



A Study On Educational Loan Schemes Of Banks With Special Reference To Barak Valley, Assam

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Abstract:

An education loan is a financial product designed to help individuals cover the cost of their education. For every 1% rise in GDP, demand for education loan rises by 3% (Chakraborty, 2011). In 2001, the Government of India in consultation with the Reserve Bank of India (RBI) and the Indian Banks' Association (IBA) introduced the Education Loan Scheme. Education loans were made part of priority sector lending. The commercial banks are providing educational loans to the needy students under various schemes. The present paper tries to critically examine the procedure of educational loans offered by various banks and students' perception and experience with educational loans. Both the students and the commercial banks are benefitted by this study. The outcomes of the study would act as a feedback to them so that they can improve the procedure of implementation of educational loan schemes without compromising the interest of the students.

Keywords: Educational loan, Higher Education, Barak Valley, Assam

Introduction:

Education is a lifelong journey that starts from early childhood education and progresses through various stages, comprising of primary and secondary education. On the other hand, Higher Education refers to post-secondary education which is beyond high school such as colleges and universities. It includes Under Graduate and Post Graduate programmes. It also offers specialized knowledge and skills in various fields. Higher Education leads to degrees like Bachelor's, Master's and Doctoral degrees which can open up career opportunities and provide a deeper understanding of specific subjects. Education plays a crucial role in personal and societal development by providing individuals with knowledge and skills necessary for their personal and professional lives.

Higher Education in India

Higher education plays a significant role in economic growth and helps an individual to get high remuneration and status. But the mere possession of an advanced certificate or degree will not guarantee good or lasting jobs. For getting such high paid jobs and high status employment one must have the required personal, social and intellectual traits. In its size and density, India has the third largest higher education system in the world. According to the University Grants Commission (UGC), there are 1,074 universities and 43,796 colleges in India. The Gross Enrolment Ratio (GER) for higher education in India stands 27.1%.

Present Scenario of Higher Education in Assam

Assam has the largest economy in the north-east. It has a relatively well developed educational infrastructure as compared to other states in North Eastern Region. As per latest population census, literacy rate in Assam has seen rising trend and is 72.19%. Of that, male literacy stands at 77.85% while female literacy is at 66.27% in the higher education sector, the state has 2 (two) Central Universities, 12 (twelve) State Universities and 6 (six) Private Universities.

Role of Educational Loan in Higher Education

Education and development are linked with each other. Development of an individual depends on the quality of available education system, especially higher education. One of the important factors which play a significant role in the development of higher education is finance. So, bank loan has an important role in promoting education and development of skilled professionals. Various sources of finance for higher education includes direct student loan from banks and other financial institutions, borrowing from friends and relatives, loan against property and other unorganized sources.

Education loans offer both advantages and disadvantages which are highlighted in the below points:

Advantages

- Education loans provide access to higher education for students who are not able to pay for their educational expenses such as tuition fees, books, accommodations, etc.
- Most of the educational loans have a grace period where repayments start after the completion of education, thus it provides graduates with adequate time to secure a job and income.
- Interest paid on educational loans can be tax deductible under Section 80E of the Income Tax Act, 1961 providing tax benefits.

Disadvantages

- Education loans can lead to significant debt, which may take years to repay, affecting a student's financial future.
- If a borrower fails to repay education loans on time then it will negatively impact the borrower's credit score and consequently it will affect their ability to secure other loans or credit in future.
- Students may struggle to earn enough to comfortably make loan payments and ultimately it leads to financial stress.

Statement of Problem

The Per Capita Income of the Barak Valley region as a whole is around Rs. 60,000 comprising the per capita income of Cachar, Hailakandi and Karimganj, which is lower than in most of the Assam. These days, education has become very expensive especially in the case of private institutes or universities. It cannot be easily afforded by middleclass people of Barak Valley. Fees charged by those institutes are so high that the students needs funds from external sources to meet their cost of education. The hindrance of finance prevailing among the students is solved by the various public and private sector banks. They are entrusted with the responsibility of granting educational loans to the needy meritorious students. So this paper is going to make a comparative study of the interest rates charged by various public and private sector banks for educational loan and also students' experience while availing educational loan for pursuing higher education.

