CHAPTER-III

REVIEW OF LITERATURE

3.1 INTRODUCTION

Keeping the above issues relating to Priority sector lending segment with particular reference to Educational Loan in Tamil Nadu, a survey was made to study the earlier work done on the issue of priority credit segments and Education loan by commercial banks. In the process, articles published in journals, magazines relating to the topic were studied. In all about 100 articles, both published and unpublished articles were studied and thereafter the area to be covered was decided. Based on the literature survey, the objectives of the study were also decided keeping in view the scope as well as the need for covering, uncovered areas. The abstracts of some of the important articles are given under.

A study by Graham Fowler (1990)\(^1\), plans to increase the number of students entering higher education are welcomed; although it is argued that student loans do not fit in with this policy and that in reality higher education requires extra funding. The way to expand higher education is seen as through a high-status vocational route. This is contrasted with current forms of vocational schooling. A good general education for students up to the age of 16 is proposed, with subsequent quality vocational training which encourages access to higher education. The increased status of the vocational route will follow and, in return, high quality vocational education will offer motivation for schools, a higher proportion of graduates and more highly qualified staff.

Evelyn Brody, (1994)\(^2\), in his “Paying Back Your Country through Income Contingent Student Loans”, Chicago, has stated the study which was conducted in Chico-Kent College of Law, regarding the case of paying for a college education and to state broad issues of equity, both between families and between generations. As a normative matter, the argument was that we should subsidize the education of those who are disadvantaged, but that is because a college education generally 'pays
off, society as a whole should not subsidize most students. Rather, the government can serve the valuable function of simply ensuring that students have access to sufficient loans to finance their education. Congress recently enacted President Clinton's proposal to convert the federal role from a guarantor of student loans to a direct lender (for a phased-in portion of student loans). Direct lending will allow a novel repayment option: the graduate can elect to repay the government out of a modest percentage of her future income.

Much of the article explores the difficulties of trying to determine an individual's financial resources, so that the government can best target its subsidies. When do we view the child separately from his family? When is it proper to look to a student's lifetime rather than current resources? Using the public finance literature, examine the limitations of our governmental redistributive tools.

Happily, most of the conceptual difficulties melt away in the face of an income-contingent repayment mechanism, which basically matches payments of principal and interest to the profits from an education. For most graduates, a percentage-of-income cap is the only real insurance they need against doing poorly in the job market. However, because President Clinton's proposal perpetuated existing federal subsidies in the guaranteed student loan program, Congress missed the opportunity to make the program fairer by applying analyses based on intergenerational equity and lifetime income.

A study was conducted by Ganesan, P (1998), to analyze the impact of public sector banks (PSBs) and priority sector advances. The analysis shows that the priority sector credit outstanding had increased by 80 times. In the year 1969, the outstanding was Rs.765.11 crores. It steadily rose to Rs.61794 crores in 1995, thus registering an average annual growth rate of 19.20 percent. The growth rate declined from 20.26 percent in the first phase of nationalization 1969-80 to 4.50 percent in the post reform period. However the non-priority sector credit outstanding went up 44 times by 1995 from what it was in December 1996, thus it recorded a compounded growth rate of 16.38 percent per annum. It was observed that the advances of PSBs to agricultural sector had increased from 6.95 percent at the time
of nationalization (1969) to 15.13 percent in 1980, but the share declined to 12.83 percent in March 1991. In March 1997, the percentage of agriculture sector was 18 percent, but the data revealed that PSBs could not achieve the target-set by RBI. It was observed that in respect of the small scale sector, the percentage had increased to 16.60 in 1997 from 9.78 at the end of 1969. In the case of other sectors PSBs performed well in June, 1980, (13.77%), whereas during the post-reform period, the ratio of other priority sectors was below 10%. The study concluded that the advances still did not actually reach the so called neglected sections in the priority sectors, viz., small and marginal farmers, tiny units, small scale sectors, small retail traders and the educated unemployed. Therefore, there is an urgent need to redefine the concept of priority sectors.

