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A study on borrowers' problems and satisfaction level with regard to education loans in Coimbatore District

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Abstract--Education loan acts as a boon to poor students for pursuing higher studies. But, the mounting level of Non-Performing Assets makes bankers more cautious and reluctant to sanction education loans. So, students find it very difficult to avail themselves of education loans. Hence, a study of this nature has been carried out to ascertain the problems faced by students while availing education loans and the level of satisfaction pertaining to them. The result of the study reveals that unfriendly attitude of the bank staff and difficulty in providing collateral security are the major problems faced by borrowers of education loans. Nevertheless, the borrowers are satisfied with regard to the amount of loans sanctioned and the time taken for sanctioning loans.

Keywords--Education Loan, Borrowers, Problems, Satisfaction.

1. Introduction

Education is an imperative for Human Resource Development and Empowerment. Development of human capital is the topmost priority of the Government for national development. So, both Central and State Governments sanction more funds towards education sector to ensure that education reach all the people. In order to ensure this vision the Government of India introduced National Loan Scholarship Scheme during 1963. The main aim of this scheme was to extend education loan at zero per cent interest to the underprivileged students. Unfortunately, this scheme was discontinued in 1991 due to financial crisis and non-recovery of loans. After Liberalization, Privatization and Globalization, the Indian Government permitted private parties to enter into the field of education.

Since then, the growth of higher educational institutions and student enrolment have been appreciable. But the cost of higher education increased twofold, and poor students found it difficult to pursue higher education. The Government reached out to the poor with Education Loan Scheme. Government brought education loans under priority-sector lending and insisted that all Public and Private Sector banks extend education loan liberally to deserving students. But the banks, considering their previous bitter experience of difficulties in recovering education loan dues, are reluctant to extend more education loans. Most eligible students face numerous problems in getting loans because of the cumbersome procedures, difficult in producing collateral security etc. As a result, most of the student borrowers are dissatisfied. Unless these problems are resolved, the purpose of Education Loan Scheme will not be served. Hence, the present study has been carried out to understand the problems faced by borrowers and offer suitable suggestions to address the problems and increase borrowers' satisfaction.

2. Review of Literature

a. Problems on Education Loan

Vinayagamorthy et al. (2003) in their study observed that a smaller number of borrowers are not satisfied with regard to procedures followed by banks. Raman (2011) in his study found that delay in sanction of education loans and sanctioning of insufficient loan are the common problems faced by education loan borrowers. Srinivasan and Debabrata Das (2011) in their study ascertained that banks prefer to extend education loans to postgraduate students rather than under graduate students. Further, they also pointed out that private banks hesitate to extend education loans.

Prakash and Vaishnavee (2015) in their study observed that that high processing charges, cumbersome rules and regulations and interest rate are the problems faced by education loan borrowers. Esakiammal (2018) in her study identified that delay resulting in repeated visits to banks, banks' preference of students from premier education institutions and high transaction costs are the problems faced by education loan borrowers. Manisha (2018) in her study observed that documentation and interest rate are the major problems faced by borrowers. Padma Chari (2018) in his study mentioned that banks' insistence on production of security or guarantee is the main problem faced by borrowers.

b. Satisfaction on Education Loan

Prasad (2010) in his study found that borrowers are satisfied with regard to time taken for sanctioning educational loans. Kalaichelvi and Kalaivanan (2011) in their study pointed out that students who have availed themselves of education loans ranging from Rs. 1,30,000 to Rs. 1,55,000 have favorable attitude towards banks. Singh (2012) in his study ascertained that parents' occupation, monthly income, nature of residence, age and educational qualification influence borrowers' satisfaction. Varghese and Manoj (2013) in their study ascertained that the amount of loan sanctioned increases borrowers' satisfaction.

Navaneetha (2014) in her study observed that family income is associated with borrowers' satisfaction. Panjali and Kasilingam (2015) in their study found that the satisfaction of educational loan borrowers is associated with the course of study, the nature of education institute, borrower's age, family's income and time taken for sanctioning the loan.

Prakash and Vaishnavee (2015) in their study identified that gender significantly influences borrowers' satisfaction. Thirunarayanansamy and T. Rajalakshmi (2016) in their study mentioned that satisfaction of borrowers is associated with the level of problem faced by them while obtaining education loans. Esakiammal (2018) in her study pointed out that most of the borrowers of education loan are satisfied with regard to guidance offered by the bank employees, processing fees and the amount of loan sanctioned.

Santhosh Kumar Bojan and A.Saravanakumar (2018) in their study ascertained that time taken for loan processing leads to borrowers' satisfaction. Sivakumar (2018) in his study identified that education loan borrowers are satisfied with regard to the time taken for sanctioning loans followed by the adequacy of loan amount and education loan policy followed by banks.

2.1 Statement of the problem

To increase student enrolment for higher education, Government has introduced Education Loan Scheme. The main purpose the scheme is to extend necessary financial assistance to the meritorious but poor students for pursuing higher studies. Yet, banks are reluctant to lend education loans for fearing of accumulating Non-Performing Assets. As a result, student beneficiaries face various difficulties in getting education loans. So, the present study has been carried out to find the problems faced by students in availing education loans and determine the reasons that contribute to students' satisfaction with regard to education loans.