Review of Literature

- **Jandhyala B.G. Tilak's (1992)** work, "Student loans in financing higher education in India" examines strength and weaknesses and problems specific to this programme in India, to identify measures for additional improvements in the programme.

- **Harsh Gandhar's, (2010)** paper "Educational Loan Scheme of Scheduled Commercial Banks in India: An Assessment" is an attempt to review its growth and performance during the period 2004-10 through a case study of scheduled commercial banks in Chandigarh to enlist deficiencies in the scheme and suggest policy options in this regard. This study does not offer any soft options for the meritorious and the needy students. There was no link between the institute of study and the bank which advanced educational loan. The terms of collateral security were very stringent and needed to be flexible and people friendly.
- **Varghese K.X. and Manoj PK, (2013)** has made a study on "Educational Loans and the Higher Education Sector in India". The researchers find that from the year 2005 to 2011 the educational loans had risen from Rs. 51 billions to Rs. 437 billions in India. The educational loans showed the growth from 2.09 % to 6.38% of the total loans disbursed over the years compared to other categories of personal loans.
- **Rajesh Tiwari and Bimal Anjum (2013)** have made a study on "Role of Education Loan in Indian Higher Education". They made a study on the demographic challenges stating that India has one of the largest population of young people below 30 years of age and to provide them with employment higher education is important. Providing skill enhancement opportunities to such a large population is a great challenge. The researcher also studied the Chinese Scenario. Due to 20% increase in the average annual tuition charges from 1990 to 1997, the state allocated 744.7 million Yuan of special funds in eight batches from 1994 to 1999 to provide subsidy to qualified students who cannot afford tuition fees. The researchers point out that Indian Bank Association came up with new guidelines in May 2012 for providing education loan for students opting to undertake vocational training in recognized institutions.
- **P. Geetha Rani, (2016)** has presented, "Financing Higher Education and Education Loans in India: Trends and Troubles". The researcher has made a study by using various primary and secondary data sources. They examine who gets access to student loans and interest subsidy, what are the risks associated in terms of default or recovery. It also studies how the employability is linked with better repayments.
- **Senjuti Patra, Tridip Ray and Arka Roy Chaudhuri, (2017)** in their study on "Impact of Education Loans on Higher Education: The Indian Experience" evaluate the performance of an education loan scheme introduced by the RBI in 2001. It has increased the availability of education loans in India. They find that one standard deviation increase in the number of education loan accounts results in a 6.17% increase in higher education enrolment over the sample mean.
- **Naveen Kumar Baradi and Venkata Dharma Kumar Malla, (2017)** in their work "Educational Loans from Scheduled Commercial Banks: A Critical Assessment", study the terms and conditions imposed by banks for educational loans in India. The paper also analyzes the growth in educational loans in Public Sector Banks. The interest rates charged by different public and private sector banks for educational loans are also compared in the present paper.
- **Tania Gupta's (2018)** work, "A Study of Accessibility of Educational Loans in India for financing Higher Education" mainly focuses on the accessibility of educational loans in India to finance Higher education. In addition, the paper also studies the perception of teachers in higher education institutions for the same. It also gathers suggestions from educationists and academicians on enhancing the accessibility of educational loans in India. The researcher finds that both students and parents of students pursuing higher education were of the view that education loan schemes for financing higher education should be made accessible to all the students. The schemes must be promoted by the Government of India and loans should be available to the needy at lower rate of interest with an extension in repayment period.

