A STUDY ON PERCEPTION LEVEL OF STUDENTS ON BANKERS SERVICE IN EDUCATIONAL LOAN WITH SPECIAL REFERENCE TO PRIVATE AND PUBLIC SECTOR BANKS IN TRICHY DISTRICT

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Abstract

This research intends to examine the performance of commercial banks in Trichy district towards education loan and the bankers' perception and the problems faced by them with regard to education loan. Student (Borrowers) perception and the level of satisfaction and the problems faced by the student of education loan. The review of literature was reviewed about both bankers and borrowers perception on education loan. Based on the literature survey, the objectives of the study were decided and keeping view the scope as well as need or covering uncovered areas.

The present study has used both primary and secondary data. The secondary data, are been collected from website of bank and newsletters in google etc. The primary data a sample are be collected by the student who has taken education loan from various banks were collected through well structured questionnaire and collected primary data from the officials of both public sector and private sector banks using a questionnaire. the present study consists with two banks from Public sector viz., Indian Bank, and, Canara Bank as well as two private sector banks from Private sector viz., Axis Bank and Karur Vysya Bank officials respectively from Trichy or the purpose of conducting this ace to ace interaction with the bank officials regarding problems in sanction and recovery of loan, attitudes and achievements of the bankers etc. 120 sample beneficiary of education loan drawn or the sample district as a proportionate basis using the simple random sampling method. The bankers should take initiatives by providing the financial assistance to meet the required objectives and make them to satisfy in all levels.

I. INTRODUCTION

Education is vital to the Human Resources and their empowerment in any country. National and state level policies are framed to ensure that this basic need of the population is met through appropriate public and private sector initiatives. While government endeavours to provide primary education to all on a universal basis, higher education is progressively moving into the domain of private sector. With the gradual reduction in government subsidies higher education is getting more and more costly and hence the need for institutional funding in this area.

Development of human capital is a national priority and it should be the endeavour of all that no deserved student is denied the opportunity to pursue higher education for want of financial support. Loans for education should be seen as an investment for economic development and prosperity. Knowledge and information would be the driving force for economic growth in the coming years. The government both central and state is frequently issuing instructions and guidelines to commercial banks to actively be involved in educational financing.

Higher education is seen as an instrument of upward mobility and still more than a quarter of
population lives below poverty line. Thus, the responsibility of the Government becomes larger as Higher education is seen as an instrument of upward mobility and still more than a quarter of population lives below poverty line.

Realizing these facts, the Government of India, just after independence started a student loan scheme under which educational loans were advanced to the underprivileged students from East and West Pakistan through the Social Welfare and Rehabilitation Directorate, New Delhi. Another such scheme was the interest-free scheme of educational loans i.e. National Loan Scholarship Scheme introduced long back in 1963. This National Loan Scholarship Scheme was run through the State Governments. However, the scheme had to be stopped in the year 1991 due to bad recovery of loans and economic crisis facing Government of India at that time.

The growth of higher education system in terms of institutions and enrolment was appreciable in India especially during the nineties and beyond, but the nature of this growth raises some issues. Now there has been a quick transition from publicly funded general higher education to private professional education dominated by engineering, management and medicine. The private sector took up this expansion, as public institutions were not in a position to expand. Apart from obvious concerns about quality, the major consequence of this mushrooming growth of private sector in higher education field is high user costs. The tuition fees in all private professional institutes are high, making higher education increasingly expensive. As a result, more and more students and their families felt the need to borrow – a trend unknown just a few years ago.

Almost after gap of a decade, the Government of India introduced Education Loan Scheme through the commercial banks for the purpose of completing post- matriculation education. Despite the fact that the current scheme offers no subsidy, about 7,00,000 students took out educational loans in 2009 compared with just a few thousand in 2001. From the early 2000, the banking sector’s education loan portfolio has been growing at a robust rate of 40 per cent a year. Faced with a bulging middle class and large section of population living below poverty line, the scheme needs to be softer.

Presently, the Ministry of Human Resource Development (MHRD) is working out to provide educational loans to the needy with annual family income below 2.5 lakh at a subsidized rate of interest of four per cent (current rate being around 12 %) and the Government of India would act as the guarantor for the loan and so there will be no need for any collateral or co-applicant.

II. OBJECTIVES OF THE STUDY

• To study the Need, Importance and Role of Education Loan.
• To study the procedure of education loan of Private and Public Banks towards education loans
• To trace out the problems faced by sample respondents to availing the education loan from Private and Public Banks
  • To suggest the remedial measures to improving the quality of education loan of Private and Public Banks
  • To examine the customer-bank relationship and related problems faced by beneficiaries.
  • To make suggestions based on the findings.

III. REVIEW OF LITERATURE

Loan financing to education has emerged as one of the most popular alternatives sources of financing and this scheme is currently in operation in more than 80 countries around the globe. In view of the rising costs of higher education (both tuition fee and maintenance cost), a number of countries in the developing and developed world have established student loan programmes for providing the opportunity to the students of lower income class to
go for higher education. This has become more popular sources of financing higher education mainly because (i) steep hike of cost of higher education, (ii) fast increasing demand for higher education, (iii) entry of private sector on a large scale.