2.2 Objectives of the study

- ❖ To find major problems faced by education loan borrowers
- ❖ To ascertain factors influencing borrowers' satisfaction

3. Research Methodology

Data

Questionnaire is used for collecting primary data.

Sampling and Sample Size

Data have been gathered from 300 education loan borrowers at in Coimbatore District by employing purposive sampling technique.

Tools Used

Factor analysis is employed for analysis.

3.1 Findings

Problem on availing Education Loan

To find the major problems faced by education loan borrowers, factor analysis is employed. The result of KMO test reveals that the sample size and collected data are fit for carrying out Factor analysis.

Table 1
KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.820
Bartlett's Test of Sphericity	Approx. Chi-Square	930.608
	Df	55
	Sig.	.000

Table 2
Problems associated with Education Loan

Problems	1	2
Unfriendly attitude of the bank staff	.742	
Providing collateral security	.721	
Accessibility to bank manager	.682	
Delay in arranging guarantor	.661	
High transaction cost of borrowing	.627	
High rate of Interest	.618	
Delay in sanctioning and disbursement of loan		.782
Procedural delays and complicated formalities		.728
Repeated visit to the banks		.720
Lack of proper guidance		.649
Insufficient loan amount		.543
Eigen Values	3.961	1.614
% of Variance	36.006	14.674
Cumulative % of Variance	36.006	50.680

The result of factor analysis reveals that unfriendly attitude of the bank staff (i.e. bank staffs don't properly explain the procedures to be followed for availing education loans), banks' insistence on production of collateral security, lack of easy access to bank managers, high transaction cost for availing the loan etc. are the major problems faced by education loan borrowers. All these variables explain the borrowers' problem, which is 50.680%.

Borrowers' Satisfaction with regard to Education loans

Similarly, factor analysis is applied to determine the vital factors that contribute to borrowers' satisfaction. The result of KMO test exhibits that the sample size and data are fit for employing factor analysis.

Table 3
KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.863
Bartlett's Test of Sphericity	Approx. Chi-Square	1157.324
	df	78
	Sig.	.000

Table 4
Satisfaction on Education Loan

Particulars	1	2	3
Adequacy of loan obtained	.779		
Time taken for loan sanctioned	.686		
Rate of Interest	.589		
Documentation procedures and process	.571		
Third party guarantee	.552		
Mode of disbursement of loan		.802	
Processing Fee		.744	
Eligibility criteria		.593	
Repayment schedule		.542	
Fixation of EMI (Equated Monthly Installment)			.801
Security requirements			.682
Attitude of bank staff			.539
Eigen Values	4.867	1.132	1.064
% of Variance	37.436	8.710	8.183
Cumulative % of Variance	37.436	46.146	54.329

The result of factor analysis reveals that most of the borrowers are satisfied with regard to the amount of education loans sanctioned followed by the time taken for sanctioning them, rate of interest etc. All these significant factors contribute by 54.329% to borrowers' satisfaction.

3.2 Suggestions

- ❖ Staff members should offer clear assistance to the borrowers thereby avoiding delay. A few banks think that extending education loan will result in piling up of Non-Performing Assets and so hesitate to offer education loans. Banks also consider institutions where the students study, the usefulness their course of study with regard to employability, marks secured by the students etc. It is

suggested that considering the students' career banks sanction a greater number of education loans without any hesitation.

- ❖ Borrowers may be permitted to easily access the staff / manager, who is in-charge of sanctioning education loans to avoid difficulties in filing various documents.
- ❖ Most of the borrowers feel that processing cost of education loan is high. Hence, it is insisted that banks reduce the loan processing fees to a maximum extent.
- ❖ Most of the borrowers feel that the rate of interest charged for education loan is exorbitant. Hence, considering the noble cause of introducing education loan, Reserve Bank of India may reduce the rate of interest on education loans.
- ❖ During the period from April to July, an separate person may be deputed in small branches and a separate counter in urban branches to deal with education loans to avoid delay.
- ❖ Banks may keep informing the borrowers or circulate brochures containing information on the rules and regulations to be followed and document to be submitted for availing education loans so that procedural delay may be reduced.
- ❖ Banks should sanction loans on the basis of institutions' fee structure.
- ❖ Banks should display on their premises about the eligibility criteria for availing education loans.

Conclusion

The result of the study reveals that unfriendly staff attitude, banks' demand for collateral security/ guarantee, difficulty in accessing bank managers etc. are the major problems faced by borrowers. Borrowers are satisfied with regard to the amount of loan sanctioned followed by the time taken by banks sanctioning loans, rate of interest charged for education loan etc. Currently, Non-Performing Assets (NPAs) act as an impediment for banks' growth. Most of the banks fear the growth of NPAs and hesitate to extend education loans. Considering the students career, banks should liberally extend education loans, and help deserving students to contribute to their own progress as well as the county's.

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