

A STUDY ON THE AWARENESS LEVEL OF BORROWERS OF EDUCATION LOAN

MOHANDAS A¹ & SATHEESH EK²

¹Research Scholar, Department of Commerce & Management Studies, University of Calicut, Thenhipalam, Kerala, India

²Professor, Department of Commerce & Management Studies, University of Calicut, Thenhipalam, Kerala, India

ABSTRACT

Education has a pivotal role in the socio economic development of a nation. It is considered as a supplier of input for economic, political and social development. India is now the third largest country in the world in terms of volume and diversity of higher education system. However, now, governments are withdrawing from funding to the higher education due to the financial constraints. The institutions in government sector were insufficient to meet the increased demand for higher education. It gave birth to the private sector unaided institutions in the higher education sector. As of now, about 64 percent of the institutions in higher education system in India are in the private unaided sector. While comparing the cost of higher education in government and government aided institutions, it is extremely high in the case of institutions in the private unaided sector. In order to tackle this problem, Government introduced education loan scheme. Kerala is the second largest state in the country in distribution of education loans. However, the borrowers of education loan in the state are not aware regarding the various aspects of the scheme. Present study is an attempt to analyse the awareness level of the borrowers of education loan in Calicut district. The study testifies that the borrowers are not properly aware about the various aspects of the scheme. There is no significant difference in the awareness level of the borrowers with regard to type of bank, type of programme and income level.

KEYWORDS: Awareness, Education Loan, Repayment

INTRODUCTION

Education has a pivotal role in the socio economic development of a nation. It is considered as a supplier of input for economic, political and social development. In this knowledge era, the prosperity and up gradation of a generation cannot be achieved by forgetting the role of education. The education system in India is well known even dates back. The well established centres of higher education in ancient India like Nalanda and Takshila were attracted the scholars from foreign countries too. After the independence, Governments have been giving due consideration to the education because of its crucial role in the development. Accordingly, India is now the third largest country in the world in terms of volume and diversity of higher education system.

Indian education system basically consists of three levels namely primary, secondary and higher education. The education after completion of plus two or higher secondary or equivalent is considered as higher education in India. The role of higher education can be invariably understood from its functions like creation and dissemination of knowledge, supply of man power with adequate knowledge and skill, attitudinal change for modernisation and social transformation, formation of a strong nation and promotion of higher quality individuals and social life.(Puttaswamaiah,2010).

The higher education system in India witnessed for gigantic developments both in terms of number of institutions and enrolment of students. In 1950, there were only 695 colleges and 32 universities in India. It has been increased to

39071 and 799 respectively in 2016. It indicates the growth of higher education system in India. However, due to the financial constraints, governments are withdrawing from funding to the higher education. The institutions in government sector were insufficient to meet the increased demand for higher education. It gave birth to the private sector unaided institutions in the higher education sector. As of now, about 64 percent of the institutions in higher education system in India are in the private unaided sector. While comparing the cost of higher education in government and government aided institutions, it is extremely high in the case of institutions in the private unaided sector. The increased cost of higher education has been affected the access and equity in higher education system. A large number of deserving students were out of the reach of higher education for want of money. Government introduced many schemes and programmes in order to solve this grave social issue. One of the major initiatives by the government in this regard is the introduction of education loan scheme through banking system.

The education loan scheme was announced in India during 2000 -01 budget and came into force from the year 2001 onwards. The education loan scheme outlined by the Indian Bankers Association (IBA) specifies that the scheme aims at extend the financial assistance to the meritorious students in order to pursue higher education in India and abroad. The ultimate objective of the scheme is to ensure that every meritorious student though poor is provided with an opportunity to pursue education with the financial support from the banking system with affordable terms and conditions.

The total number of education loan outstanding in the country as on 31.03.2016 comes to 26, 36, 624 and in terms of amount, it is Rs 618310 million. The increase in the number of accounts and amount sanctioned indicate that more and more students use the scheme in order to pursue higher education.

Education Loan Scheme in Kerala

Kerala is well known for its achievements in some specific areas like health care and education. Kerala is the most literate state in the country. As a result of the high literacy and high demand for primary and secondary education, demand for higher education is also high in the state. However, as far as the higher education is concerned majority of the institutions are in private unaided sector.

The increased cost of higher education compels the parents and students to borrow more in order to meet the cost education. The increase in the number of accounts and amount of loan outstanding over the years under the education loan segment indicates the high demand for education loans in the state.