**Literature on Expenditure of Education**

Panchamukhi (1965) measures the public expenditure on education in India. The study estimated the total cost of education for the period 1950-51 to 1959-60 and concluded that total cost of education constituted 6.2 per cent of GNP in 1959-60. The study also calculated the various components of private and institutional costs of education, foregone earnings for males and females, village and town pupil separately. The study estimated that foregone earnings constituted major proportion of total factor cost of education. The total cost of education was found to stand between 5 per cent and 6.5 per cent of national income in 1960-61 and not 2.5 per cent of institutional cost alone.

Pandit (1969) measures the unit cost of education and efficiency of educational expenditure. The study divides the total cost of education into three categories such as institutional cost, students’ cost and opportunity cost.

The study by Shah (1969) analyzes the unit cost of higher education. The study has divided the cost of education into two main components: (a) social cost, (b) opportunity cost. Social cost is again divided into student cost and institutional cost. In student cost, he points out the possibility of double counting in fee and scholarship because at one time it is the income of the institution and at the same time it is also the part of institutional cost. Further, he also feels that there is different unit cost of education of hostellers and day-scholars. Institutional cost can be divided into two parts, recurring cost and non-recurring cost. In non-recurring cost, the main components of cost are capital (land on rent and building) and equipment and in recurring cost they are divisible and non-divisible. He also points out the complication of calculating unit cost due to the administrative organization. The study suggests that the recurring cost and expenditure should be done very carefully.

The study done by George (1982) measured the private and social costs of higher education in Tamil Nadu for the period 1960-76. He found that private expenditure on professional education was higher than that of general education. He also points out that the poor communities lagged behind than the urban based families who were enjoying the maximum benefits of higher education.

**Literature on Expenditure of Education**

In the Indian context, Tilak (1999) argues that, from the view point of the governments, student loan are expected, among others, to do away with budgetary allocations for and eventually, withdraw from financing higher education or make higher education self-financing by non-government sources. However, Tilak underlines that this argument is based on several unrealistic assumptions, such as existence of well developed capital markets and to their access for poor students, recovery of loans in specified periods; students are the main/sole beneficiaries of higher education and existence of strong or perfect links between education and employment. In the absence of these assumptions, Tilak concludes that student loan "may indeed be a deterrent to the growth of higher education”

**Need of Education Loan**

There has been increasing acknowledgment in all parts of the world including India of the need to have sufficient access at reasonable cost to good worth of higher education or all qualified members of the society. It is reveal that universal higher education of high quality requires enormous resources. Higher education in India and other embryonic countries, has not been wide-ranging or poorer sector of society especially from the rural areas. It is a matter of knowing the problem of finance status and the major
constraint or a significant sector of students to pursue higher education. Among the major countries, India has one of the lowest proportions of young persons in the relevant age group who pursue higher education. Recent studies indicate the need or non-government sources of funds or higher education. The need or enhanced use of education loan to augment resources or higher education within an appropriate area

**Criteria of Education Loan**

Banks provide great financial help required to cover almost all the expenses incurred for a successful compilation of the desired course. Banks in India now cover a wide scale of courses in their education loan schemes. Banks voluntarily provide education loans for management, engineering, medicine, MCA, fine arts, designing, architecture, hotel management, agriculture, pure sciences, arts and commerce courses. Banks do consider the status and affiliation of institute from where the course is being conducted, before giving any educational loan. While providing education loans one of the most important fact should be that the applicant must be a resident Indian having secured admission in any of the bank’s list of approved course or universities.

**Other Qualifying Criteria Of Education Loans In India**

- Anyone between 16-30 years of age, who qualify otherwise, can get an education loan from banks in India.
- The amount of loan provided by banks based on many factors. Professional courses like management, engineering, medicine etc. will be give high loan amounts as compared to B.A. or M.A.
- If you are pursuing a course abroad you are likely to get a higher educational loan as compared to courses with Indian universities.
- The quantum of loan is the security offered with education loans. Yes, every education loan of a higher denomination is a protected loan. This means that the person enchanting loan must provide some assurance, usually provided by a guarantor who can be a parent or guardian of the student.

**Repayment of Education Loan**

- The excellent quality with education loans is that you don’t have to start repaying them immediately like most other loans.
- The specific criteria adopted by banks for settlement is that it starts 1 year after course achievement or 6 months after obtaining employment (whichever is earlier).
- The education loans are available for graciously long tenures of up to 7 years, and even more in some cases. This repayment tenure includes the freeze period. Some banks provide hassle free services and fast loan approval process.
- Depending on the fee agenda of your educational institute at the time of loan approval process, the banks can come to a decision to pay out the loan straight to your educational institute.

**Documents Required for Education Loan**

- To get an education loan from a bank one has to submit certain documents to the bank.
- Income proof of the co-applicant, age proof which is usually the birth certificate, house proof, latest mark sheet of the student, admission letter or call letter from an institute, a document detailing the fee breakup of course.
- If a student wants to go out of the country for studies, the banks will ask for counsel letter from the related University's head of department, approved visa documents, travel documents, GRE/GMAT/SAT scores.
- In addition to all the documents mentioned above, the applicant have to satisfy bank with a declaration or affidavit that he is not seeking
a similar loan from other banks or financial institutions.
- Finding finances for your dream course has been made enormously simple by the educational loans.