Mujumdar, N.A.’s (1998) Paper on ‘Credit Support to Priority Sectors,’ a macro perspective”, reveals that there are at least three reasons why at this point of time a fresh look at the issues pertaining to the flow of credit to priority sectors is warranted. First the financial sector reforms (1991-1996) package has affected adversely the priority sectors in another area, namely, interest rates: with the freeing of bank’s lending and deposits rate, the new interest rate structure that has emerged, has become highly regressive and is biased against priority sectors. Secondly, the approach paper to the ninth plan (1997-2002), does accord high priority to agriculture and rural development activities in general, in its strategy for future growth. Looked at from this angle, credit policy is yet to react to the Ninth plan priorities. The question that therefore needs to be considered is: what are the ingredients that need to be added to the credit policy mix? Thirdly winds change appears to be blowing in the RBI in the post-November 1997 phase. The study concludes that when we talk of supporting priority sectors in the ninth and tenth plans, we are talking of supporting perfectly commercially viable banking positions and of the ‘social banking.’ Public sector banks approach to extending credit support to priority sectors in the coming years should be guided by this basic principle.
Anita Hora’s (1998) paper analyses the directed lending—some key aspects of it. It observes that priority sector target of 40% was achieved in 1991; during the period 1992-1996 public sector banks (PSBs) were lagging behind the prescribed target. It is only in 1997, the banks could achieve the target of 40% by contributing towards Rural Development infrastructure Funds (RDIF) and to Khadi and village industries commission (KVIC). It is also observed that in 1996-97 priority sectors accounted for 47% of this context. First, there is nothing inherent in the nature of business of priority sectors which makes them particularly vulnerable to loan defaults. Secondly, the present dimensions of NPAs of priority sectors have a large ‘handover component’ of the political meddling era. Loan melas are a familiar phenomenon and write-offs of debts have eroded the repayment ethics. It was concluded that institutional finance was not available to the key sectors including agriculture before nationalization of banks. After nationalization of banks, fresh concepts of priority sector were evolved and consequently, directed credit programmes were chalked out to meet the credit needs of the neglected sectors of the economy. However, the targeting may be so oriented as to cover the smaller borrowers who may not have ready access to institutional credit. Public sector banks’ approach to extending credit support to priority sector lending’s should be guided by this basic principle.

Rajeev Kumar Paney’s (1998) paper, “Evaluation of Priority sector financing by Commercial Banks in India,” reveals that there was significant growth in the number of total offices, rural offices, total credit, total deposits, rural deposit and credit to priority sector. Maximum increase in offices was mostly in under banks states of northeast region, Jammu and Kashmir and Orissa. Population per office and rural population per rural office registered considerable decline to less than 14,000 and 18,000 respectively. The sub-sector analysis indicated dominant share of agricultural and small scale industries in the priority sector agricultural and small scale industries in the priority sector outstanding loans during the whole period of two decades (1969-1990). He suggests that progress of under banked and backward states will have to be accelerated by more incentives and concession to reduce interstates inequality. Loan mela (Loan camps) and debt relief schemes and such
other populist measures which paralyze financial discipline will have to be curtailed. Political interference in bank appointments, promotions, transfers and operations will have to be checked and still as to achieve the social objective of nationalization.

Christine T. et.al, (2000)⁷, word of mouth communication is an empirical evidence from India. Financial service providers have long placed considerable faith in positive word of mouth communication as a means of attracting new customers and a variety of studies of customer choice of bank highlight the significance of personal recommendation. Given that financial services tend to be characterized by a predominance of experience and credence qualities, word of mouth communication is particularly valuable, providing the potential consumer with vicarious experience of the service under consideration. The impact of word of mouth is probably at its strongest when it originates from social contacts because of their greater perceived reliability. By its very nature, this form of communication is outside the formal control of an organization and yet its impact is such that the ability to influence or encourage word of mouth could be a powerful marketing tool. This paper provides an exploratory analysis of the importance of word of mouth and the factors which influence its role within an organisation’s marketing strategy, with particular reference to customer referral campaigns. Empirical evidence is collected from the (rapidly changing and liberalizing) financial services sector in India.

