Introduction and Research Design

INTRODUCTION AND RESEARCH DESIGN

1.1 INTRODUCTION

An investment in knowledge pays the best interest

Benjamin Franklin

Education is the most important factor for the development of human civilisation. Education has substantial place in everyone's life as it facilitates learning, knowledge and skill. Education is a continuous process which completely changes the human mind, personality and it not only helps in the overall development of individuals but also the society as a whole. In individuals it creates awareness, dispels the ignorance, boosts moral values and it inspires confidence to face challenges; besides it provides various skills to become more self-reliant. In the society, education helps in the reduction of poverty, income inequalities, crime, violence, drug abuse, population growth and welfare dependency which have greater impact on the people and country's economy. Education helps for the enhancement of health, nutrition, life expectancy, deepening of democracy, and also for the overall advancement of civil, social and political aspects of the social order. In addition to that education provides the nation with necessary man powers, who would contribute to the development and integrity of the nation.

Education is vital for the nation's human resource empowerment and all countries across the globe visualise their future through their youth, because, the desired changes in the country can be brought by the collective efforts of young population. India is also no exception to this common perception and looks at its future very optimistically as it has large youth population comprising over 40 per cent of the overall population (Annual Reports, MHRD 2016). Hence, the amount spent on education is primarily an investment, which helps in the development of both the individuals and the society. In India, realising the importance of education, national and State level policies were framed by the Government to ensure that this basic need of the population is met through appropriate public and private sector initiations. While Government endeavours to provide primary education to all on a universal basis, higher education is progressively moving into the

domain of private sector and hence higher education cost is mounting high. In the present competitive scenario, professional and technical courses are considered as the key factors for their career growth. But the professional and quality education has never remained within the affordable limits of poor and an average middle class family. The youth of the country cannot fulfil their career dreams and use their potential in full if they are not professionally educated. Hence, an attempt has to be made ensure that not even single deserving student is denied the opportunity to pursue higher education for want of financial support. Extension of finance for education should be seen as an investment for the overall nation's economic development and prosperity.

The young Indians who are ready to undergo their higher education in India is cumulative every year that the user charges for higher education have increased in the post-reforms era in spite of the growth of higher education institutions in India. In this situation the responsibility of the Government becomes significant as higher education is viewed as an instrument of upward mobility and still most of the population belongs to economically weaker section. Considering all these facts, the Government of India, just after independence introduced a student loan scheme under which education loans were advanced to the underprivileged students of India through the Social Welfare and Rehabilitation Directorate, New Delhi. Another such scheme was the interest-free scheme of Education loans i.e. National Loan Scholarship Scheme introduced in the year 1963. This National Loan Scholarship Scheme was distributed through the respective State Governments. However, the scheme was stopped in the year 1991 due to bad recovery of loans and the economic crisis faced by the nation. Almost after a decade, the Government of India again introduced the Education Loan Scheme through the commercial banks for the purpose of completing post-matriculation and higher education. Indian Banking Association along with Reserve Bank of India and Government of India had prepared a Model Education Loan Scheme in the year 2001 which was implemented by Reserve Bank of India through the commercial banks along with certain modifications suggested by Government of India. In the financial year 2004-05 in consultation with the Ministry of Finance carried out certain modification in the security norms of education loans. In September 2015, again certain amendments were made in the repayment period, moratorium period of Education Loan Scheme and it is functioning till date.

India has comparative advantage in the field of higher education as majority of the population are young. The Gross Enrolment Ratio for higher education in the nation is still 24.5 per cent against the world average of 35.69 per cent during the year 2015-16 (Annual Reports, MHRD 2016). In India, the need of institutional funding in the area of education is contented by the commercial banks through the Model Education Loan Scheme. The education loan scheme comes into focus in order to raise access ratio in higher education. Along with agriculture credit, advancing finance for education is also considered as the core area, by Government of India as education would be made accessible for all the deserving students. Both the Central and State Government are frequently issuing instructions and guidelines to all commercial banks regularly, to actively involve themselves in educational financing. RBI has directed all the commercial banks to lend forty per cent of their total advances to priority sector like agriculture, small-scale industry etc. Education loans also form a part of these priority sector advances of public sector banks, as higher education has gained connotation all over the world. The public sector banks who are the major performers in lending education loan, have disbursed education loans nearly worth Rs.73,000 Crores to 24.28 lakh needy students as on March 2018, all over India (Annual Reports Ministry of Finance and RBI Reports 2018).