**Interest Rate**
- The interest rate is most essential factor for any loan and the same goes for an education loan as well. The interest rate determines the on the whole cost of the loan.
- Education loan rates are usually lower than the interest rate charged on a personal loan but somewhat higher than the home loan rates.
- The rate of interest charged may vary from lender to lender and also depends on the loan amount. Higher the loan amount, higher is the interest charged and vice-versa.
- Some banks offer a ‘fixed’ rate of interest while others offer ‘floating’ rate of interest. The variation between the two types of rate of interest is only 1% so it better to go for fixed rate of interest as education loans have shorter repayment period of 5 to 7 years.

**Repayment Period**
- Education loan like all other loans comprises of both principal amount and interest but it has another to postpone the repayment of loan (principal + interest) pending the conclusion of the course.

**Processing Fees**
- The handing out (Processing) fee on an education loan differs from bank to bank. In reality many banks do not charge any such fee but on the other hand there are some private banks that charge as much as 2.25% of the loan amount as processing fee.

**Margin Money**
- In education loan we have to pay the margin money. Margin money is the percentage (10 or 20 whichever is less) of amount that the student needs to pay while availing the loan.
- Banks only lend some percentage of the loan amount and the remaining has to be brought by the student. The margin money is better known as a down payment.

**Pre-Payment Penalty**
- Pre-payment is charged if the borrower plans to pay his loan. But in education loan, most banks allow a pre-payment with no extra charges or penalty.

**Top 5 Points To Consider For Interest Free Education Loan**
- 1. This monetary support loan will available for all the technical and professional courses in India. If you are doing any course in foreign then free education loan will not be applicable.
- 2. Courses done after class XII in institutions recognized by Acts of Parliament recognized by legal bodies, IIMs and other central government institutions.
- 3. The existing education loans will be linked to this scheme.
- 4. This scheme will be available only once for a student. For example if you have availed loan in your undergraduate studies, then you cannot apply again for the post graduate. But, it is applicable if you are doing the collective UG and PG courses.
- 5. This scheme won’t be available if you terminate your course in the middle except if there is any medical problem.
Research methodology

Table 1 shows the Significant between gender and Procedure or Convenient

<table>
<thead>
<tr>
<th>Correlations</th>
<th>gender</th>
<th>Procedure Or Convenient</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td>gender</td>
<td>N</td>
<td>120</td>
</tr>
<tr>
<td>Procedure Or Convenient</td>
<td>Pearson Correlation</td>
<td>.543**</td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>120</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (1-tailed).

Table 2 Test Statistics

<table>
<thead>
<tr>
<th>Chi-Square</th>
<th>Mortgage &amp; Effective</th>
<th>Eligibility Criteria</th>
<th>Procedure Or Convenient</th>
<th>Values Addition</th>
<th>Disbursement</th>
<th>Rate Of Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td>17.633**</td>
<td>25.400**</td>
<td>27.950**</td>
<td>40.550**</td>
<td>28.550**</td>
<td>29.450**</td>
</tr>
<tr>
<td>df</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Asymp. Sig.</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.023</td>
</tr>
</tbody>
</table>

➢ The minimum expected cell frequency is 60.0.
➢ The minimum expected cell frequency is 40.0.

Thus the Assumption significant on rate of interest is 0.23

Table 3 Shows the ANOVA and CO-efficient of Mortgage and Rate of interest

<table>
<thead>
<tr>
<th>ANOVA</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>13.574</td>
<td>2</td>
<td>6.787</td>
<td>66.071</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>12.018</td>
<td>117</td>
<td>.103</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>25.592</td>
<td>119</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Rate Of Interest, Mortgage & Effective
b. Dependent Variable: gender

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.567</td>
<td>.079</td>
<td></td>
<td>7.145</td>
</tr>
<tr>
<td>Mortgage &amp; Effective</td>
<td>.887</td>
<td>.101</td>
<td>1.288</td>
<td>8.745</td>
</tr>
<tr>
<td>Rate Of Interest</td>
<td>-.415</td>
<td>.089</td>
<td>-.690</td>
<td>-4.684</td>
</tr>
</tbody>
</table>

a. Dependent Variable: gender

Findings

From the data collected, it may be concluded that:

1. Respondents from trichy said that they always prefer bank whenever they require loan for education purpose.
2. Respondent shows that rare of interest highly attracted themselves. They prefer first of all, low interest rate.
3. There should be flexibility in mortgage.
4. Eligibility criteria should be based on need as well as merit.
5. Disbursement of loan should be start after completion of loan or after joining a job, whichever is earlier.

**Suggestions**

- The procedure of getting loan should be easy to students.
- The rate of interest should be low.
- To encourage higher studies disbursement should be flexible.

**IV. Reference**


2) Ibid


4) Private Sector Participation in Indian Higher Education: FICCI Higher Education Summit 2011.