

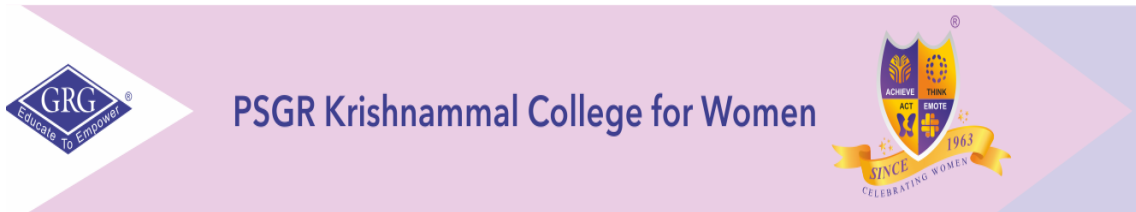
**PERFORMANCE EVALUATION OF PUBLIC SECTOR BANKS’
EDUCATION LOAN AND BORROWERS’ PERCEPTION -
AN EMPIRICAL STUDY**

Thesis submitted to the Bharathiar University for the award of the Degree of
DOCTOR OF PHILOSOPHY IN COMMERCE

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Findings, Suggestions and Conclusion

CHAPTER VIII

FINDINGS, SUGGESTIONS AND CONCLUSION

8.1 INTRODUCTION

In the direction of globalisation and global education development, Education is considered to be the coherent component to succeed in the knowledge economy. The youth and children of the country can be equipped with knowledge, skills, attitudes and values only through quality education. Majority of parents are ready to bear the additional fund of their childrens' higher education in order to foster them with a quality education that provides all employable skills and innovative learning. Education loan is thus considered to be the most effective source of finance to fund the higher education of millions of the students in achieving their prospective goals and to develop cognitive abilities in the knowledge society. The Government sponsored Model Education Loan Scheme is implemented through commercial banks to reduce the financial burden of students in continuing the professional courses. Though most of the banks are lending education loan, public sector banks are in front in extending the education credit to the borrowers.

The borrowers' decision to avail the education loan from a particular bank also depends on the various preference factors that each of them possesses. After deciding the preferred banks for availing the loan, the borrowers have their own opinion regarding the effectiveness of the scheme. The borrower faces certain problems in availing the loan from the banks and once the loan is availed they have their own level of satisfaction. To make the comprehensive study of education loan by considering all these factors a research has been carried out to evaluate the performance of education loan in India and borrowers perception regarding the education loan. In order to enhance and extend the exploration of the theme, following objectives were focussed:

1. To evaluate the volume and growth of education loan lent by the Public sector banks in India.
2. To assess the factors considered by the borrowers in preferring a bank for Education loan and the effectiveness of loan scheme.

3. To examine the various problems faced by the borrowers in availing the Education loan.
4. To analyse the factors influencing the borrowers' level of satisfaction with regard to Education loan.

A sample of 500 education loan borrowers of select public sector banks in Coimbatore city have been taken for the study and the samples are determined by applying the Purposive sampling method. The primary data is collected from the borrowers of select public sector banks by framing the structured questionnaire. Census sampling technique is used for selecting the sample of secondary data for a continuous period of 10 years from the financial year 2007-08 to 2016-17. The statistical tools namely descriptive statistics, Rank analysis, Percentage analysis, Year on Year Growth analysis, Trend analysis, Friedman's ranking, ANOVA, chi-square, Correlation, Regression, Step-wise regression and Factor analysis were used to analyse the data and the following annotations have been arrived based on these analysis.

8.2 VOLUME AND GROWTH OF EDUCATION LOAN IN INDIA

8.2.1 Region Wise Distribution of Education Loan

The region-wise distribution of number of education loan accounts and total amount of education loan lent by the public sector banks has been analysed using descriptive statistics. The result inferred from the analysis exhibits that

- ❖ The mean value of number of education loan accounts above the average is among the Southern Region against the rest of five regions (NR, NER, ER, CR and WR). ANOVA results exhibits that values across various region have significant difference in the mean values.
- ❖ The Southern Region alone has mean value of education loan amount above the average. Test of comparison of mean values across the various region shows that there exists significant difference in the mean values of total amount of education loan of the various region and the study period.