1.2 STATEMENT OF THE PROBLEM

Higher education and professional education is instrument in making contribution to human resource development and economic growth by way of suitable production of skilled manpower in accordance to the need of industry, society, nation and the globe. During the last two decades, both the professional colleges and the cost spent on acquiring the professional degree have increased tremendously. The Model Education Loan Scheme introduced by the Government, fulfils the dream of millions of students. It also helps in promoting the higher education and prosperity of the nation. The scheme has become national priority as it provides adequate and cheap credit to the deserving students. The banking system in India, which plays a predominant role in the financial development of the nation, executes the education loan scheme through all the branches of commercial banks. Banks extends a great financial support for the students which cover almost all the expenses incurred for a successful completion of the desired course. It now covers both for undergraduate and postgraduate courses of various fields in their Education loan schemes.

The scheme covers almost all the professional, technical, vocational, arts and science courses. An education loan is gaining a greater significance, as it pay for the high tuition fees and other associated costs required for completing the course.

In the present scenario, the business for education loan in India is not that much conducive for its growth. The business of education loan is full of risks and uncertainties particularly from the outlook of employment opportunities available, associated pay packages, quality of education received, and other socio-economic considerations. For the past two years, the growth of education loans in India is not quite satisfactory. It is a fact that the banks have paced down to lend education loan as they have started to concentrate more on other retail loans and also because of the competition prevailing among the banks. The volume and the growth of education loan have to be analysed periodically for constant reviewing of the growth. There are numerous problem met by the borrowers in availing education loan like inadequacy of loan, delay in sanctioning of loan, complicated procedures, non-disclosure of changing interest rates, non-adherence of RBI guidelines etc., With the better understanding of the borrowers' perception in preferring the particular bank, effectiveness of the scheme, borrowers' problem and their level of satisfaction regarding the education loan, the actions required to meet the borrower's needs can be brought to the attention of the Government. Understanding the borrowers' problems and charting out the borrowers' satisfaction is need of the hour as it would help the banks for better and clear understanding of the borrowers' perception, support them to have precise focus on their needs and there by stimulate necessary improvements in their work practices and processes for lending education loan.

In the time of fast paced commercialisation of socio-economic life styles of people, the expectation of borrowers and their level of satisfaction on education loan changes. Moreover, youth are not willing to let their parents to pay for their higher studies. They want to work while pursuing their education, earn and repay their loans. Thus there is a strong need to study the changes of borrowers' perception, so that a coherent picture of education loans could emerge. It is in this context an extensive research is all the more important to study the volume and growth of education loan lent by public sector banks in India, borrowers' perception, regarding education loan. Taking these various factors into consideration, undertaking of the present research is mandatory.

The following queries, this research confronts were

➢ What is the volume and growth of education loan by public sector banks in India?

➢ What are the factors considered by the borrowers in preferring a bank for loan and how would be the effectiveness of loan scheme?

➢ What are the various problems faced by the borrowers in availing the education loan?

➢ What are the factors to be considered in analysing the level of satisfaction of the borrowers' regarding education loan?

The present study becomes highly essential to know the growth pattern of education loan lent by public sector banks in India, and to find out the perception of public sector banks borrowers of education loan.

1.3 OBJECTIVES OF THE STUDY

The purpose of the analysis is to determine the volume and growth of education loan and to evaluate the perception of borrowers regarding the education loan. The following objectives were framed.

1. To evaluate the volume and growth of education loan lent by 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 analyse the various problems faced by the borrowers in availing the Education loan.