- **Gajanan Nerkar and Siddharth Dhongde (2018)** in their study on “A critical analysis of educational loan schemes of banks and their role for socio economic development in India” revealed that NBFCs are emerging with specialized approach towards the education sector. The researchers also made an attempt to study about the salient features of the schemes of educational loans. According to the researchers, education and development are closely related. The paper explained higher proportion of the education loan portfolio of banks within the priority sector lending category. According to them education and development are interlinked. The main purpose of educational loan is to provide financial support to meritorious students from the lower socio-economic backgrounds.
- **Sandeep M. Khanwalker, (2019)** in his study on “Education Loan in India- A Review” observes that in the recent past there is a surge in Non-performing loans of education loan granted by the Banks/ Financial Institutions. The present paper analyses reasons of high default and suggests some steps for Banks and Financial Institutions to remove such slippages.
- **N.M. Mekala and B. Muralidharan, (2019)**, in their paper “ A Study on Awareness and Utilization of Educational Loan Provided by the Nationalized Banks to Arts, Science and Engineering College Students in Madurai City” focus on the awareness and utilization of education loan provided by the nationalized banks in Madurai City.
- **M. Kalimuthu and Ms. P. Mohana Priya, (2021)** in their paper “A Study on Students Perception on Educational Loan with special reference to Coimbatore city” describe the students’ perception towards the educational loan. The paper observes the source of awareness towards educational loan. The study made on the various factors that influence the students to avail the educational loan. Responses from 120 respondents are taken for the study.
- **Krishnan Chalil, (2021)** observes in his article “Financing Higher Education through Education Loan in India: Current Status , Challenges and Future Prospects”, the growth of education loan and its regional distribution. The study finds that there has been continuous increase in higher education enrolment through various institutions.
- **R. Gethe and M. Hulage, (2022)** in their study on “An empirical analysis of student’s experience with educational loan services offered by banks” analyze the trends and patterns of educational loans taken by students. The paper also finds the correlation between Student’s Family Background/ Income, Type of university, Student’s Experience with Loan processing and Disbursement and Services offered by Banks while Loan applications. The researchers propose the theoretical framework based on the four theories: Theory of reasoned action. Theory of Planned Behaviour, Theory of Human Capital and Theory of ability to pay. The paper also identifies some of the factors which may influence intention of students to repay Educational Loan.

Objectives of the Study

- To study the terms and conditions of banks for providing educational loan.
- To study the students’ experience while availing educational loan for pursuing Higher Education.

Research Gap

Research gap is the identification of opportunities that are yet to be explored in a research study. After reviewing the existing literatures, it is found that sufficient study on educational loan schemes of banks has not been done in Barak Valley region of Assam. The study is conducted to know to the student’s experiences while availing educational loan and the various terms and conditions imposed by banks for granting educational loans.

Research Methodology

Research Methodology is the scientific way to solve the research problem. It gives an idea about various steps adopted by the researcher in a scientific manner with an objective to determine the research problem and the logic behind them. The research methodology adopted in the present study is given below:

- **UNIVERSE OF THE STUDY:**

The present study consists of the study on educational loan schemes of banks with special reference to Barak Valley. The scope of the project is limited to Barak Valley region of Assam. The project report may be one of the important tools for the students and parents who are willing to apply for educational loans. This project will help them to know the present scenario regarding various schemes of educational loans offered by Public and Private Sector banks of Barak Valley

- **RESEARCH DESIGN:**

The research design is the blueprint for the collection, measurement and analysis of data. The research design for the present study has been framed with keeping in mind the research objectives. The study undertaken will be a Descriptive research.

- **SAMPLING TECHNIQUE:**

The present study is undertaken by using Convenience Sampling and Snowball Sampling Technique which are Non-Probability Sampling Method.

- **SAMPLE SIZE:**

30 students who have taken an education loan while pursuing higher education were responded to the questionnaire.

5 branches of various banks which offer education loan in Barak Valley were contacted and information was gathered.

- **DATA SOURCES:**
 - Primary Methods

For the collection of primary data, visit to various branches of public and private sector banks in Barak Valley is made.

Data through questionnaire was also collected from the students of Barak Valley pursuing higher education in various cities regarding their experiences while availing educational loan.

- Secondary Methods:

Research papers of various scholars.

Magazines and Journals.

Limitations of the Study:

- The study is limited to the Barak Valley region of Assam only.
- The study is limited to the student community only.
- The study is limited to specific Public Sector and Private Sector Banks only.

Features of Educational Loan:

- Students pursuing higher education, such as undergraduate, postgraduate, or professional courses are eligible for education loan. Parents can also take loans to finance the cost of education of their ward.

