A Study on Problem Faced by the Customer on Educational Loan

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Abstract: **Education is the process of instruction meant for the all-round development of individuals, providing with necessary tools to participate in day-to-day activities. It dismisses ignorance and promotes moral values in the individuals. Increasing costs of and returns to college have led to huge increases in the demand for student loans in many countries. The students need to face many problems to get education loans. Many students desirous of pursuing higher education complain about the difficulty in obtaining approval of educational loans by banks. Students facing so many problems related to Education Loans. The main problems are mainly related to Sanction and Disbursement of Loan and the second category is based on the Repayment of Education Loan. The present study is very helpful to identify the problems facing the students related to Education Loans.**

Keywords: **education loan, problem facing, pursuing higher education, loan by banks.**

1. Introduction

Education is the process of instruction meant for the all-round development of individuals, providing with necessary tools to participate in day-to-day activities. It dismisses ignorance and promotes moral values in the individuals. In the general sense education is any act or experience that has a determinative effect on the mind, character, or physical ability of an individual. Education in its technical sense is the process by which society purposely transmits its accumulated knowledge, skills, and values from one generation to another. The process of becoming an educated person is known as Education. Education promotes social changes by bringing about a change in outlook and attitude of men. It can bring social changes through a change in the pattern of social relationships. Education acts as a basis for lifelong learning and stimulates confidence to face challenges. Education provides skills to become more self-reliant and also increases awareness.

2. Review of Literature

M. R. Narayana (2005) According to the author this book is the study on empirical analysis of the role of student loan by commercial banks in financing the estimated budgetary subsidy to general collegiate education by Government and Private Aided colleges in Karnataka State (India). A major estimation result shows that the maximum total fee collectable, as a percentage of total estimated subsidy, is equal to 4.22 (or 4.74)

percent in Government (or Private Aided) Colleges in 2000-01. Consequently, student fee revision, as a single instrument for total reduction of the budgetary subsidy is found to be inappropriate, even if it is entirely financed by student loan.

Harsh Gandhar (2010) defines Educational Loans primarily defines Education loans form a part of the priority sector advances of the public sector banks and most of the educational loans are taken for pursuing higher education courses. In the knowledge era, higher education has gained significance all across the world. Like other developing nations, India also faced financial crunch in the early nineties and higher education suffered in terms of allocations. And in the pursuit of raising access ratio in higher education, private institutions entered the field and there has been steep rise in user charges in most-sought-after professional courses like engineering and management in India in the post-reforms period.

Ismail (2011) conducted a study on student's attitudes towards education loan repayment in public universities in Malaysia. He developed a model of student's attitude towards loan repayment using the Theory of Planned Behaviour. He explained students' attitudes towards loan repayment, plan to repay a loan, perception towards loan agreement, and awareness level of beneficiaries of loan. The study concluded that the attitude of parents and perceived quality have a direct relationship with the students' loan repayment behaviour.

Zainal and Ismail (2012) conducted a study on the Malaysian higher education environment. They observed that increase in the cost of higher education and inadequate family income leads the parents to take an education loan for their children. The study concludes that students from private colleges and universities borrowed a higher amount of education loans compared to public colleges and universities.

Boit (2012) conducted a study on the student loan scheme of the Kenyan higher education loan board. The study observed that the income-contingent mode of repayment helps the low earners to pay their loan slowly than the high earners. It will help to earn more subsidies to students who suffer financial inadequacy. The study also recommended that less subsidy to high earners also motivate them to repay the loan quickly.

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3. Objectives

- To examine the bank execution in the matter of credit.
- To study the rules governing the process of granting a loan
- To examine about loan interest rate.
- To know the problems faced by customer to repayment education loan.

4. Research Methodology

A. Data Collection

Data collection is one of the most important aspects of research. The information in tough research methodology must be accurate and relevant. The data collection method can be classified into two methods. Primary Data and Secondary Data.

B. Area of Industry

The study is to done who are all taken education loan.