8.2.2 State Wise Distribution of Education Loan

State-wise contribution of education loan accounts and total amount of education loan lent by public sector banks has been analysed using percentage analysis. The outcome exhibits the following results.

- ❖ Southern States like Tamil Nadu and Kerala are contributing more to the education loan accounts and extending more benefits to the students through the education loan scheme as more number of students is pursuing higher education from these two States. North Eastern States which are lagging behind can improve their contribution towards increasing the number of education loan accounts.
- ❖ In the years 2004-05 and 2005-06, Andhra Pradesh has higher contribution of total education loan amount. In the consecutive years, Tamil Nadu and Kerala have contributed more to the benefits of the students through the education loan scheme. North Eastern States which are lagging behind can take initiative to increase their contribution for raising their total amount of education loan in their State.

8.2.3 Region-Wise Contribution of Education Loan

The region-wise contribution of number of education loan and distribution of total amount of loan lent by public sector banks has been analysed using percentage analysis.

- ❖ The highest percentage of number of loan accounts was from SR in the year 2013-14 and the lowest percentage was from North Eastern Region in the year 2004-05. However, North Eastern Region has shown a stable growth throughout the years.
- ❖ The highest percentage of total amount of education loan is from Southern Region and the lowest percentage is from North Eastern Region. However, North Eastern Region has shown a stable growth during the year except in the year 2015-16 because of the constant increase in the gross enrollment ratio of students for higher education in the State.

8.2.4 Growth of Education Loan by Public Sector Banks

The growth of Education Loan lent by the public sector banks in the country is analysed through various statistical tools like mean rank, year on year growth analysis, percentage and trend analysis. The results inferred from these analyses are as under

- ❖ The mean value and the mean rank of number of loan accounts of the public sector banks is being calculated to spectacle the performance of all the public sector banks in lending the number of education loan accounts. The State Bank of

India has been elevated to the first position being the largest public sector banks among all the public sector banks in India. Bharatiya Mahila Bank has been ranked the least as it has started its business in the year 2013 and then the bank was merged with State Bank of India in the year 2017.

- ❖ The total amount of education loan of all the public sector banks is evaluated using the mean value and the mean rank of total amount of education loan lent during the study period. The SBI has secured first rank among all the public sector banks.
- ❖ Education loan being one of the priority sectors advances, the contribution of education loan in the priority sector advance by the public sector banks in India is computed using percentage analysis. The percentage of contribution is high during the year 2011-12 and very low during the year 2007-08 due to the economic crises prevailed in the country.

Year over Year (YoY) Growth Rate Analysis

- ❖ The performance of education loan by public sector banks is evaluated using year on year growth rate analysis. The rising defaults of education loans in the country have obligated the banks to slow down the disbursement of education loans which have consequently resulted the year on year growth of education loan in diminishing trend. Also the entry of NBFCs and diversification of advances in retail sector. The year on year growth of both education loan accounts and total amount of education loan was in edge at the initial years when the education loan was implemented.

Trend Analysis

- ❖ Trend analysis is used to predict the future prospects of education loan accounts and the total amount of education loan. Both the number of education loan accounts and the total amount of education loan forecasted for three years from 2018-19 to 2020-21 shows an increasing trend for year, which exhibits a progressive sign for the growth of education loan by the public sector banks in India.

8.3 PREFERENCE OF BANKS

The mean score for preference factor for selecting the banks for education loan have been ranked using Frideman's rank test.

The rank test apparently exhibits that wide variety of scheme is given top primacy by the borrowers of all the banks as the bank design various scheme of education loan has which make them more competitive from one another.

ANOVA is used to find the significant mean difference between preference index, demographic and socio-economic factors of borrowers with respect to preference of banks

- ❖ Mean preference index is high among the male borrowers with regard to preference of banks. There is no statistical significant difference between mean preference index and gender.
- ❖ Majority of the borrowers who are in the age group of 19 years have high preference index. The analysis reveals that the mean preference index is more or less same among the borrowers irrespective of their age.
- ❖ In respect of place of residence, the borrowers from rural and semi-urban areas have relatively same preference mean index. This proves that there exist no association between preference index and residence of borrowers.
- ❖ The borrowers belonging to agriculture family have high mean preference index with respect to preference of banks. It is inferred from the result that parent occupation influences the preference of banks as the borrowers prefers the bank which provides the education loan based on their parent occupation.
- ❖ The high mean preference index is among the borrowers who have monthly household income above Rs.40,000 and the result portrays that the monthly household income of borrowers influences the preference of banks. The preference of bank is based on the monthly household income of the borrowers as the borrowers prefer that bank which provide maximum loan for their household income.
- ❖ The borrowers whose parent has the status of income tax assessee have maximum preference index and test statistic also illustrate that parent income tax assessment

have significant difference on preference of bank as tax assessee parents can avail loan by their choice with their tax return documents.