- Borrowers need to provide with proof of admission to an educational institution, estimated cost of education and other required documents when applying for an educational loan.
- The interest payable by the student belonging to EWS category is borne by the Government of India.
- Eligible students can avail the interest subsidy under this scheme only once. Like for under undergraduate course or the post graduate course in India. Integrated courses are also considered under the scheme.
- Under this scheme, interest subsidy is not be available to the students who discontinue the course midway, or who are expelled from the Institutions. Interest subsidy is permitted if the discontinuation is under the medical ground but for this, necessary documents in required to be submitted.
- Many educational loans have a moratorium period during which the borrower does not need to make repayments. This period can extend beyond the completion of the course.
- Interest paid on educational loans may be eligible for tax deductions.

Expenses covered under Education Loan:

- Fees payable to educational institutes.
- Examination/library/laboratory fee.
- Travel expenses/passage money for studies abroad.
- Purchase of books/equipment/instruments/uniforms.
- Purchase of computer at a reasonable cost, if required to complete the course
- Any other expense required to complete the course, such as study tours, projectwork, thesis, etc.

Courses covered under Education Loan:

- Graduation and post-graduation courses (professional/ technical/ diploma) under UGC or AICTE. Regular degree or diploma courses administered by IIM, IIT, IISc, ICWA, CA, CFA, etc.
- Regular degree or diploma courses such as pilot training, aeronautical shipping and more, approved by the Director General of Civil Aviation, Shipping, other regulatory authority.
- Job oriented courses (professional/ technical) for graduation, post-graduation or diploma such as MBA/MCA/MS, course conducted by the Chartered Institute of Management Accountants (CIMA)- London or Certified Public Accountant (CPA) –USA.
- Courses of skill development.

Eligibilities for Education Loan:

- Loans are granted to approved undergraduate courses, postgraduate courses, PhDs, diploma courses, job oriented courses and technical/ professional courses.
- Applicants for the education loan should be studying or obtaining admissions in approved recognised institutions, government institutions, professional institutions and international colleges and universities.
- Applicants should have completed 10+2 (12th standard).

Documents required for Education Loan:

- KYC Documents
- Mark sheets of 10th, 12th graduation and other entrance examinations.
- Admission letter
- Fee structure
- Income proof in some cases.

- Additional documents may be requested in some cases.

Tax Benefits on Education Loan:

When an applicant starts repaying the education loan, the interest part that the applicant pays towards the loan every month can be used to claim income tax deduction under Section 80E. However, the deduction cannot be claimed on the principal repayments. The facility is available only for eight years from the years the applicant starts repaying the loan or until the interest is fully repaid, whichever comes first.

Data Analysis and Interpretation

OBJECTIVE I:

First objective of the current research was to study the terms and conditions imposed by banks for educational loans in Barak Valley. Hence, it was decided to collect the primary data for this purpose by visiting the various branches of banks located in different parts of Barak valley. 4 Public Sector Banks and 1 Private Sector Bank have been taken for the purpose of the dissertation.

Table No. 1

Responses of public sector banks

QUESTIONS	STATE BANK OF INDIA	ASSAM GRAMIN VIKASH BANK	IDBI BANK	PUNJAB NATIONAL BANK
Location/ Branch	Silchar	Karimganj	Ganganagar Pt. VI	Shibbari Road, Tarapur Pt. VI, Silchar
Type of the bank	Public	Public	Public	Public
Processing fee is	Percentage of the loan amount	Percentage of the loan amount	Fixed amount	Percentage of the loan amount
Is the processing fee refundable if the loan application is rejected?	Yes	Yes	No	No
Are there any waivers or discounts available on the processing fee for certain categories of students (e.g. for Economically disadvantaged students?	Yes	No	Yes	Yes
Is the processing fee different for domestic and international students?	Yes	Yes	Yes	Yes
Can the processing fee be paid in instalments?	No	No	No	No
Are there any penalties for late payment of the processing fee?	Yes	No	No	No
Average annual interest rate for educational loan?	8.00% to 8.99%	10.00% and above	9.00% to 9.99%	9.00% to 9.99%
Is there a grace period for interest accrual?	No	Yes	No	Yes
When does interest start accruing?	Immediately after disbursement	Immediately after disbursement	Immediately after disbursement	After completion of studies
Is the interest rate subsidized for certain	Yes	No	Yes	No