A study by Barbara R. et al (2001)⁸, focuses on an empirical investigation of service failures and service recovery in retail banking. Different types of failures, and the recovery strategies used by Greek banks to respond to them were identified using the critical incident technique. A survey questionnaire was then developed to measure customers’ perceptions of the magnitude of service failures and the effectiveness of service recovery strategies. A number of research hypotheses were tested relating to customers’ evaluations of particular banking failures and recovery strategies, their previous experience of failures, demographic variables, and relationships with their banks. Service failures were found to be of varying importance and different service recovery strategies more effective for particular failures; further, customers with long relationships or high deposits with their banks were more demanding with respect to service recovery
A Study of Ahmad Jamal, Kamal Naser’s (2002) “Customer satisfaction and retail banking is an assessment of some of the key antecedents of customer satisfaction in retail banking”. Understanding the antecedents to and outcomes of customer satisfaction is a critical issue for both academics and bank marketers. Previous research has identified service quality, expectations, disconfirmation, performance, desires, affect and equity as important antecedents of customer satisfaction. The current paper reports findings from a survey which looked into the impact of service quality dimensions and customer expertise on satisfaction. A sample of 167 respondents took part in this study. Findings indicate that both core and relational dimensions of service quality appear to be linked to customer satisfaction. Findings also indicate that expertise is negatively related to satisfaction. The paper discusses implications for bank managers.

Ron Garland (2002), uses Juster’s probability scale, this study examines the estimating customer defection in personal retail banking, a sample of 881 customers’ self-reported estimates of probable defection from their main bank. One year later these customers’ statuses with their main bank were reviewed, allowing comparison of intended with actual defection. This methodology allows not only investigation of the Juster scale’s performance in a “subscription” type market but also identification of those customers with a predisposition to switch banks. Bank management can then decide if and how they might address their switch-prone customers. Respondents were asked to allocate their probability of closing all accounts at their main bank in the next 12 months. The sample estimate was 10 percent while the actual defection result was 5 percent. While this may seem somewhat inaccurate, similar studies in the literature report the tendency of the Juster scale to over-estimate switching behavior. But its estimates have consistently proved superior previously to those derived from attitudinally based intention-to-buy scales and at least the equal of the Conversion Model.

Mishra S.K (2003) tells of the immense system of higher education in India, which is almost wholly government supported, is in deep financial strain, with increasing needs, escalating costs and shrinking budgetary resources. Of late, it is thought necessary to devise means to self-finance these institutions of higher
learning. However, the mal-adjustment of higher education with the development of the economy lies in the root of the crisis. In 1998 there were 7.2 thousand colleges imparting graduate and post-graduate education in humanities, social sciences and "academic" natural sciences to 5.7 million students. On the other hand, 600 engineering/technology colleges, nearly 100 agriculture and forestry colleges and about 450 medical colleges, totaling 1150 in number, imparted degree level professional or technical education to about 0.21 million students. The distribution of students in 'general' vs. 'professional' education is 96:4. The revealed preference of students for general education is so much that we find that only 1.86 lakhs students have gone in for diploma in engineering and only 26 thousand students have opted for paramedical education. Students passing out from secondary schools seldom think of joining institutions of technical training.

The ailment of the higher education system in India is not a matter of financial constraint and therefore, its remedy is not a program for self-financing. It is erroneous to think that as long as the institutions of higher learning are financed by the government, they educate students at the lower private cost - that no sooner will the government stop financing them than they will tap their fuel from the market - that the demand for higher education is potent and large, and so on. On the contrary, the demand for higher education is large as long as its price is abysmally low. Higher education - what it means today - is unproductive, nothing other than a conspicuous consumption. The ailment of higher education lies in its being misdirected, ill structured, wrongly prioritized and pitiably obese and corpulent. Establishment of colleges and universities for appeasement of the populist sentiments must give way to productivity-based education. Myrdal predicted the imminent crisis long back. There is need to restructure higher education in India - making it much less 'academic' and much more professional/technical.

Erik J.F. Canton & Andreas Blom (2004), in his “Can Student Loans Improve Accessibility to Higher Education and Student Performance? An Impact Study of the Case of SOFES,” tells about financial aid to students in tertiary education can contribute to human capital accumulation through two channels - increased enrollment and improved student performance. Canton and Blom analyze
the quantitative importance of both channels in the context of a student loan program (SOFES) implemented at private universities in Mexico. With regard to the first channel, enrollments, results from the Mexican household survey indicate that financial support has a strong positive effect on university enrollment. Given completion of upper secondary education, the probability of entering higher education rises 24 percent. The authors use two data sources to investigate the second channel, student performance. They analyze administrative data provided by SOFES using a regression-discontinuity design, and survey data enable them to perform a similar analysis using a different control group. Empirical results suggest that SOFES recipients show better academic performance than students without a credit from SOFES. However, the results cannot be interpreted as a purely causal impact of the student loan program, since the impacts also could reflect (self-) selection of students.

This paper, a product of the Human Development Sector Unit, Latin America and the Caribbean Region - is part of a larger effort in the region to measure and evaluate the impact of the unit's programs.

