines in the current situation. This research paper has been designed to analyze about factors influencing the students to avail education loan in Coimbatore city. For the research purpose this paper has been divided into three parts, part one indicates introduction of the study, reviews related to the study, objectives of the study and research methodology. Part two includes analysis and interpretation. For the purpose of the study primary data were collected from a sample of 530 students who have taken an educational loan from both public and private sector banks and secondary data obtained from relevant articles and reports. Final and third part includes findings and conclusion of factors influencing the students to avail education loan.

**Key words:** Higher Education, Education Loan and students

### INTRODUCTION

Higher education in India has witnessed many fold increase in its institutional capacity since independence. The studies observed that notwithstanding this many fold increase in the enrollment; it is still relatively low by international comparison. Besides the studies bring to light the problem of regional imbalance as well as inter-social group's imbalances in enrollment rate, in terms of male female, inter-caste, inter-religion, inter-occupation and poor disparities in the attainment in enrollment. Above all, the studies analyze the problem of under financing of higher education since the mid eighties. Till some year's back higher education and quality education was not affordable to some illustrious students because of the financial constraints. There was not any alternative but to jump into the job market prematurely. And this led to untimely end of budding talents and their forceful transformation into to the mediocrity. Scholarships were there, but those were less so in numbers that only luckier few could avail them. But now the scene has changed drastically.

Educational loan is gradually getting more popular because of increasing fee structure in the educational institutions to offer higher education. Educational loan came into force from 1995 and initiated by State Bank of

India and later that numerous banks started to provide loans to student for their higher education. The Indian banking sector began giving education loan from 2001 onwards.

In recent times, the Indian the Indian Bankers Association (IBA) has modified the educational loan scheme which was framed in the year 2001, due to the wake of rising Non Performing Assets (NPA) on educational loans. The Reserve Bank of India has enclosed education loans as a part of the priority sector lending by banks. It plans to offer need-based finance to meritorious students. This state of affairs is definitely helping the distinguished students to continue higher education and achieve their dreams.

### SIGNIFICANCE OF THE STUDY

Education is the most significant asset one makes in life. Higher studies and specialization in specified fields demand for extra financial aid from time to time. Banks provide the immense financial support needed to cover almost all the expenditures incurred for a fruitful completion of the preferred course. Student loans make it easier for those who are from financially weak backgrounds to acquire a respectable college education. Now days, the private and public sector bankers providing financial assistance to the students' for pursuing higher education like, management, engineering, medicine, MCA, architecture, hotel management, agriculture, pure sciences, arts and commerce courses. Hence, the study is attempted to analyze about factors influencing the students to avail education loan.

### STATEMENT OF THE PROBLEM

Students need to avail educational loan because education and professional degrees have become more expensive at present in India. The government fixes fee structures for the unaided colleges, aided colleges and government colleges but various institutions follow varying fees structure. The self-financing institutions fix higher fee, which have sprouted more in the last two decades. Students focus is mainly on

good quality education and comfortable life. Though, fee structures are quite high, the students show more interest to avail educational loan. To support this situation, commercial banks provide great financial help needed to cover almost all the expenses incurred for a successful completion of the desired course. So, this study aims to identify the factors influencing the students with regard to avail the education loan.

## REVIEW OF LITERATURE

**Miles Corak, et. al (2004)**, "Family Income and Participation in Post-Secondary Education," analyses the relationship between family income and post-secondary participation is studied in order to determine the extent to which higher education in Canada has increasingly become the domain of students from well-to-do families. This pattern reflects the fact that policy changes increasing the maximum amount of a student loan as well as increases in other forms of support occurred only after tuition fees had already started increasing.

**Elisa Rose Birch, Paul W. Miller, (2008)**, in their article "The impact of income-contingent provisions on students' loan-taking behavior" aims to investigate the determinants of taking out government-funded student loans for university study. His study finds that the probability of taking out student loans for the full cost of university is largely influenced by students' socioeconomic status. Other major influences on this decision include students' demographic and university enrolment characteristics. The research shows that the parameters of loan schemes do not seem to be able to over-ride the influence that family background has on loan taking behavior. That is, poor students use loans regardless of the parameters of the loans scheme in order to overcome short-term credit constraints. In other words, these student loan schemes channel funds to those without other means of funding their higher education. By showing the impact that income contingent provisions have on loan taking behavior, the paper informs policy makers of potential impacts from modifying loan schemes to reflect these characteristics.