student categories (e.g. EWS)				
Are there any discounts or incentives for early repayment or on-time payments?	Yes	No	No	No
Are there any tax benefits or deductions related to the interest payments?	Yes	No	Yes	No
Do you consider credit scores when processing educational loan applications?	Yes	Yes	Yes	No
If yes, what is the minimum credit score required for an educational loan?	650	680	700 subject to terms and conditions	NIL
How often are educational loan applications denied due to low credit scores?	Sometimes	Often	Sometimes	Never
How does the bank disburse educational loans?	Directly to the educational institutions	Directly to the educational institution	Directly to the educational institutions	Directly to the educational institutions
How long does it take for the bank to disburse the loan amount after receiving a loan application?	Less than 1 week	1 to 2 weeks	2 to 4 weeks	Over a month
Are there any disbursement fees or charges associated with the educational loans?	No	No	No	No
Can borrowers request changes or adjustments to the disbursement schedule?	Yes	No	Yes	Yes
Can borrowers track the status of their loan disbursement?	Yes	No	Yes	No
Are there options for temporarily postponing or reducing payments in case of financial hardship?	Yes	Yes	No	No

(Source: Primary Data)

OBJECTIVE II:

The second objective of the current research was to study the students' experience while availing educational loan for pursuing Higher Education. Hence, it was decided to collect the primary with the help of snowball sampling method. The sample of 30 respondents were taken for this purpose.

Table No. 2

Gender wise classification of the respondents

Response	No. of Respondents	Percentage
Male	19	63.33%
Female	11	36.67%
Other	0	0%
Total	30	100%

(Source: Primary Data)

Table No. 3

Category of the respondents

Response	No. of Respondents	Percentage
General	20	66.67%
OBC	4	13.33%
SC/ST	2	6.67%
EWS	4	13.33%
Total	30	100%

(Source: Primary Data)

Table No. 4

Nature of education

Response	No. of Respondents	Percentage
General Education	8	26.67%
Professional Education	22	73.33%
Total	30	100%

(Source: Primary Data)

Table No. 5

Nature of educational institution

Educational institutions	No. of Respondents	Percentage
Central University	1	3.33%
State University	0	0%
Private University	16	53.33%
Deemed University	8	26.67%
Government aided University	0	0%
Self Financing Institution	5	16.67%
Total	30	100%

(Source: Primary Data)

Table No. 6

Bank name of the respondents

Bank Name	No. of Respondents	Percentage
Federal Bank	7	23.30%
Bank of Baroda	2	6.70%
State Bank of India	8	26.70%
Punjab National Bank	3	10.00%
UCO Bank	1	3.30%
Axis Bank	3	10.00%
HDFC Bank	2	6.70%
ICICI Bank	3	10.00%
IDBI Bank	1	3.30%
Total	30	100%

(Source: Primary Data)

Table No. 7

Type of bank

Type of the Bank	No. of Respondents	Percentage
Public	12	40.00%
Private	18	60.00%

Others	0	0%
Total	30	100%

(Source: Primary Data)

Table No. 8

Loan amount (in rupees)

Loan Amount (in Rupees)	No. of Respondents	Percentage
Below 4,00,000	3	10.00%
4,00,000 to 8,00,000	25	83.33%
8,00,001 to 12,00,000	0	0%
Above 12,00,000	2	6.67%
Total	30	100%

(Source: Primary Data)

Table No. 9

Interest rate

Interest Rate	No. of Respondents	Percentage
Below 8.00%	4	13.33%
8.00% to 8.99%	5	16.67%
9.00% to 9.99%	5	16.67%
10.00% and Above	16	53.33%
Total	30	100%

(Source: Primary Data)

Table No. 10

Loan term (in years)