Significance of the Study

Education loan scheme has been becoming an important segment in the priority sector lending scheme in the state. More and more students approach the banks for financial assistance. But, majority of the students and parents are unaware about the various aspects of education loan scheme. The ignorance of the borrowers leads to conflicts and often it causes for clashes between bank staff and borrowers. Further, lack of proper awareness on the part of the borrower is an important reason for the poor repayment performance of the scheme. Since serious studies in this area are scanty, the result of this study shall be helpful to make necessary policy changes.

Statement of the Problem

Kerala is the second largest state in terms of amount of education loans sanctioned in the country. However, many untoward incidents were reported from the various corners of the state in connection with education loan scheme.

The recent reports state that the borrowers of education loan are not satisfied with the various aspects of the scheme. Further, lack of awareness on the part of the borrowers is one of the important reasons for default in the repayment of the loan. In such a context, the present study is an attempt to identify the awareness level of the borrowers of education loan in Calicut district.

SCOPE OF THE STUDY

The scope of the present study is confined to the analysis of the level of awareness of the borrowers of education loan on the various aspects of the scheme. Due to resource constraints, the geographical area is confined to the Calicut district.

OBJECTIVES

The main objective of the present study is to identify the awareness level of the borrowers of education loan in Calicut district.

METHODOLOGY AND DATABASE

The study is descriptive in nature. Both primary and secondary data were used.

Secondary data were collected from the various books, journals and periodicals. Authorised websites of the agencies like State level bankers Committee, Indian Bankers Association etc were also used to collect the required data.

Primary data required for the study have been collected from the 100 borrowers of education loan in the Calicut district selected at random. A structured interview schedule is used to collect the data. The collected data were analysed with the help of suitable statistical tools like mean, standard deviation, independent t test, ANOVA and Chi square test.

DATA ANALYSIS AND DISCUSSIONS

Majority of the education loans sanctioned in the state is advanced to study the professional programmes like Medical, Engineering, management, Nursing etc. The following table shows the programme wise distribution of the respondents.

Table 1: Programme wise Distribution of the Respondents

Programme	Frequency	Chi Square Value
Medical	3	78.80 (0.000)*
Engineering	16	
Nursing	62	
Management	19	
Total	100	

Source: Primary Data

*Significant at 5% level

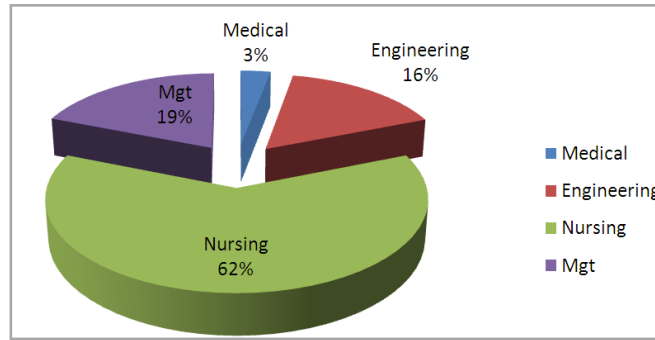


Figure 1: Programme wise Distribution of Respondents

The chi square test of goodness of fit invariably shows that difference in the distribution of loans to different programmes is significant. Further, the figure 1 and table 1 also indicates that majority (62%) of the education loans distributed in Calicut district is to study the nursing course.

Awareness Level of the Borrowers

In order to ensure effective utilisation and regular repayment of the loan, awareness regarding the various aspects of the loan on the part of the borrowers is highly needed. In order to find out the awareness level of the borrowers regarding the education loan scheme, the awareness of the borrowers on the following variables has been analysed.

- Rate of Interest
- Penal interest
- Borrowing limit
- Moratorium period
- Amount of Equated Monthly Instalment (EMI)
- Overall rules and regulations

In order to measure the level of awareness, a three point scale is used and respondents were asked to rate their response towards each variable ranging from Fully Aware (3) to Fully Unaware (1).

Table 2: Descriptive Statistics of Awareness of Borrowers

Awareness	N	Mean	Std. Deviation
Interest rate	100	1.95	.575
Penal interest	100	1.60	.651
Borrowing limit	100	1.47	.674
Moratorium period	100	1.47	.688
EMI	100	1.36	.612
Overall rules & regulations	100	2.01	.438
Total	100		

Source: Primary Data

According to the table, the borrowers are not fully aware about the various aspects of education loan scheme. Mean score is very low in the case of EMI, moratorium period, borrowing limit etc. The mean score of awareness on the overall rules and regulations is 2.01(SD 0.438) which indicates the lack of proper awareness on the part of the borrowers related with various aspects of education loan scheme.