- ❖ Most of the borrowers studying in Government colleges have higher mean preference index towards the preference factors in selecting the bank and the nature of institution have greater effect on the preference of the bank.
- ❖ The mean preference index is high among the borrowers who are first graduate in the family.
- ❖ The analysis infers that the borrowers who have undertaken courses like B. Pharm nursing, law have high preference index when compared to other course. Hence the type of course undertaken by the borrowers does not have significant difference towards mean preference index.

To scrutinise the significance difference between the level of preference of banks and the various demographic, socio-economic factors, **Chi-square test** has been performed. The Chi-square test divulges the following result:

- ❖ Male borrowers have high level of preference of banks whereas female borrowers have low level of preference of banks in selecting the bank for borrowing education loan.
- ❖ Most of the borrowers who are above 25 years of age have high level of preference and age of the borrower does not differ significantly with the level of preference.
- ❖ Borrowers belonging to urban areas have high level of preference as they have more choices in selecting the banks. The place of residence factor is strongly associated with the level of preference of banks.
- ❖ Majority of borrowers whose parents are professionals have high level of preference, further more parental occupation have significant effect on the level of preference.
- ❖ The high level of preference of banks is among the borrowers having monthly household income between Rs.30,001 to Rs.40,000 and house hold income is associated with the preference.

- ❖ The level of preference is related to the parents' income tax assessment as they can easily approach bank for loan based on their returns. The level of preference is high among the borrowers whose parents are income tax assessee.
- ❖ The nature of institution where the borrowers are studying is strongly associated with level of preference and the high level of preference is among the borrowers studying in unaided colleges.
- ❖ The borrowers who are not first-graduate in the family have high level of preference.
- ❖ The level of preference have no significant difference on the nature of course undertaken by the borrowers whereas the borrowers doing other courses like B.Pharm, law have high level of preference.

8.4 EFFECTIVENESS OF EDUCATION LOAN SCHEME

The effectiveness factors of education loan scheme were given mean score and were ranked accordingly using Frideman's rank test. Development of weaker section is ranked to be first followed by accessibility to better education and security policy and procedures are considered to be the major factors for the effectiveness of education loan scheme. Borrowers' perceive that the scheme develops the weaker section as the scheme provides financial assistance to all the deserving students with nil security.

ANOVA is applied for the demographic and socioeconomic factors with respect to effectiveness of education loan schemes among the borrowers. The ANOVA result shows that

- ❖ The mean effectiveness index is high among the male borrowers and the result depicts that gender is not associated with the mean effectiveness index.
- ❖ Majority of borrowers who are above the age of 25 years have high effectiveness index and it is inferred that age factor is not associated with the effectiveness index.
- ❖ It is analysed that the residence of borrowers have no significant difference on the effectiveness index and borrowers whose place of residence is in semi urban areas have high effective index.

- ❖ The borrowers with the monthly household income of above Rs.40,000 have high mean effectiveness index. The monthly household income of the borrowers is associated with mean effectiveness index.
- ❖ There is no significant difference between the borrowers whose parent are income tax assessee and the mean effectiveness index of education loan scheme.
- ❖ The high mean effectiveness index is among the borrowers belonging to unaided colleges.
- ❖ The result implies that the mean effectiveness index have no significant effect on the borrowers' who are first graduate in the family.
- ❖ The Indian bank borrowers have high mean effectiveness index and the types of bank is not associated with the mean effectiveness index.
- ❖ The nature of security pledged by the borrower for the loan is associated with the mean effectiveness index.
- ❖ The loan amount borrowed has no significant effect on the mean effectiveness index whereas the borrowers who have received the demanded loan amount have high mean effectiveness index.
- ❖ The percentage of loan on total fees is associated with the mean effectiveness index of the borrowers.