Loan Term (in years)	No. of Respondents	Percentage
7	12	40.00%
10	2	6.67%
15	16	53.33%
Total	30	100%

(Source: Primary Data)

Table No. 11

Clarity in the terms and conditions of the loan during application process

Response	No. of Respondents	Percentage
Yes	27	90.00%
No	3	10.00%
Total	30	100%

(Source: Primary Data)

Table No. 12

Facing of delays in loan disbursement

Response	No. of Respondents	Percentage
Yes	7	23.33%
No	23	76.67%
Total	30	100%

(Source: Primary Data)

Table No. 13

Coverage of all educational expenses

Response	No. of Respondents	Percentage
Yes	21	70.00%
No	9	30.00%
Total	30	100%

(Source: Primary Data)

Table No. 14

Impact of interest rate on educational loan in the ability to manage finances during or after the education of the respondents:

Response	No. of Respondents	Percentage
Positive	7	23.33%
Negative	14	46.67%
No impact	9	30.00%
Total	30	100%

(Source: Primary Data)

Table No. 15

Changes in the interest rate during the tenure of educational loan:

Response	No. of Respondents	Percentage
Yes	18	60.00%
No	12	40.00%
Total	30	100%

(Source: Primary Data)

Table No. 16

Competitiveness of interest rate in the market

Response	No. of Respondents	Percentage
Yes	28	93.33%
No	2	6.67%
Total	30	100%

(Source: Primary Data)

Table No. 17

Primary reason for taking out educational loan

Response	No. of Respondents	Percentage
Tuition fees	26	86.67%
Books and study resources	0	0%
Living Expenses	0	0%
Other	4	13.33%
Total	30	100%

(Source: Primary Data)

Table No. 18

Guarantor for loan

Response	No. of Respondents	Percentage
Parents	20	66.67%
Relatives	3	10.00%
No Guarantor	7	23.33%
Total	30	100%

(Source: Primary Data)

Table No. 19

Basis of selecting lender for educational loan

Response	No. of Respondents	Percentage
Institution's financial aid office	13	43.33%
Online Research	5	16.67%
Recommendations from family and friends	12	40.00%
Other	0	0%
Total	30	100%

(Source: Primary Data)

Table No. 20

Respondents' concern for repaying loans after completion of studies

Response	No. of Respondents	Percentage
Yes	27	90.00%
No	3	10.00%
Total	30	100%

(Source: Primary Data)

Table No. 21

Currently repaying of educational loan to banks

Response	No. of Respondents	Percentage
Yes	6	20.00%
No	24	80.00%
Total	30	100%

(Source: Primary Data)

Table No. 22

Challenges in repaying educational loan to the bank

Response	No. of Respondents	Percentage
Yes	4	13.33%
No	26	86.67%
Total	30	100%

(Source: Primary Data)

Table No. 23

Current employment status of the respondents

Employment Status	No. of Respondents	Percentage
Employed full time	1	3.33%
Employed part time	4	13.33%
Unemployed	0	0%
Student	25	83.33%
Other	0	0%
Total	30	100%

(Source: Primary Data)

Table No. 24

Ability of the respondents to comfortably manage educational loan payments if they are employed

Response	No. of Respondents	Percentage
Yes	25	83.33%
No	5	16.67%
Total	30	100%

(Source: Primary Data)

Findings:

Based on the responses from the respondents the following points highlighted the findings of the study.

Findings pertaining to Objective I:

- ❖ Majority 80.00% (4) of the studied banks are from Public Sector.
- ❖ Majority 80% (4) of the studied banks determine processing fee on the percentage of the loan amount.
- ❖ Majority 60% (3) of the studied banks do not refund the processing fee if the loan application is rejected.
- ❖ Majority 80% (4) of the studied banks have waivers or discounts on the processing fee for certain categories of students. e.g. for economically disadvantaged students.
- ❖ Majority 80% (4) of the studied banks imposes different processing fee for domestic and international students.
- ❖ There are no banks in which processing fee is paid in instalments.
- ❖ Majority 60% (3) of the studied banks do not impose penalties for late payment of the processing fee.