Bank Type and Awareness of the Borrowers

In Kerala, education loans are extensively sanctioned by both public and private sector commercial banks. However, public sector banks are in the forefront of sanctioning education loans in the state both in terms of number of accounts and amount. In order to find out whether there is any difference in the awareness level of the borrowers with regard to the type of bank, following hypothesis is formulated.

- **H₀**: There is no significant difference in the awareness level of the borrowers with regard to the bank type.
- **H₁**: There is significant difference in the awareness level of the borrowers with regard to the bank type.

In order to verify the validity of the hypothesis, Independent Sample t test is used and the result is as follows:

Table 3: Awareness Level and Type of Bank

Type of Banks	Mean	't' Value
Public Sector Banks	1.596	-1.001
Private Sector Banks	1.694	(0.319)

Source: Primary Data

Figures in brackets are p values

The table shows that the 'p' value (0.319) is greater than 0.05 and hence the null hypothesis has been accepted. It implies that there is no significant difference in the awareness level of the borrowers with regard to the type of bank from which the loan is taken.

Programme and Awareness Level

Education loans are mainly distributed in the district in order to study the programmes like Medical, Engineering, management and Nursing. In order to assess whether there is any significant difference in the awareness level of the borrowers with regard to the programme for which the loan is taken, following hypothesis is formed.

- **H₀**: There is no significant difference in the awareness level of the borrowers with regard to the type of programme.
- **H₁**: There is significant difference in the awareness level of the borrowers with regard to the type of programme.

In order to test the hypothesis, one way ANOVA is used and the result of the test is as follows.

Table 4: ANOVA - Programme and Awareness Level

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	5.079	10	.508	.851	.581
Within Groups	53.111	89	.597		
Total	58.190	99			

Since the p value (0.583) is higher than 0.05, the null hypothesis is accepted. It means that there is no significant difference in the awareness level of the borrowers with regard to the programme. In other words, all the borrowers lack proper awareness regarding the education loans irrespective of the type of programme for which the loan is taken.

Income Level of the Borrowers and Awareness Level

Most of the borrowers of education loans belong to the poor socio economic group. According to the primary data, about 73 percent of the borrowers belong to the monthly gross income of 1000 to 10000 category. In order to find out

if there is any significant difference between awareness level and Income Class of the borrowers, following hypothesis is set.

- **H₀**: There is no significant difference in the awareness level of the borrowers with regard to the income class.
- **H₁**: There is significant difference in the awareness level of the borrowers with regard to the income class.
- To test the validity of the hypothesis, one way ANOVA is used and the result is as follows.

Table 5: ANOVA – Awareness Level and Income Class

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.143	3	.381	1.290	.282
Within Groups	28.369	96	.296		
Total	29.512	99			

Source: Primary Data

Since the p value (0.282) is greater than 0.05, the null hypothesis is accepted. It implies that there is no significant difference in the awareness level of the borrowers with regard to the income class.

MAJOR FINDINGS OF THE STUDY

- The awareness level of the borrowers of education loan is low and in the case of some variables like Equated Monthly Instalment, borrowing limit and moratorium period, the level of awareness is very low.
- There is no significant difference in the awareness level of the borrowers with regard to the type of bank. It means that in the case of both public and private sector banks, the borrowers are not having proper awareness regarding various aspects of the scheme.
- There is no significant difference in the level of awareness with regard to the type of programme for which the loan is taken.
- The income level of the borrowers is not a significant factor affecting the awareness level of the borrowers. It means that borrowers from both upper and lower income class are unaware about the various aspects of education loan scheme.

CONCLUSIONS

Kerala is one of the leading states in the distribution of education loans. However, the repayment of the loan in the state is not satisfactory. The secondary data show that the volume of Non Performing Assets in respect of education loans has been increasing in the state. Calicut is a district in Kerala which is in the forefront of sanctioning education loans. The study testifies that the borrowers are not properly aware about the various aspect of education loan. Majority of the borrowers are unaware about the EMI, moratorium period and borrowing limit irrespective of the type of bank, type of programme and income class. Lack of proper awareness is a major reason for default in the repayment of loan.

SUGGESTIONS

- Before sanctioning the loan, it is the duty of the bankers to convince the borrowers regarding various rules and regulations of the scheme.

- In order to improve the performance of repayment, borrowers should be convinced the need for regular repayment.
- In order to improve the awareness level of the borrowers, bankers and other related agencies like SLBC, Lead Bank etc should organise campaigns and classes. It shall be helpful to improve the awareness level of the borrowers and thereby unnecessary borrowings can be avoided.

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