4. To examine the factors that determines the borrowers' level of satisfaction with regard to Education loan.

1.4 SCOPE OF THE STUDY

The study is confined to the Education Loan provided by the select Public Sector Banks (PSBs) in India, considering the importance of education loan in the economic and human capital development in the country. The main emphasis of the analysis is to study

the progressive performance of the public sector banks towards education loan in India. In order to identify the perpetual gaps and procedural rigorousness involved in the disbursement of education loan, the study will make a broad analysis of borrowers' perception regarding the preference level, level of effectiveness, level of their problems in availing education loan and level of satisfaction in the select public sector banks of Coimbatore city. Analysing the volume and growth of the education loan would help the Government to trace out the fluctuations in the growth of education loan and make necessary implications in the education loan scheme. By evaluating the borrowers' perception in terms of preference, effectiveness, problems and satisfaction, would help the bankers in better understanding of the borrowers and also it facilitates the Banks to customise their loan scheme and services according to the needs of the borrowers.

1.5 SIGNIFICANCE OF THE STUDY

The study is attempted to analyse the performance of Public sector banks in providing financial assistance to the borrowers' pursuing higher education. On the other side the study focuses on the effectiveness of loan scheme under which they have borrowed, the problems faced by the borrowers in the process of education loan and their level of satisfaction with regard to education loan. In addition to that the study also throws light on the various factors considered by borrowers in preferring a particular bank for borrowing the education loan.

This study will be a significant endeavour in promoting a good environment in the field of education financing. The study will also be beneficial to both the borrowers and banks for the timely disbursement of adequate finance to the needy borrowers so that they can attain their higher education dream in this globally competitive environment. By understanding the needs of the borrowers and benefits of quality education, the banks can grant loans for higher education, which should be seen as an investment for economic development and prosperity. The results of the study would provide a feedback for the regulators to correct the pitfalls in the education loan scheme and create awareness among the banks in disbursing the education loan. The outcome of the research would also motivate the banks in implementing the education loan scheme without hurting the interest of the borrowers and their parents.

1.6 RESEARCH METHODOLOGY

An appropriate research methodology is to be adopted for comprehensive research work. Henceforth, in order to proceed with the systematic research suitable methodology is adopted to identify the volume and growth of education loan of public sector banks in India and to analyse borrowers' preference, effectiveness of loan scheme, problems in availing the education loan and their level of satisfaction. Both primary and secondary data are used for the smooth conduct of the study.

1.6.1 Data

Primary Data

The nature of the present research necessitates the collection of primary data. The primary data are collected in the form of structured questionnaire from the education loan borrowers of select public sector banks in the Coimbatore city.

Secondary Data

Secondary data required for the study are collected from various annual reports of Ministry of Finance, Ministry of Human Resource Development, Indian Banking Association, University Grants commission, reports of RBI, annual reports of various public sector banks, Lead Bank, Central and State Governments, various plan documents of both Central and State Governments, websites and other related reports. The data was also collected from various journals, published research articles, working papers of RBI, periodicals, Indian report of various private agencies, various thesis, and dissertations related to education loan, and other related areas.

1.6.2 Period of Study

The study is proposed be limited to the analysis of the education loans provided by public sector banks during the financial year from 2007-08 to 2016-17. The data used for the purpose of analysis of borrowers' perception for this study were collected during the period from 1st February, 2018 to 31st May, 2018.

1.6.3 Sampling Technique

The objectives of the study are accomplished by using both primary and secondary data. Purposive Sampling Technique is adopted in selecting the sample of

500 borrowers for primary data. Students who have borrowed credit from the top five Public sector banks for pursuing engineering, medical, management and other professional courses like nursing, law etc., are considered to be the "Borrowers" in this study. The study was conducted by selecting the borrowers of education loan in the Coimbatore city. The structured questionnaire was used as the main tool for data collection. The pilot study was conducted to take a survey from the borrowers of Coimbatore City. For this purpose, five zones namely North, East, West, South and Central of Coimbatore City was considered. The questionnaire was circulated among 50 borrowers (10 borrowers each from five public sector banks namely State Bank of India, Canara Bank, Indian Overseas Bank, Indian Bank and Punjab National Bank) of education loan. The results of pilot study enabled to redraft the questionnaire and dispersed this among the 587 borrowers.