- ❖ It is found that 40% (2) of the studied banks offer educational loan at an average annual interest rate of 8.00% to 8.99%. 9.00% to 9.99% interest rate is charged by another 40% (2) of the total banks. 20% (1) of the total studied banks charge average annual interest rate of 10.00% and above and no banks charge average annual interest rate at below 8.00%.
- ❖ Majority 60% (3) of the studied banks have a grace period for interest accrual.
- ❖ In majority 60% (3) of the studied banks, interest starts accruing immediately after disbursement and in the remaining 40% (2) of the banks, interest start accruing after completion of studies.
- ❖ Majority 60% (3) of the studied banks do not have the policy of subsidized interest rate for certain student categories e.g. EWS and the rest 40% (2) of the banks have the facility of interest rate subsidization for the students belonging to EWS.
- ❖ Majority 60% (3) of the studied banks do not provide any discounts or incentives for early repayment or on-time payments.
- ❖ Majority 60% (3) of the studied banks do not provide any tax benefits or deductions related to the interest payments. Whereas, it is found that 40% (2) of the total studied banks offer tax benefits or deductions on the interest payments of the educational loans.
- ❖ Majority 80% (4) of the banks consider credit scores while processing educational loan applications.
- ❖ It is found from the studied banks that 50% (2) of the total banks require CIBIL 650. 25% (1) of the banks require CIBIL 680 and the remaining 25% (1) of the banks require CIBIL 700.
- ❖ It is found that most of the banks deny loan applications sometimes due to low credit scores. Here, 40% (2) of the total banks deny loan applications sometimes. 20% (1) of the banks often deny loan applications. Loan applications of 20% (1) of the banks are denied very often. 20% (1) of the banks never deny loan applications due to low credit scores. And there are no banks which rarely deny loan applications.
- ❖ It is found that all the banks disburse educational loan directly to the educational institutions.
- ❖ It is found that the most of the banks that is, 40% (2) of the banks take 1 to 2 weeks for the disbursement of the loan amount. 20% (1) of the banks take 2 to 4 weeks. Another 20% (1) of the banks take less than 1 week and the remaining 20% (1) of the banks take over a month to disburse educational loan amount after receiving a loan application.
- ❖ No banks charge disbursement fees associated with educational loans.
- ❖ Majority 60% (3) of the studied banks allow the changes or adjustments to the disbursement schedule, whereas the remaining 40% (2) of the banks do not allow such changes or adjustments.

❖ Majority 60% (3) of the banks gives the borrowers the facilities of tracking the status of loan disbursement. On the other hand, 40% (2) of the total banks do not offer such facilities. It is found that majority 60% (3) of the banks gives the option for temporarily postponing or reducing payments in case of financial hardship. On the other hand, 40% (2) of the total banks do not offer such options.

Findings pertaining to Objective II:

- ❖ Majority 63.33% (19) of the respondents are male and the remaining 36.66% (11) of the respondents are female who have taken educational loan.
- ❖ Majority 66.67% (20) of the respondents are from General Category, 13.33% (4) of the respondents are from OBC Category, 6.67% (2) are from SC/ST Category and the remaining 13.33% (4) are from Economically Weaker Section (EWS).
- ❖ Majority 73.33% (22) of the respondents have taken educational loan for professional education whereas, the remaining 26.67% (8) of the respondents have taken educational loan for general education.
- ❖ Majority 53.33% (16) of the respondents are from Private Universities. 26.67% (8) of the respondents are from Deemed Universities, 16.67% (5) of the respondents are from Self Financing Institutions, 3.33% (1) is from Central Universities. There are no respondents taking educational loan from State Universities and Government aided universities. It is found that respondents from Federal Bank, Bank of Baroda, State Bank of India, Punjab National Bank, UCO Bank, Axis Bank, HDFC Bank, ICICI Bank and IDBI Bank are 23.30% (7), 6.70% (2), 26.70% (8), 10.00% (3), 3.30% (1), 10.00% (3), 6.70% (2), 10.00% (3) and 3.30% (1) respectively.
- ❖ Majority 60.00% (18) of the respondents have taken educational loan from Private Banks. 40.00% (12) of the respondents have taken educational loan from Public Banks
- ❖ Majority 83.33% (25) have taken loan from Rs. 4 Lakhs to Rs. 8 Lakhs. 10.00% (3) of the respondents have taken loan below 4 lakhs. 6.67% (2) of the respondents have taken loan above Rs. 12 lakhs.
- ❖ Majority 53.33% (16) of the respondents pay interest at the rate of 10% and above on educational loan.
- ❖ Majority 53.33% (16) of the respondents have taken educational loan for a term of 15 years.
- ❖ Majority 40.00% (12) of the respondents considered the application process of educational loan as easy.
- ❖ Majority 90.00% (27) of the respondents are clear about the terms and conditions of the loan during application process.
- ❖ Majority 76.67% (23) of the respondents did not face delay in loan disbursement.