**Dr. Babli Dhiman & Dr. Ashok khurana (2011)**, the titled "Educational Loans: A study of students, educational institutions and bankers perspective". In their paper they analyzed about whether providing higher education loans were helpful for students, educational institutions or for banks. It is concluded that there is a significant effect of education loans in development of Indian education sector because educational institutes started increasing after education loans were introduced. So that students are also

benefited from education loan schemes. It also inferred that SBI & PNB both have education loans income at increasing rate which is the significant part of the total income. So, the banks should have to encourage more the education loans for the growth of the banks as well as for the education developments

**Jayadev. M(2017)**, in the article titled " An Analysis of Educational Loans" , educational loans are a relatively new phenomenon when it comes to funding higher education in India. There has been a significant rise in the volume of outstanding educational loans with an annual growth rate of 12% since March 2008. Banks are concerned about increasing non-performing assets with respect to educational loans. This paper argued for a statutory framework that addresses all aspects of funding higher education through loans and scholarships.

## OBJECTIVES OF THE STUDY

To know the factors influencing the students to avail education loan.

## RESEARCH DESIGN

### SOURCES OF DATA

Primary data collection was done through a questionnaire. A structured questionnaire was designed for conducting the survey from the students who have availed the educational loan. Secondary data was collected with the help of manual of instructions on loans and advances, articles, research papers and internet.

## SAMPLING TECHNIQUE AND TOOLS

Convenient sampling technique has been adopted for the collecting data. Garrett's Ranking Technique is employed for analyzing the data.

## LIMITATIONS OF THE STUDY

1. Geographical area is restricted to Coimbatore city only.
2. The sample size very less comparatively to the total population.

## FINDINGS OF THE STUDY

Garrett's Ranking Technique has been used to ascertain the factors influenced the students to avail educational loan. Under the Garrett's ranking technique the percentage position is calculated by using the formula given below:

$$\text{Percentage Position} = 100 (R_j - 0.5) / N_j$$

Where

$R_{ij}$  - Rank given for  $i^{\text{th}}$  variable by the  $j^{\text{th}}$  Students.

$N_j$  - Number of variables ranked by the Students.

The Students are asked to rank the thirteen questions relating to factors influencing for availing the educational loan.

The Garrett table is referred to convert the per cent position into scores. After that for every factor, the scores of each student are totaled and then average mean value is calculated. The factors having maximum mean value is pondered to be the utmost important. Scale values as per Garrett ranking technique for first to thirteen ranks are as: 84, 73, 67, 62, 57, 53, 50, 46, 42, 37, 32, 26 and 15 respectively. The percentage position of each rank is made into score by referring factors is summed up for assigning rank. The table exhibits the factors influencing the students to avail the educational loan.

Factors	1	2	3	4	5	6	7	8	9	10	11	12	13	Total	Total Score	Mean Score	Rank
	84	73	67	62	57	53	50	46	42	37	32	26	15				
Loan Amount	52	22	60	24	222	76	30	2	4	4	10	0	24	530	30752	58.02	3
	4368	1606	4020	1488	12654	4028	1500	92	168	148	320	0	360				
Interest Rate	4	20	32	52	102	228	10	18	8	10	8	22	16	530	28164	53.14	4
	336	1460	2144	3224	5814	12084	500	828	336	370	256	572	240				
Advertisement	4	12	6	48	14	28	190	92	34	10	30	30	32	530	24622	46.46	8
	336	876	402	2976	798	1484	9500	4232	1428	370	960	780	480				
EMI (Equated Monthly Installment)	12	6	36	48	28	10	128	114	18	16	30	28	56	530	24480	46.19	9
	1008	438	2412	2976	1596	530	6400	5244	756	592	960	728	840				
Simplified Procedures	20	26	178	18	8	40	16	54	106	16	16	14	18	530	28670	54.09	5
	1680	1898	11926	1116	456	2120	800	2484	4452	592	512	364	270				
Family Condition	174	102	14	34	14	32	10	36	56	18	12	16	12	530	33756	63.69	1
	14616	7446	938	2108	798	1696	500	1656	2352	666	384	416	180				
Bank's Reputation	0	26	10	12	8	6	34	16	144	192	56	18	8	530	22054	41.61	11
	0	1898	670	744	456	318	1700	736	6048	7104	1792	468	120				
Customer Relationship	8	28	10	68	16	14	12	28	16	146	68	102	14	530	22256	41.99	10
	672	2044	670	4216	912	742	600	1288	672	5402	2176	2652	210				
Location of the bank	2	16	18	8	24	28	12	8	90	20	174	68	62	530	19644	37.06	13
	168	1168	1206	496	1368	1484	600	368	3780	740	5568	1768	930				
Repayment period	36	16	14	110	102	30	10	72	20	8	32	26	54	530	26812	50.59	7
	3024	1168	938	6820	5814	1590	500	3312	840	296	1024	676	810				
Go for higher studies	114	132	68	6	16	16	26	40	18	38	4	22	30	530	32352	61.04	2
	9576	9636	4556	372	912	848	1300	1840	756	1406	128	572	450				
Attaining higher status	66	34	24	26	6	2	34	36	10	36	72	12	172	530	21998	41.51	12
	5544	2482	1608	1612	342	106	1700	1656	420	1332	2304	312	2580				
Employment opportunities	48	118	86	14	14	20	4	8	4	16	4	168	26	530	27348	51.60	6
	4032	8614	5762	868	798	1060	200	368	168	592	128	4368	390				