Census sampling technique is used for selecting the sample of secondary data. The financial data of all the 28 public sector banks for a continuous period of 10 years from the financial year 2007-08 to 2016-17 is considered for the study.

1.6.4 Sample Framework

The top five public Sector Banks were selected by taking the average amount of total education loan lent by all the public sector banks for the past ten years (2007-08 to 2016-17) and they were ranked accordingly (Annual Reports of Ministry of Finance). The top five public sector banks were taken as these banks accounts nearly 80 per cent of the total business of education loan in India (Annual Reports, Ministry of Finance 2017). The sample framework of the study is given below:

Banks	No. of Respondents
State Bank of India	131
Canara Bank	123
Indian Overseas Bank	112
Indian Bank	114
Punjab National Bank	107
Total	**587**

Out of 587 questionnaires that were distributed and collected about 546 of them were received back. From 546 only 506 questionnaires were in complete form. Hence the sample of the study is restricted to the size of 500 borrowers.

1.6.5 Reliability and Validity Test

Reliability Test

The purpose of collection of primary data through a structured questionnaire would be to evaluate the response for stipulated factors or construct. Various variables that test identical construct should give consistent result. Hence a reliability test is necessary to evaluate the answers given for individual question by the respondent with one another and helps to know whether it gives consistent results. Cronbach's Alpha test is the prominent reliability test used to provide an overall reliability coefficient for set of variables and to measure consistency of the score given by the respondents. The following are the results of Cronbach's Alpha test used in the research to test the reliability of the scores given by the borrowers for the designed questionnaire.

Table 1.1

Cronbach Alpha Test

Measure	Items	Range	Variance	Mean	Standard Deviation	Cronbach Alpha
Preference	12	1-5	52.01	3.463	1.163	0.865
Effectiveness	11	1-5	54.40	3.372	1.195	0.885
Level of Satisfaction	15	1-5	47.10	3.570	1.094	0.892
Problems	8	1-5	40.25	3.781	1.052	0.901

Source: Computed

The Cronbach Alpha calculates the average of all probable split half correlation which reflects both the number of items and their average correlations. Through correlations it was determined that the higher the Cronbach Alpha value, the greater is the internal consistency, and therefore the greater is the reliability of the measure.

Validity Test

Validity test is generally used to test measures what it is purported to measure. The primary data collected needs undergo both reliability test and also validity test.

However for a test to be reliable, it also needs to be valid. The validity of the primary data can be tested through both construct and sampling validity. The present study has necessitated undergoing of both construct and sampling validity.

Construct Validity

Construct validity helps to confirm that the collected data actually measure what it is proposed to measure (i.e the concept). Usually construct validity is assured by the panel of experts who are conversant with the construct or concept.

Sampling Validity

Sampling Validity supports in ensuring that the idea or objective we intended to measure covers the comprehensive range of areas within the concept of the proposed research. The validity test is accomplished using board of specialists to make sure that area relating to the concept or objective is effectively sampled.

In the present study both the construct of variables and sample is validated through the panel of academicians and thereby construct validity together with the sample validity is ensured.

1.6.6 Techniques Used for Analysis

Tools like Descriptive Statistics (Mean, Standard Deviation and Co-variance), Percentage Analysis, Year over Year growth Analysis, Trend Analysis, ANOVA, Chi-Square, t-test, Freidman's Ranking Analysis, Correlation, Regression analysis, Step-wise Regression and Factor Analysis were used.

1.6.6.1 Mean

The mean is a technique which is well-known and most frequently used average**.** It is relatively easy to calculate and widely used method in the descriptive statistics. If the each item in the series is known, the mean can be calculated by adding the measures together and dividing by number of items.