Chi-square test is performed to identify the association between the level of effectiveness of education loan scheme and the various demographic, socio-economic factors. The chi-square test discloses the following outcomes:

- ❖ The male borrowers have high level of effectiveness whereas the low level of effectiveness is among female borrowers.
- ❖ The high level of effectiveness is among the borrowers of age group between 20-22 years of age and the age factor has no significant effect on the level of effectiveness.
- ❖ The place of residence and parental occupation of the borrowers does not have any association with level of effectiveness of education loan.

- ❖ The level of effectiveness is low among the borrowers whose monthly house hold income is up to Rs.10,000 as they are of opinion that education loan needed to be more effective. It is inferred from analysis that there is an association between the monthly house hold income and the level of effectiveness.
- ❖ The analysis shows that there is no significant relationship between level of effectiveness and various factors like parent income tax assessment and nature of institution where the borrowers are pursuing their programme.
- ❖ The borrowers of State Bank of India have high level of effectiveness and there exist no association between the borrowers of different types of banks and level of effectiveness.
- ❖ Majority of the borrowers who have not given any security for their loan have high level of effectiveness and the results depicts that there is an association between security pledged and level of effectiveness.
- ❖ It is found from the statistical test that effectiveness factors like loan amount borrowed and received the loan amount demanded does not have any significant difference on the level of effectiveness.
- ❖ It is inferred that the percentage of loan on total fees is associated with the level of effectiveness of education loan as the borrowers who has received the maximum percentage of loan on total fees perceives that the education loan scheme is effective.

8.5 PROBLEMS FACED BY THE BORROWERS

To examine the significance difference between the problem of borrowers and the various demographic, socio-economic factors, **ANOVA** is applied. The result of the test comes out with the following findings:

- ❖ The mean problem index does not differ significantly with the gender of the borrowers. Both male and female borrowers have more or less the same problem index.
- ❖ It is inferred from the analysis that there is association between the age and mean problem index. The high mean problem index is high among the borrowers whose age is above 25 years.

- ❖ The analysis depicts that mean problem index does not show any significant difference with respect to place of residence and occupation of parents of the borrowers.
- ❖ It is found that the monthly house hold income of the borrowers have influence on the mean problem index.
- ❖ The high mean problem index is among the borrowers whose parents have the status of income tax assessee and there is no significant difference between parent income tax assessment and mean problem of the borrowers.
- ❖ The nature of institution where the borrowers are studying have significant impact on the mean problem index as the borrowers undergoing courses in reputed institution are given priority. The borrowers with high mean problem index belongs to unaided colleges.
- ❖ The mean problem index does not vary significantly among borrowers irrespective of the fact that whether they are first graduate or not.
- ❖ The borrowers of State Bank of India have maximum mean problem index and there is no significant difference between the mean problem index and types of banks.
- ❖ The result of the analysis clearly show that there is no relationship between the factors like securities pledged by the borrowers, loan amount borrowed, and the mean problem index.
- ❖ The high problem index is among the borrowers who have not received the loan amount demanded and also there is no association between the mean problem index and loan amount demanded.
- ❖ There is significant mean difference between the percentage of loan on total fees and mean problem index and the high mean problem like in adequate holiday period, inaccessibility to branch manager is high among the borrowers who have received only 25 to 50 per cent of loan on total fees.
- ❖ The mean effectiveness index and mean problem index is strongly associated. The borrowers who perceive less effectiveness have more problems and borrowers with fewer problems opine that the education loan is effective.