Eliza Ahamed & Valerie Braithwaite, (2004)\textsuperscript{13}, Australia's, paper investigates the relationship between making additional payments to the state for student loan (via the Higher Education Contribution Scheme) and child support (via the Child Support Scheme) and compliance with tax law. Data are taken from the Community Hopes, Fears, and Actions Survey based on a random sample of 2040 individuals. Additional payments were found to pose a compliance problem for tax authorities. At the same time, this study demonstrated that perceived deterrence, moral obligation and possible trustworthiness play significant roles in reducing tax evasion. An important finding to emerge from this study is that tax evasion is more likely to accompany additional payments when personal income and belief in trust norms are low. The finding of greater tax evasion among economically marginalized groups has been demonstrated in other contexts, but the adverse effects of becoming irreconcilably socially marginalized from legal authority has tended to be both undervalued and under-theorized in the taxation compliance literature.
Miles Corak, et. al (2004)14, “Family Income and Participation in Post-Secondary Education,” analyses the relationship between family income and post-secondary participation is studied in order to determine the extent to which higher education in Canada has increasingly become the domain of students from well-to-do families. An analysis of two separate data sets suggests that individuals from higher income families are much more likely to attend university, but this has been a long-standing tendency and the participation gap between students from the highest and lowest income families has in fact narrowed. The relationship between family income and post-secondary participation did become stronger during the early to mid 1990s, but weakened thereafter. This pattern reflects the fact that policy changes increasing the maximum amount of a student loan as well as increases in other forms of support occurred only after tuition fees had already started increasing.

Naresh Singh (2004)15 expressed his views on poverty alleviation and development of the status of women through micro finance. Due to the failure of traditional institutional credit system for rural development, the RRB’s, NABARD and Cooperative banks started concentrating on micro credit by promoting SHG-Bank linkage programme with the help of NGO’s. He pointed out that, of the various approaches to micro finance delivery, the group promotion approach through SHGs emerged predominantly as a significant approach.

Sharma. et. al (2004)16, in his “Service Quality Perceptions in Financial Services - A Case Study of Banking Services.” highlights the services sector is the most important sector, which contributes largely to the national economy. In India, the banking sector is an important component of this sector. The share of banking and insurance sector has burgeoned from 2.78% in 1980 - 81 to 6.27% in 1997 - 98. It has been so due to the increased significance of financial services in post - reforms era. In case of banking services, the varied service products being offered and their interface with the information technology has emerged as the potent tools of competition. The banks are using these tools to seize the markets and be the ultimate winners. The recent survey on banks shows that HDFC bank, which has been rated as the number 1 bank in India has quality growth as the main objective. Thus the banking intermediaries also have recently started focusing on the quality issues. In
this context, the service quality perception among the customers of the banks is the most critical issue. The present study is an attempt in the direction, where quality perceptions of the four leading banks have been compared to reach at logical conclusions.

The services sector is the most important sector, which contributes largely to the national economy. In India, the banking service is an important component of services sector. The share of banking and insurance sector within the services industry has burgeoned from 2.78% of GDP in 1980 - 81 to 6.27% in 1997 - 98 (Economic Times, 2000). It has been so due to the increased significance of financial services in post-reforms era. In the recent years, a number of private sector and foreign banks have entered the Indian market and made it more competitive. The onset of competition from the private players and initiation of banking reforms since early 1990s have led to an increased emphasis on efficient customer service (Narsimham Committee, 1991). Moreover, the tough competitive arena in which these banks operate today, maintaining the quality of service is a pre-requisite for survival. Therefore, measurement of service quality has increasingly created an interest among the service providers (banks) and scholars alike. It is so because service quality is being used to position the banks in the market place (Brown & Swartz 1989). However, the service quality is hard to measure (Rust, Zahorik & Keiningham, 1995).