1.6.6.2 Standard Deviation

The standard deviation represents the mean deviation of items. The standard deviation is always calculated with the help of mean. The deviation from mean are

squared before being summed, the sum of the squared deviation is divided by the total number of items and the square root is extracted from this quotient.

1.6.6.3 Coefficient of Variation

Coefficient of variation is the ratio of the standard deviation to the mean. It is the relative amount of variability of a number of frequency distribution. The higher the coefficient of variation, the greater will be the level of dispersion around the mean.

1.6.6.4 Percentage Analysis

Percentage analysis is a widespread statistical tool used to represent raw data in percentages for better understanding of the collected data. Percentage is a number or ratio that represents fraction of 100. Percentages are calculated by taking the number of subcategory and dividing by the total number in the population.

1.6.6.5 Year over Year (YoY) Growth

Year over year growth is a popular and most effective tool to evaluate the performance of any organisation or any financial venture. Any measurable event or time series data can be compared on year on year basis. YOY will be the comparison of one period with the same period from the previous year. Year over year growth is calculated by finding the difference between current year and past year. The difference amount is divided by the current year figure.

1.6.6.6 Trend Analysis

Trend Analysis is one of the statistical methods used to predict the future performance of a company or stock or loan. It will help us to forecast what would be the performance in the future years based on the past time series data of the organisation. Simple linear regression model is adopted to calculate the trend analysis.

1.6.6.7 Friedman Rank Test

The Friedman test is the non-parametric alternative to the one way ANOVA with repeated measures. It is used to test for differences between groups when the dependent variable being measured is ordinal. It can also be used for continuous data that has violated the assumptions necessary to run the one-way ANOVA with repeated measures.

It is applied for the study to find out the extent of priority given by the borrowers for various variables like preference for selecting the banks, level of satisfaction, level of effectiveness, and borrower's problems.

1.6.6.8 t-Test

It is a statistical examination of two population means. A two-sample t-test examines whether two samples are different and is commonly used when the variances of two normal distributions are unknown and when an experiment uses a small sample size like the demographic and socioeconomic factors and various variables like preference for selecting the banks, level of effectiveness, borrowers' problems and level of satisfaction.

1.6.6.9 ANOVA

ANOVA is used to find the significant of difference between the mean of the samples. The basic principle of ANOVA is to test for differences by examining the amount of variation within each of the samples, relative to the amount of variation between the samples. ANOVA is used to find the mean difference between the borrowers of various banks towards the various variables like level of preference for selecting the banks, level of effectiveness, problems of borrowers and level of satisfaction.

1.6.6.10 Chi-square Test

Chi-square test, a non-parametric test is used to find whether significant association exists between the two attributes namely the demographic, socio-economic factors and the various variables like preference for selecting the banks, level of effectiveness, borrowers' problems and level of satisfaction.

1.6.6.11 Correlation

Correlation analysis is used to find the degree of relationship between two variables namely the demographic, socio-economic factors and the level of satisfaction. Higher the correlation value indicates higher degree of relationship between two variables. It is used in our study to indicate the positive value between the demographic, socio-economic factors and the level of satisfaction of the borrowers.

1.6.6.12 Multiple Regression

Multiple Regression is a statistical tool widely used to measure the strength of the relationship between one dependent variable and two or more independent variables. It is used in the study to find out the relationship between the demographic, socio-economic factors and the level of satisfaction of the borrowers.

1.6.6.13 Step-wise Regression

Step-wise regression is a step-by-step creation of regression model which includes automatic selection of independent variables. It can be constructed by introducing one independent variable at time and including it into the regression model if the variable is statistically significant at both levels. It can also be done by including all possible independent variable in the model and eliminating the variables that are not significant. Step-wise regression is used to find out the independent variables associated with the satisfaction of the borrowers.