Chi-square is applied demographic and socioeconomic factors with respect to level of problem of borrowers in availing the education loan. The statistical clearly depicts that

- ❖ The high level of problem is high among the male borrowers whereas low level of problem is among female borrower. There do not exists any significant relationship between the gender and level of problem.
- ❖ Majority of borrowers who have high level of problem is among the borrowers who are above 25 years of age and is low among the borrowers who are in the age group between 20 to 22 years.
- ❖ It is inferred from the result that the place of residence and occupation of parents of the borrower is not associated with the level of problem.
- ❖ The monthly household income of the borrowers has significant effect on the level of problem and the level of problem is low among the borrowers having household income up to Rs.20,000.
- ❖ It is observed that the high level of problem is among the borrowers whose parent does not have the status as income-tax assessee and is not significantly associated with the level of problem.
- ❖ The nature of institution where the borrowers are studying have significant effect on the level of problem.
- ❖ The borrowers who are first graduate in the family have high level of problem and it does not vary significantly with the level of problem.
- ❖ The low level of problem is high among the borrowers of Indian banks and the level of problem is not associated with the types of banks.
- ❖ The results reveal that there is significant difference between the nature of security pledged for loan and level of problem of borrowers.
- ❖ The loan amount has significant effect on the level of problem and the borrowers who have borrowed loan amount up to Rs.4,00,000 have high level of problems like high cost of borrowings.

- ❖ It is found from the analysis that the percentage of loan on total fees is associated with the level of problem and is high among the borrowers who have received percentage of loan on total fees between 25 to 50 per cent.
- ❖ The borrowers who perceive education loan is less effective have more problems and borrowers with fewer problems opine that the education loan is effective. The level of effectiveness and level of problem is strongly associated.

Factor analysis is employed to determine the predominant problems faced by the borrowers on availing the education loan. Inaccessibility to bank manager and preference to students seeking premier institution are considered to be the major problems faced by the borrowers. Factor one contributes to a tune of 35.725 per cent towards borrowers' problem on availing education loan.

8.6 SATISFACTION OF BORROWERS

ANOVA is applied to evaluate the significance difference between the satisfaction of the borrowers and the various demographic, socioeconomic factors. The test comes out with the following findings:

- ❖ Majority of the male borrowers have high mean satisfaction index and the result of the test infers that mean satisfaction index does not differs significantly with the gender.
- ❖ It is clear from the result that the mean satisfaction index of the borrowers is associated with their age as the need of education loan differs with the age and their satisfaction also differs according to their need.
- ❖ The borrowers who are from semi urban area has high mean satisfaction index and the place of residence of the borrower does not have any significant mean difference on the satisfaction.
- ❖ The high mean satisfaction index is among the borrowers whose occupation of parents is profession and there is no association between the occupation of parents and mean satisfaction index.

- ❖ The borrowers having monthly household income up to Rs.20,000 have low mean satisfaction index. There also exist significant difference between household income and mean satisfaction index.
- ❖ The parent income tax assessment and nature of institution where the borrowers are studying does not influence the mean satisfaction index.
- ❖ The mean satisfaction index is high among the borrowers who are first graduate in the family and this factor has impact on the mean satisfaction of the borrowers.
- ❖ The maximum mean satisfaction index is among the borrowers of State Bank of India and there is no association between the types of banks and mean satisfaction.
- ❖ The borrowers who have not given any security against the loan have low mean satisfaction index and the result depicts that the security pledged is associated with the satisfaction of the borrowers.
- ❖ The loan amount borrowed does not have significant mean difference on the mean satisfaction index and the borrowers with high loan amount have high mean satisfaction.
- ❖ The test infers that the loan amount demanded does not differ significantly with the mean satisfaction index.
- ❖ The percentage of loan on total fees is associated with the mean satisfaction of the borrowers. Satisfaction is high among the borrowers who have received up to 75 per cent of loan as they have received the maximum amount they have spent on the course fees.
- ❖ The result infers that borrowers with high mean effectiveness perceive high mean satisfaction.
- ❖ It is proven from the test that borrowers with low mean problem index have high mean satisfaction index and vice versa.

To discern the significance difference between the level of satisfaction of borrowers and the various demographic, socioeconomic factors, **Chi-square test** has been applied. The result of the test derives out the following findings:

- ❖ The test clearly shows that the gender and age of the borrowers has no association with the level of satisfaction.
- ❖ The high level of satisfaction prevails among the borrowers belonging to the rural area as the borrowers from rural areas need financial assistance, which is possible from education loan. The place of residence of the borrower is associated with the level of satisfaction.
- ❖ The satisfaction of the borrowers has no significant mean difference with the occupation of parents of the borrowers. The high level of satisfaction exist among the borrowers whose parents are agriculturist
- ❖ Borrowers with monthly household income up to Rs.10,000 have high level of satisfaction and the house hold income of borrowers is highly associated with their satisfaction level.
- ❖ The analysis clearly proves that the level of satisfaction is high among the borrowers whose parent is not income tax assessee.
- ❖ The result infers that the nature of institution where the borrowers are studying does not have any influence on the level of satisfaction
- ❖ The level of satisfaction is low and moderate among borrowers who are not first graduate in the family.
- ❖ Indian Overseas Banks' borrowers have more low level of satisfaction and the level of satisfaction does not differ significantly with the types of banks.
- ❖ The borrowers who have pledged other securities like pledging of Fixed Deposit, Share Certificates, etc., have low level of satisfaction as there are many documentation procedures for pledging these securities. The securities pledged for loan influences the level of satisfaction of the borrowers.
- ❖ The high level of satisfaction prevails among the borrowers who have received the demanded loan amount and this factor has significant difference on the level of satisfaction.

- ❖ The borrowers who have received the loan amount less than 25 per cent of the total fees have low level of satisfaction as they have received the loan amount less than what they have spent for the course fees. The test clearly depicts that the percentage of loan on total fees is associated with the level of satisfaction.
- ❖ The level of satisfaction is high among the borrowers who have high level effectiveness and vice versa.
- ❖ The low level of satisfaction prevails among the borrowers who have very low level of problem and borrowers with high level of satisfaction perceive low level of problem.

8.6.1 Variables Associated with Satisfaction-Correlation Analysis

Correlation has been applied to find out the variables associated with the satisfaction of borrowers. Out of fifteen variables selected for correlation, six variables are found to significant. Monthly household income, security pledged and loan amount demanded are found to be significant at 5 per cent level which clearly exhibits that variables are correlated with the satisfaction of the borrowers. Effectiveness of Education Loan Scheme and problems associated with education loan are found to be significant at 1 per cent level.

8.6.2 Determinants of Satisfaction - Multiple Regression Analysis

Multiple Regressions has been applied to find out the variables that determine the borrowers' satisfaction. Effectiveness of Education loan scheme and problems associated with education loan are found to be significant at one per cent level. The value of R^2 is found to be significant at one per cent level. This shows that the regression equation framed has a good fit. The value of R^2 indicates that around 55.3 per cent of variations in satisfaction of borrowers are due to socio-economic and other variables used in the study.

8.6.3 Variables Prominently Associated with Satisfaction-Step-Wise Regression Analysis

Step-wise regression has been conceded to find out variables that are prominently associated with Satisfaction. The total contribution of the three variables namely, (i) Problem (ii) Effectiveness and (iii) Security Pledged amounts to 54.50 per cent.

The R^2 value of the multiple regression amounts to 55.30 per cent. The difference of 0.80 per cent is due to contribution by other variables.

8.6.4 Satisfaction of Borrowers – Factor Analysis

Factor analysis has been used to ascertain the prominent factors that enhance satisfaction among the borrowers in availing the education loan. Four factors are identified by locating Eigen values greater than unity. From the rotated component matrix, it can be seen that Proper guidance / Customer care by the employees, Securities pledged, Processing fees, Loan amount sanctioned, Overall service and Time taken for disbursement are found to be significant in factor one. Factor one contributes to a tune of 46.065 per cent towards the borrowers' satisfaction.

8.7 SUGGESTIONS AND RECOMMENDATIONS

It is well said that, Deed is a great restorer and creator of confidence. Hence according to the quotes, it is very much essential to take appropriate actions for better functioning of the Model Education Loan Scheme as education is a lifeline of almost all the individual. Based on various analyses, findings made from both primary and secondary data, certain suggestions were provided to the bankers, borrowers and some recommendation were also made to RBI and Government. The suggestion and recommendations given below would help the Government and banks to make necessary modification in the Model Education Scheme and bring a complete education financial assistance scheme for the borrowers.

8.7.1 Suggestion for the Banks

- ❖ The number of education loan accounts and the total amount of education loan is high in the Southern Region. Education Loan Schemes shall be extended equally to the entire region, so that students of the entire region in India can reap the benefits of education loan.
- ❖ Entry of NBFCs, in the banking business, Focus of bank in the retail loan lending, Rising defaults have slowed down the disbursement of education loans which have resulted in the year on year growth of education loan in the diminishing trend. Steps have to be taken to compete with the NBFCs and recover the default

amount, so that the bank can extend education loan in fast pace to all the vital borrowers.