- ❖ It is found that the loan amount covered all the educational expenses of 70.00% (21) of the respondents.
- ❖ It is found that 46.67% (14) of the respondents will have negative impact of interest rate to manage finances. 23.33% (7) of the respondents will have positive impact and the remaining 30.00% (9) of the respondents will have no impact of interest rate to manage their finances during or after the completion of education.
- ❖ Majority 60.00% (18) of the respondents have experienced changes in the interest rate. Majority 93.33% (28) of the respondents feel that interest rate offered by the commercial banks are competitive in the market.
- ❖ Majority 93.33% (28) of the respondents feel that interest rate offered by the commercial banks are competitive in the market. Whereas, the remaining 6.67% of them do not have such feelings.
- ❖ Majority 86.67% (26) of the respondents have taken loan for financing their tuition fees. Whereas, 13.33% (4) of the respondents have taken loan for other purposes.
- ❖ Majority 66.67% (20) of the respondents have parents as their guarantors.
- ❖ It is found that 40.00% (12) of the respondents select lender on the basis of recommendations from family and friends. 43.33% (13) of the respondents have selected lender on the basis institution's financial aid office. 16.67% (5) of the respondents have selected on the basis of online research.
- ❖ Majority 90.00% (27) of the respondents are concerned about repaying loans after completion of studies.
- ❖ Majority 80.00% (24) of the respondents are not currently paying the educational loans to banks and only 20.00% (6) of the respondents are currently repaying educational loan to banks.
- ❖ Majority 86.67% (26) of the respondents do not face any such challenges in repaying educational loan to the bank.
- ❖ Majority 83.33% (25) of the respondents are students.
- ❖ Majority 83.33% (25) of the respondents can comfortably manage the educational loan payments if they are employed.

Suggestions:

The following suggestions have been made.

- ❖ Now a days, students are very much interested in getting quality education and degrees from renowned institutes. So the interest rate should be reduced to some extent so that more number of students from economically backward section can avail the benefits of education loan.
- ❖ It is better to avoid the interest during the period of education.
- ❖ Educational loan should be provided without any collateral securities. Students

pursuing professional education avail the highest amount of the educational loan. So, the banks should take some initiatives for providing loans for general education also.

- ❖ Banks should arrange special awareness camps for Economically Weaker Section (EWS) candidates.
- ❖ Banks can have a provision for instalment payments of processing fees to help the economically weaker students.
- ❖ All the students taking educational loan from banks must be concerned about repaying loans after completion of studies.
- ❖ Banks should provide discounts or incentives for early repayments or on-time payments.
- ❖ All the banks should provide tax benefits or deductions to the borrowers related to interest payments.
- ❖ Banks should create awareness about education loan by organising seminars and workshops with the students and parents.
- ❖ All the higher educational institutes should have a separate counter and counsellor to explain about education loan to both students and parents at the time of admission itself.

Conclusions:

Education became a basic necessity for human beings. It helps in the personality development of human beings. But it has become too costly for the students who are pursuing their courses from private institutions. It is so because government aided educational institutes follow lower level of fee structure whereas, private institutes charge higher fees from their students. This difference in fee structure is met through educational loan systems. This study helps both the students and the bankers by providing with valuable suggestions to both of them to improve the level of satisfaction.

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