In case of banking services, the varied service products being offered and their interface with the information technology like banking on internet, electronic delivery channels, etc. help the banks in seizing the market and be the ultimate winners (Cooper & Edgett, 1996). This also forms an important aspect of service quality. Despite this understanding, conceptualization and measurement of service quality have been the most controversial and debated topics in service marketing literature. There has been considerable research as to how service quality should be measured (Babakus & Boller 1992; Brown, Churchill & Peter 1993; Parasuraman, Zeithaml and Berry 1985, 1988, 1991 & 1994).
Various researchers have developed alternate concepts for service quality, like the Nordic perspective (Gronroos 1982, 1984) and the American perspective (Parsuraman, Zeithamal and Berry, 1988). The Nordic perspective explains the service quality on two dimensions i.e. functional and technical quality. The American perspective on the other hand defines service quality on five dimensions, which are reliability, responsiveness, empathy, assurance and tangibility. It is so because the customers do not perceive quality as a uni-dimensional concept (Zeithamal, Parsuraman & Berry 1993). Later the increased interest in the multi-dimensions of service quality led to the development of another model (Rust & Oliver, 1994), which identified service quality as a three dimensional concept.

Shirline Lawrence (2004), in her research study, evaluated the social responsibility of commercial banks in reducing poverty level through increased loans and improved employment opportunities. The findings revealed that the banks do a commendable job in eradicating poverty through group lending and the percentage of people living below poverty line has been drastically reduced over a period of time. While summing up, the author suggested that commercial banks should consider expanding their coverage of SHGs in tribal and most backward areas too, for the upliftment of minority communities and poor women.

Babu P. George. et. al (2004) article is about employee’s attitude towards customers and customer care challenges in banks. The article is one in a series that offers a fresh look at the paradigmatic shifts being experienced by the traditional; government supported banking establishments, especially those in the erstwhile socialist and mixed economies, in the newly embraced context of liberalization-privatization-globalization. It attempts to fill a great void in debates that consistently neglected every voice except that of the triumphant customer by giving some room for the managerial viewpoint as well. This mission is undertaken in the context of customer complaints regarding failure in the delivery of banking services. The article makes a case for the delicate aspect of employees’ attitudes, their satisfaction and motivation, which are posited as prerequisites for customer satisfaction, which is, again, sine qua non for the competitive sustenance of the organization. It argues that sustainable advantage is possible only through people and any normative
proposal to rework the “apprehension” traditionally attached to complaints should begin with a radical shift away from perceiving service production and consumption as isolated systems to an altogether new conception of the product as symbolic of a network relationship defined among the stakeholders and co-evolved in an environment whose parameters are potentially altered through recurrent inter-party negotiations involved in the contract. Everything, including the formation of appropriate policies and training for the frontline personnel to cope with the “irate” customers, should be properly informed from this perspective, it advocates.

Norhasni Zainal Abiddin (2005)’s objectives of this research were to understand the practices that being used in recovering the educational loan, the cause of the problems, the background of the problematic borrowers and steps taken to overcome the problems in collecting the repayment provided by one of the major government agencies in Malaysia that providing such facilities to the students in higher learning institutions. The research was conducted by way of qualitative research method and the data were obtained through in-depth interview and reference on related documents. Informants for this research were selected from the management of the government agency of educational loan provider which represented by five of its personnel. Also represented in this research were five borrowers who are having problems with their loan repayment and five borrowers who managed to pay their loan consistently. The research had found that: (1) the approach practiced by the government agency of educational loan provider was too lenient and the collection of the loans were made by taking into account the problem faced by the borrowers; (2) in the process of recovering the loans, publishing the name of the borrowers in local newspapers was found to be the most effective way; (3) the borrowers who performed badly in their study and studying abroad were the most problem loan repayment; and (4) attitudes, influenced by friends, economic recession and family commitment were to be among the main factors for the borrowers to delay their repayment of the educational loan.

The study of G.Rajendran (2005) analyses the “ Financing of weaker sections-A comparative statistical study between public sector and private sector Banks in Kancheepuram District, Tamil Nadu”. It reveals that growth number of
offices, deposits and advances of public and private sector banks in India, Tamil Nadu and Kancheepuram District increased from 43,282 in 1992 to 47,579 by 2001 resulting in 1.09 times. Whereas the growth in private sector was able to start and manage more number of branches in Tamil Nadu and in Kancheepuram district, when compared to the public sector banks. The growth of deposits in India and Tamil Nadu, especially in the private sector banks has increased from 9 to 11 times during the study period 1992-2001, but it has increased from 3.89 to 3.55 times in the public sector banks. During the same time, the private bank deposits have increased considerably in the study district. During the study period, the total advances of private sector banks have increased by 10.89, 10.36 and 1.87 (1998-2001) times in national, state and district level respectively. Whereas in case of public sector banks the total advances have increased by 3.32, 2.88 and 1.48 (1998-2001) times at National, state and District levels respectively.