- ❖ Repeated visit to banks for education loan is considered to be one of the major problems of borrowers which could be made well by the managers of the concerned bank branch. By providing all the necessary information about the education loan to the borrowers and can give proper appointment to meet the borrowers
- ❖ Most banks are giving preference to the borrowers seeking admission in the premier institution. They can also provide predilection to those borrowers who are from rural areas and are first generation graduate in the family. Credit can be extended to them at concessional rate.
- ❖ Major problems of the borrowers are inadequacy of loan amount borrowed, high borrowing cost, procedural delays and compulsion to repay the loan amount during moratorium period. These problems can be given priority and high borrowing cost can be minimised so as to make the education loan more effective.
- ❖ The bank rate policy of the respective bank has to be reviewed constantly so that lower interest rate can be fixed for the education loan as education loan is a step ahead for the nation's economic opulence.
- ❖ Banks have to be flexible with the terms and conditions of the collateral security while sanctioning the credit to the borrowers belonging to economically backward section, which would in turn pave way for the development of Economically Weaker sections.
- ❖ Banks have to extend the loan amount that covers the maximum cost as total fees to carry out the desired course. As the cost of education in the private institutions for professional courses are mounting high the banks have to revise the various aspects of education costs which are to be granted as credit.
- ❖ Novel delivery mode like Vidya Lakshmi portal (e-portal) can be used for both acceptance and disbursement of loan which would reduce the operating cost to a greater extent.

- ❖ Banks can conduct employment related seminars, workshops, conferences and job fair which will provide the borrowers a path for improved employment opportunities and the bank will also get superior public image.
- ❖ Banks should conduct various loan mela, exhibitions periodically in order to create more awareness about the prevailing education loan scheme and can inform the changes implemented periodically in the scheme.

8.7.2 Recommendations to RBI/Government

- ❖ The percentage of contribution of education loan to total priority sector advances by public sector banks is only about 3 per cent which is very less. RBI can fix target for education loan also like other priority sector advances like agriculture, MSME sectors and SSI sectors.
- ❖ RBI can adopt risk based pricing policy i.e the interest rate for the loan can be based on the employment prospects prevailing in the country in line with the programme undertaken by the borrowers.
- ❖ More funds to be allotted for providing appropriate interest subsidy to the borrowers who repay the loan within the stipulated time. Besides, more subsidy can be provided to technical, vocational and job oriented courses
- ❖ Stringent action should be taken by the Government against the wilful defaulters. And repayment can be linked with the job to avoid default loan payment.
- ❖ A Specialised institution like Education Development Bank of India can be set up to refinance the education loans lent by the banks. So that this institution can get financial assistance from both Government and other international organisation like UNESCO, World Bank, etc.
- ❖ Rate of Interest for education loan can be brought down in consultation with MHRD (Ministry of Human Resource Development), Ministry of Finance and Indian Banking Association.
- ❖ Borrowers of Education loan can be given priority for borrowing SME and MSMEs loan if they are ready to start their own business and become entrepreneurs after completing the course.

- ❖ Several borrowers and their parents suffer lot as the banks do not follow the IBA guidelines and they are unaware of the guiding principle for loan. Government along with RBI can conduct seminars and workshops to the banks officials regarding the guidelines of Education Loan Scheme.

8.7.3 Suggestion to Borrowers

- ❖ The borrowers should make themselves aware of the rules and regulations of the education loan which is available easily in all social media. This would help the borrowers to approach the bank without any disinclination.
- ❖ The borrowers have to make their clarification regarding interest rates, collateral security demanded, documentation procedures and margin money demanded to bank official at the time of availing the loan.
- ❖ The borrowers can take insurance policy without any reluctance as it covers both their life and the risk of education loan.
- ❖ Borrowers should look into the employability nature of the course before joining any course as the degree they persuade largely help them in the job market and most of the bank consider this factor as a major criteria for sanctioning the loan.
- ❖ Borrowers have to steadfast excellent academic archives, develop their employability abilities and safeguard their employment at the end of the course. This will assist them to repay their loan without any exertion and relieving their parents from loan burden.
- ❖ Borrowers have to make themselves more viable to proceed with vibrant economic decisions which will make them qualified to outspread certain amendment to the distorted higher education finance.