1.6.6.14: KMO and Bartlett's Test

The Kaiser-Meyer-Olkin (KMO) test is a measure to indicate how well the sample data is suitable to carry out the factor analysis. It is the ratio of the sum of the squared correlations for all variables in the analysis to the squared correlations of all variables plus the sum of the squared partial correlations for all variables. The denominator of this ratio increases with variation that is unique to pairs of variable (partial correlation), making the value of KMO less than one. The inter correlation matrix is arrived and is converted into chi-square test and tested for significance

1.6.6.15 Factor Analysis

Factor analysis is a most common multivariate technique used in research studies. It is statistical technique applied when there is a systematic interdependence among a set of observed or manifest variables. It also helps to identify latent factors that create commonality among multiple metric variables. Factor analysis thus supports to compile a large set of measured variables in relatively few categories known as factors. This method of analysis helps in grouping the variables into factors. Since the factors are linear combination of data, the coordinates of each observation or variable is measured to

obtain factor loadings. The factor loading represent the correlation between the variable and the factor in a matrix. Factor analysis is used to find out the major problems that the borrowers face in availing the loan and to trace out the predominant factors that influence the satisfaction of the borrowers.

Variables Used

- Level of Preference of Banks by the borrowers

- Level of Effectiveness of Loan Scheme

- Problems faced by the borrowers

- Level of Satisfaction of borrowers

1.7 RESEARCH GAP

Priority sector advances provided by the banks is one of the thrust area of research for Government, professionals, researchers, academicians and scholars. Bounteous of studies were made regarding the various priority sector advances like agriculture, housing and MSMEs, but there are hardly little studies regarding education loan lent by the banks. Moreover these studies have concentrated only on the following factors.

- Performance of education loan advances by the banks for few years.

- Satisfaction of borrowers who have availed the education loan.

- Repayment pattern of education loan borrowers.

The following are the major factors that are identified as the research gap in the study of education loan.

- Performance of education loan State-wise and region wise for past 10 years.

- To assess the factors considered by the borrowers in preferring a bank for Education loan and the effectiveness of loan scheme.

- To analyse the various problems faced by the borrowers in availing the Education loan.

Here by taking into consideration all the above factors, an effort is made to carry out an exhaustive research to seal the breach in the other dimension of education finance to the borrowers.

1.8 LIMITATIONS OF THE STUDY

Even though various hard attempts are made to make the study more perfect and objective, the study is not free from certain limitations. The present study has the following limitations:

1. The study is restricted to Coimbatore city, as the number of borrowers who has borrowed education loan from the select public sector banks of the city only.

2. There is large number of banks lending education loan, of which only top five public sector banks were selected for the study.

3. The selected borrowers are not in the repayment period and hence any problem relating to the repayment is not considered for the study.

4. The reliability of information is based on the borrowers' perception on the Education loan and the problems relating to it. However, utmost care has been taken to ensure the reliability of the information is obtained from them through relevant questions and cross verifications.

5. The banking policies and credit policies are so wide and are undergoing periodical changes so that it is difficult to comprise all the prospective factors influencing the borrowers' perception in the given period of time.

1.9 CHAPTER FRAMEWORK

The study report is presented in six chapters. The detailed chapter plan is given below:

Chapter I   deal with the Introduction and Design of the Study.

Chapter II   contains a review of both Indian and Foreign literature on Performance of Education Loan and Borrowers' Perception on Education Loan.

Chapter III   gives a theoretical overview about education loan scheme and various forms of education loan lent by the Public Sector banks in India.

Chapter IV   presents the Analysis of Volume and Growth of Education Loan in India using secondary data as the main focus.

Chapter V   examines the various factors involved in Preferring a bank for Education Loan and Effectiveness of Education Loan Scheme.

Chapter VI   traces out the various Problems faced by the borrowers in availing the Education Loan.

Chapter VII   evaluates the factors that determine the Level of Satisfaction of Education Loan borrowers.

Chapter VIII presents the summary of Findings, Suggestions and Conclusion.