The study reveals that the share of private sector banks lending to priority sector was only five percent in 1992, whereas it got improved during the next nine years by 12 percent out of the total priority sector lending in both public and private sector banks in India. It was observed that there has been a continuous increase in the share of private sector banks advances to the priority sector from the year 1992 to 2001 in Tamil Nadu. In the year 1992 it was 7.2 percent (Public sector banks 92.8%) and by the year 2001 its share increased to 217 percent which is a notable contribution. The major priority sector advances was considerably high from the Public sector banks in Kancheepuram district from the year 1992 to till 2001. But at the same time, the share of private sector banks has increased from Rs.655.59 lakhs in 1992 to Rs.4,708.16 lakhs to (11.5 percent) by the year 2000. But in 2001, the share of private banks has fallen slightly when compared to the previous year advances.

It also reveals that the public sector banks maintained the target of providing 25% out of 40% priority sector advances to weaker sections for the year 1992 to 1996 at the national level. From 1997 onwards there has been a slight deviation of this norm by the public sector banks. But the private sector banks fail to follow this target fixed by the RBI. The study reveals that the public sector banks provided
substantial amount of loans under Differential rate of Interest (DRI) scheme from 1992 to 2001, whereas the private sector contribution is at minimal. It is found that during the period 1992-2001 the percentage of loans provided by the public sector and private sector banks under this scheme is not less than 93 percent and not more than 7.3 percent during the study period respectively.

Buly A. Cardak & Chris Ryan (2006)\textsuperscript{21}, Australia's, has attempted to study the individuals from low socioeconomic status (SES) backgrounds who have lower university participation rates than those from higher SES backgrounds. Our focus is on the role played by credit constraints in explaining these different participation rates. We propose a multistage model of education where university participation is contingent on ability to pay and high school academic performance, which depends on family SES and innate student ability. We find no evidence that credit constraints deter high-achieving students from attending university in Australia, a country with an income contingent loan scheme for higher education tuition fees. We do, however, find that how students convert their earlier school performance into the scores on which university entrance is based is contingent on their SES. That is, for students of similar ability, those from higher SES backgrounds are more likely to obtain university entrance scores and achieve higher scores if they do. Hence, policy interventions that rectify the credit constraint problem that faces individuals at the time they make university entrance decisions are not sufficient to equalize university participation across social groups.

Carlos Garriga & Mark P. Keightley (2007)\textsuperscript{22}, Florida State University, in his ‘A General Equilibrium Theory of College with Education Subsidies, In-School Labor Supply, and Borrowing Constraints,’ to analyzes the effectiveness of three different types of education policies: tuition subsidies (broad based, merit based, and flat tuition), grant subsidies (broad based and merit based), and loan limit restrictions. We develop a quantitative theory of college within the context of general equilibrium overlapping generations' economy. College is modeled as a multi-period risky investment with endogenous enrollment, time-to-degree, and dropout behavior. Tuition costs can be financed using federal grants, student loans, and working while at college. We show that our model accounts for the main
statistics regarding education (enrollment rate, dropout rate, and time to degree) while matching the observed aggregate wage premiums. Our model predicts that broad based tuition subsidies and grants increase college enrollment. However, due to the correlation between ability and financial resources most of these new students are from the lower end of the ability distribution and eventually dropout or take longer than average to complete college. Merit based education policies counteract this adverse selection problem but at the cost of a muted enrollment response. Our last policy experiment highlights an important interaction between the labor-supply margin and borrowing. A significant decrease in enrollment is found to occur only when borrowing constraints are severely tightened and the option to work while in school is removed. This result suggests that previous models that have ignored the student's labor supply when analyzing borrowing constraints may be insufficient.

A Study by Bashir & Sajitha, (2007) in his “Trends in International Trade in Higher Education Services: Implications and Options for Developing Countries” states the International trade in higher education services which has grown rapidly in recent years in a variety of forms. The most common form of this trade is the movement of students to study in foreign universities, which has been supplemented by the delivery of foreign higher education programs and institutions to transition and developing countries.

Among the factors propelling demand for foreign higher education services are the excess demand for domestic higher education and the need for internationally recognized qualifications in emerging regional and global markets for highly skilled labor. Several countries have also encouraged foreign collaboration to improve the quality of domestic higher education.