8.8 SCOPE FOR FURTHER RESEARCH

In spite of making considerable research in analysing the Performance of Education loan and Borrowers' Perception on education loan by taking adequate sample size and necessary secondary data, the study is not exemption from certain limitations. To overcome the limitations in future, the titles which have propelled for further research is recorded underneath.

1. The research can be carried on to make a comparative study on borrowers' perception on public sector banks and private sector banks.
2. Both the bankers' perception and borrowers' perception on education loan of the commercial banks can be studied.
3. The study has concentrated on small geographical area which can be extended to other districts of Tamil Nadu and other States in India.
4. The performance status of education loans to Economically Weaker Sections by the commercial banks can be analysed.
5. Borrowers' awareness and service quality provided by the banks regarding education loan can be analysed and suitable suggestion can be provided.
6. At current scenario, the growth of education loan is declining due to large amount of NPA. Hence research can be carried out regarding the status of NPA of education loan in India and the reasons for NPA can be sorted out.
7. A Study on repayment stress, self-efficacy and Problem solving orientation for the borrowers' of education loan can be carried out.

8.9 CONCLUSION

The Government of various nations in the globe are considering education as a national agenda as it is catalytic that transform the future of the country and forms the basis of thriving economy. India is no exception to this situation. Also India is forecasted to be the youngest country in the world by 2020 as approximately half of India's population is under the age of 26 years (Draft National Education Policy 2019, MHRD). The National Education Policy is implemented with a view to meet the changing dynamics of students' requirement with quality education. The Policy is also predominately supported by eminence education builds the foundation pillar of access, equity, quality, affordability and accountability. The Model Education Loan Scheme introduced by the Government, RBI and IBA in the year 2001 is one of the trusted tools for alternative source of education finance and a pragmatic tool that helps the Government in achieving the objectives of New Education Policy. At the same time the education scheme which has empowered the young generation of India till date need some recommendation due to

the soaring cost of higher education and slow growth of education loan. The present education scheme need some modification in the policy by considering the ever changing socio-economic conditions, borrowers' preferences, effectiveness of the loan scheme, problems faced by the borrowers and satisfaction of borrowers. Henceforth, a careful effort is being made to analyse the performance of the loan and borrowers' perception of loan among the public sector banks. The secondary data analysis done with the help of statistical test divulges that the year on year growth of education loan account has been retarded for the past three years. Regarding borrowers' perception, the borrowers prefer to select the bank for education loan based on different forms of education loan provided by each scheme. The effectiveness of education loan and the problem of borrowers influence the level of satisfaction of the borrowers.

Compiling the findings of both the performance of education loan and the borrowers perception of education loan the study reveals that the entry of NBFCs have slowed down the growth of education loan. The most of the borrowers availing the education loan from the public sector banks faces certain major problems like inaccessibility to bank managers and preferences given to the meritorious student seeking admission in reputed institution while NBFCs are enticing more borrowers towards them by express services and the tranquil procedures in advancing the loan, thereby bringing out setback in the education loan considerably for the past three years

Further, the study throw the light on the need for the reforms to be taken by the Government in the coherent policy of education loan scheme, which has long term perspective plan like lower interest rate, adequate moratorium period, loan with minimum collateral security and loan to economically weaker section at concessional rates. In order to protect the interest of the borrowers, a specialised committee can be formed by the Government along with members of IBA to monitor the disbursements of education loan both at national and State level. As suggested by Education Task Force, Hands on training can be given to the bank officials regarding the procedures of education loan schemes and enhanced services to the borrowers of loan. Also to enrich the awareness among the borrowers of education loan, programmes and workshops can be organised by both State Level Bankers Committee and District Level Bankers Committee. These entire actionable endeavours will help the borrowers in reaching their higher education dreams

without any hurdles which in turn supports the country in attaining the sustainable economic progress through liberal and quality education and enhanced financial services by the banking sector. Thus certain changes made in the Model Education Loan scheme in accordance to the National Education Policy 2019 will provide the country with a sustainable education system that helps in achieving the success in knowledge economy, for socio-economic mobility and for building equitable and just human society.