C. Sampling Size and Population

Primary Data were collected for the study from a Sample of 50 who are all taken education loan in the city of Chennai through questionnaires regarding education loan.

D. Location

Chennai has been selected for the area of study.

E. Target People

Education taken people on banking.

F. Industry

Banking industry.

5. Research Questions and Null Hypothesis

Hypothesis I-Students face problems while having education loan.

Null Hypothesis: Students face problems while having education loan.

Alternate Hypothesis: Students don't face problems while having education loan.

6. Data Analysis

Table 1
Age of respondents

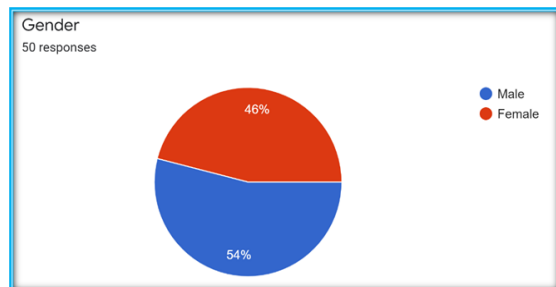| Gender	No. of Respondents	Percentage
Male	23	46%
Female	27	54%
Total	50	100%

Fig. 1. Gender

Inference: Majority of 54% of respondents are female.

Table 2
Age wise classification of respondent

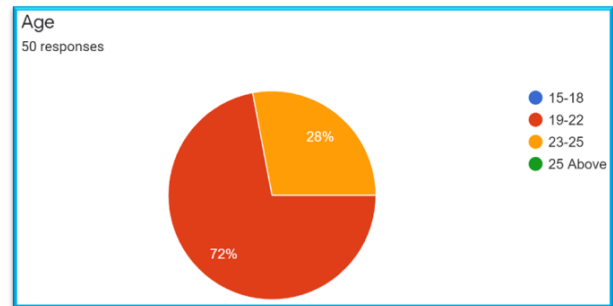| Age	No. of Respondents	Percentage
Below 18	0	0%
19 to 22	36	72%
23 to 25	14	28%
25 above	0	0%
Total	50	100%

Fig. 2. Age

Inference: Majority of 54% of respondents are 19-22 Age.

Table 3
Problem faced loan sanction period

Repayment Penalty	No. of Respondents	Percentage
Procedural delays and Complicated formalities	27	54%
Unfriendly attitude of the bank staff	13	26%
Delay in arranging guarantor	10	20%
Total	50	100%

Fig. 3. Problems faced during the pre loan sanction period

Inference: Majority of population (54%) delay of loan sanction period is procedural delay.

Table 4
Number of students problems faced during the post loan sanction stage

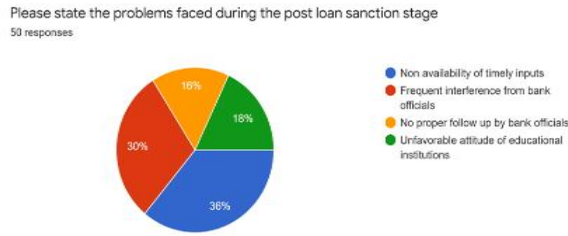| Problems faced during the post loan sanction stage	No. of Respondents	Percentage
Non availability of timely input	18	36%
Frequent interference from bank officials	15	30%
No proper follows up by bank officials	8	16%
Unfavourable attitude of educational institutions	9	18%
Total		100%

Fig. 4. Problems faced during the post loan sanction stage

Inference: Majority of population 36% face non availability of timely inputs.

7. Hypothesis Test

A. Chi Square

Interpretation:
Since p value 0.091 is greater than 0.05 null hypothesis is accepted, alternative hypothesis is rejected. Hence, there is no significant difference between age of the respondents and problem-based loan of the respondents.