However, there are concerns in developing countries about possible negative effects of this trade on under-funded and inefficient domestic higher education systems operating within weak regulatory systems. The possibility of losing sovereignty over a sector that is vital to national development is another major concern. As a result, despite the growth in international higher education trade, most developing countries have been unwilling to make binding commitments in the
current round of the General Agreement on Trade in Services (GATS) negotiations and in bilateral trade agreements.

This research project analyzed data from the United Nations Educational, Scientific, and Cultural Organization (UNESCO) on international student flows, the International Monetary Fund’s balance of payments, trade statistics of selected countries, and GATS schedules.

The project findings showed that this trade is bound to increase and diversify due to growing demand for foreign qualifications and increasing competition among industrialized nations in the higher education market. The findings also showed the increased entry of higher education institutions from developing countries, which can compete on both price and quality. These developments offer options for developing Countries, including low-income countries, to expand and strengthen their domestic higher education systems. Project findings were presented at an internal World Bank seminar organized by the Human Development network and in India at the Institute of Human Development, Delhi, and the Centre for Development Studies, Trivandrum.

*Arturo Molina, et. al (2007)* in this “relational benefits and customer satisfaction in retail banking” shows that confidence benefits have a direct, positive effect on the satisfaction of customers with their bank. However, special treatment benefits and social benefits did not have any significant effects on satisfaction in a retail banking environment.

This study was conducted in a retail banking setting, and may not be generalized in other service sectors. It has also focused on the relationship between relational benefits and satisfaction, while other factors that may have an influence on consumer satisfaction have not been considered. The findings suggest that banks can create customer satisfaction through relational strategies that focus on building customer confidence. Therefore, frontline employees should be committed to establishing and maintaining confidence benefits for customers. Interest in the subjects of relational benefits and customer satisfaction has been growing among...
marketing researchers and practitioners. The present study provides useful information on the relationship between customer satisfaction and specific relational benefits in retail banking.

**Elisa Rose Birch, Paul W. Miller, (2008)**

in their article “The impact of income-contingent provisions on students' loan-taking behavior” aims to investigate the determinants of taking out government-funded student loans for university study. His study finds that the probability of taking out student loans for the full cost of university is largely influenced by students' socioeconomic status. Other major influences on this decision include students' demographic and university enrolment characteristics. The research shows that the parameters of loan schemes do not seem to be able to over-ride the influence that family background has on loan taking behavior. That is, poor students use loans regardless of the parameters of the loans scheme in order to overcome short-term credit constraints. In other words, these student loan schemes channel funds to those without other means of funding their higher education. By showing the impact that income contingent provisions have on loan taking behavior, the paper informs policy makers of potential impacts from modifying loan schemes to reflect these characteristics.

**Rafiq K.Dossani & Murali Patibandla (2008)**

in their report “Preparing for a Services Economy: An Evaluation of Higher Education in India”. This examines the role of higher education in India's success in providing globally traded services. In this report, we assess the quality of software engineering education. We find that the institutional structure has the capacity to produce a quality of engineer suited to the current needs of the marketplace. This is a remarkable achievement considering the rapid change in both job requirements and the role of private provision in higher education. While it is too early to assess whether the currently emergent needs, particularly in research, project management and entrepreneurship, will be met by the current structure, we argue that the state's role as regulator will be critical. While the state has so far demonstrated its capabilities of being an effective regulator, we argue that new regulatory capabilities will be needed of the state to address the evolving demands.
Lance Lochner & Alexander Monge-Naranjo (2008)\(^{27}\) National Bureau of Economic Research (NBER); University of Rochester & Northwestern University - Department of Economics, study the nature and impact of credit constraints in the market for human capital. We derive endogenous constraints from the design of government student loan programs and from the limited repayment incentives in private lending markets. These constraints imply cross-sectional patterns for schooling, ability, and family income that are consistent with U.S. data. This contrasts with the standard exogenous constraint model, which predicts a counterfactual negative ability schooling relationship for low-income youth. We show that the rising empirical importance of familial wealth and income in determining college attendance (Belley and Lochner 2007) is consistent with increasingly binding credit constraints in the face of rising tuition costs and returns to schooling. Our framework also explains the recent increase in private credit for college as a market response to the rising returns to school.