From the analysis it is inferred that majority of the students are influenced by their family condition followed by go for higher studies, loan amount and the like for availing the education loan.

### SUGGESTIONS

Banker may reduce the basic criteria for sanctioning education loan in order to support the students who are applying from poor family background. The government should initiate more schemes for education loan to those who are looking for higher education. Education institutions can also make a feasible situation for the students to support and motivate towards their better career development as well as national growth.

### CONCLUSION

Education is the right platform for the cultured society, but it has become more commercial or money-making and in order to ensure the best possible education, it is an expensive affair. Therefore, the education loans are biggest support for the needy persons. The current study attempted to focus on factors influencing the students to avail education loan. The findings of the study reveal that most of the availed education loan because of their poor family background, interested to go for higher studies, feasible loan amount and so on. Therefore, the banks should have to encourage more schemes of educational loans for the growth of education developments.

### REFERENCES:

1. <http://www.sbi.co.in./user.html>
2. <https://towardsdatascience.com/sampling-techniques-a4e34111d808>
3. <https://www.scribd.com/doc/141092918/Garrett-Ranking>
4. Shekar, K.C and Shekar, L (2000), „Banking Theory and Practise', Vikas publishing house, New Delhi.
5. Anand Krishnan Committee Report (1999): Cited from Policy Recommendations on Financing of Higher Education, A Report of Consultative Committee Meeting. Higher Education Unit *National Institute of Educational Planning and Administration, New Delhi* 2000, 12-26
6. Miles Corak, Garth Lipps and John Zhao “Family Income and Participation in Post-Secondary Education,” Statistics Canada Analytical Research Paper, Jan 2004 (SSRN).
7. Elisa Rose Birch, Paul W. Miller “The impact of income-contingent provisions on students' loan-taking behaviour” *Journal of Economic Studies* Year: 2008, Volume: 35, Issue: 1, pp. 4 -25
8. Harsh (2010). Educational Loan Scheme Of Scheduled Commercial Banks In India- An Assessment. *Sri Krishna International Research & Educational Consortium. IJBEMR* 1(1), 65-78
9. Dr. Babli dhiman & dr. Ashok khurana “ Educational Loans: A study of students, educational institutions and bankers perspective” *International journal of research in commerce, it & management* volume No: 1 (2011), Issue No. 1 - ISSN 2231-5756
10. Avery, C., & Turner, S. (2012). Student loans: do college students borrow too much or not enough? *The Journal of Economic Perspectives*, 26(1), 165–192.
11. Dr. P. Raman “ A Study on The Performance of Commercial Banks Towards Priority Sector Advances in Tamil Nadu” *International Journal of Marketing, Financial*



Services & Management Research ISSN 2277-3622 Vol.2, No. 2, February (2013)

12. Dr. M. Syed Ibrahim and Dr. Rangasamy Thangavelu "A Study on the Composition of Non-Performing Assets (NPAs) of Scheduled Commercial Banks in India" Journal of Finance and Bank Management March 2014, Vol. 2, No. 1, PP. 31-48 ISSN: 2333-6072

13. B. Navaneetha "a study on students satisfaction towards educational loan from SBI with special reference to coimbatore city" National Monthly Refereed Journal of Research In Commerce & Management ISSN- 2277- 1166 Volume III, January 2014

14. P. Geetha Rani " Financing Higher Education and Education Loans in India Trends and Troubles , Journal of Social Sciences, December 2016

15. M. Jayadev "An Analysis of Educational Loans" Economic and Political Weekly , Vol. 52, Issue No. 51, December 2017