ANOVA:
Ho = All students preferred no security requirement during taking loan
H1 = All students not preferred security requirement during taking loan
Conclusion: Ho is rejected
Ho = all student preferred low rate of interest
H1 = all student not preferred low rate of interest
Conclusion: Ho is accepted

Ho= all student preferred large time for repayment of loan
H 1= all student preferred less time of repayment of loan
Conclusion: Ho is accepted

Interpretation:
Since p value is 0.046 less than 0.05 null hypotheses is rejected, alternative hypothesis is accepted. Hence, there is significant difference between investor's opinion/ experience of the respondents on investing in repayment of loan.

Table 5
Students face problems while having education loan

			Students face problems		
			Loan Delay	Loan Sanction	Total
No. of respondents	19-25 Procedural delay	Count	11	21	33
		% With delay and Sanction of loan	33.3%	63.7%	100.0%
	19-25 Unfriendly attitude	Count	3	0	3
		% With delay and Sanction of loan	100%	0.0%	100.0%
	19-25 Security/Guarantee	Count	6	8	14
		% With delay and Sanction of loan	42.8%	57.2%	100.0%
Total		Count	21	29	50
		% With delay and Sanction of loan	42.0%	58.0%	100.0%

Table 6
Chi- square test

Value		df	Significance
Chi-Square	6.321a	2	.082
Likelihood Ratio	8.108	2	.056
Linear-by-Linear Association	3.877	1	.049
N of Valid Cases		50	
4 cells (50.0%) have expected count less than 5. The minimum expected count is .91.			

Table 7
ANOVA

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	1.32	2	0.66	1.53	0.52	3.09
Within Groups	95.35	94	1.01			
Total	96.67	96				

Table 8
ANOVA

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	5.20	2	2.59	3.18	0.046	3.09
Within Groups	76.80	94	0.81			
Total	82	96				

Table 9
ANOVA

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	0.101	2	0.050	28.4	0.96	3.09
Within Groups	134.06	94	1.42			
Total	134.161	96				

8. Findings

- In my sample size all 100% the respondent are taken the education loan.
- Loan was rejected due to CIBIL score, security money, or proving that students where they are taking admission are recognized college.
- Sometimes students going abroad who seek loan are rejected due to fake university abroad.
- So, students face problems faces problem while taking loan is tested through hypothesis. By using CHI Square test, it was found that that there are problems while getting education loan by students.
- It was also found that Banks are under burden of huge NPA which amounted from education loan. Growing number of graduates with not equal opportunity of employment to all graduates left number of students not able to repay their loan.

9. Suggestions

- Government must announce that the loan for education is not free. Further it must be understood that the education loan is an investment towards the future. The present interest levels are a bit high at 11.75%. It should be brought down to a reasonable level of say 8 to 9%. May be RBI intervention is needed in this.
- Needs of the industry must be known to the educational institutions. There needs to be a proactive intervention by the industry and the educational institutions.
- The study suggested that the student is made known clearly about interest charges and repayment policies of the banks and the government payment and non- payment policies.
- Education loan is provided for some special customers. It is not possible for every customer to get educational loans.
- Interest rate, procession fees, tenure, security and margin money all these are important in all kind of education loan. So, bank should revise all above keeping in view of another bank.

- One of the major strengths of Bank is timely processing of loan application. So, it must keep on processing the loan application as soon s possible.
- Bank must adopt new methodology for recovering balance.
- Bank needs to identify and select the sector in which the funds are invested in large and long time period such as Education loan.

10. Conclusion

The study concluded that the problems related to Sanction and Disbursement is more than the problems related to Repayment. Educational loans only provided for some selected Courses. The skill related courses do not get Educational Loan that means the banks are doubtful to provide educational loans to all courses according to the preference of students. The other problem related to Education Loans is the inadequate awareness level of borrowers related to the term and conditions of Education Loans. Successful reinforcement of new guidelines possible only through mass awareness and change of mind set students towards education loans. The educational institution has to create awareness among students and parents about the availability of education loan schemes offered by different banks. There is a necessity to know the pros and cons of Education Loan by the borrowers.

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