Andrew Austin, D (2008)\(^{28}\), in his “Guaranteed Student Loans and Subsidies: Who Captures the Rents” analyzes effects of borrower interest rates and student lender subsidies on federally guaranteed student loan volumes from 1988 to 1994 and from 1996 to 2006. In present and past policy debates, some have contended that lender subsidy cuts would cause some lenders to reduce loan supply or to leave the student loan market. A simple model of the student loan market suggests that if lenders receive economic rents due to overly generous subsidies, small changes in subsidy levels should not affect loan supply. The empirical results based on a variety of GMM panel estimators find evidence of a link between higher SAP margins and higher loan volumes is weak or inconclusive for both the 1988-1994 and 1996-2006 periods. This suggests that subsidy reductions had no discernable effect on student loan volumes. Results also suggest that higher real borrower interest rates reduce student loan volumes for public colleges and universities.

Sima J. Ganghi (2008)\(^{29}\) in his “Viewing Education Loans through a Myopic Lens: A Revenue-Neutral Proposal for Accelerating Student Loan Subsidies,” suggests that the Center for American Progress, although the federal
government dedicated nearly $40 billion to funding student loans in 2006, only 60 percent of potential students from low-income families attend college, compared with 90 percent from high-income families. This paper argues that enrollment rates are lower than they could be because potential students undervalue loan subsidies, which are delivered after graduation instead of up front when a student enrolls and incurs costs. The behavioral economics concept of myopic loss aversion suggests that accelerating loan subsidies to the time of enrollment would increase their effectiveness as an incentive to enroll. Empirical studies also find a larger response to up-front subsidies such as grants than to delayed subsidies delivered after graduation such as loan forgiveness. Eliminating interest rate subsidies from student loans, which cost 12 cents on the dollar for loans issued in 2006 and works out to approximately $950 per borrower, is a revenue-neutral means of funding up-front subsidies. Accelerating the subsidy would make higher education spending more efficient by encouraging more students on the financial margin to enroll. Allocating the subsidy on a need-only basis would deliver, on average, a $4,800 up-front lump-sum subsidy to students from low-income families, increasing the enrollment rate among low-income students from 60 percent to almost 70 percent.

Hua Shen & Adrian Ziderman, (2009) in their “Student Loans Repayment and Recovery: International Comparisons,” have conducted studies in Bar Ilan University - Department of Economics; Institute for the Study of Labor (IZA), that Student loans schemes are in operation in more than seventy countries around the world. Most loans schemes benefit from sizeable built-in government subsidies and, in addition, are subject to repayment default and administrative costs that are not passed on to student borrowers. We probe two issues in this paper, for 44 loans schemes in 39 countries: how much of the original loan is an individual student required to repay (the "repayment ratio") and what percentage of the total costs of loans schemes can the lending body expect to receive back in repayments (the "recovery ratio")? The analysis shows considerable variation in the size of the repayment and recovery ratios across schemes. Moreover, many loans schemes exhibit sizeable built-in subsidies accruing to student borrowers - in over 40 percent of the schemes examined, the repayment ratio is 40 percent or less. Overall loans
recovery is considerably lower. Policy implications of these findings are discussed together with a consideration of steps that may be taken to improve the financial outcome of loans schemes.

James Tooley (2009)\textsuperscript{31}, in his “The Global Education Industry”, the first edition of this pioneering book has produced surprising conclusions from research around the world into the extent of private education. Drawing on examples from Argentina, Brazil, Colombia, India, Indonesia, Peru, Romania, Russia, South Africa, Zimbabwe and other countries, Professor Tooley gave a snapshot of private education that was unknown to many readers; contrary to expectations, the private education sector was large in the countries studied, was innovative, and was not the exclusive domain of the wealthy. On the contrary, he found that the private sector often provided social responsibility, subsidized places and student loan schemes.

Tooley identifies the factors that impede or facilitate the development of the private education sector in various countries, focusing on the regulatory regimes that may impinge upon private education. This led him to conclude with a proposal for the role of for-profit education enterprises in promoting equitable development.

In this second edition, Professor Tooley contributes a new preface which shows how his work has developed and extended into other countries. In particular, he provides a fascinating account of how private education is flourishing in China.

Dr. Manoj Kumar Dash & D.M. Mahaptra, D, M, (2009)\textsuperscript{32} in their “Measuring Customer Satisfaction in the Banking Industry in India,” proves that the working of the customer's mind is a mystery which is difficult to solve and understanding the nuances of what customer satisfaction is a challenging task. This exercise in the context of the banking industry will give us an insight into the parameters of customer satisfaction and their measurement. This vital information will help us to build satisfaction amongst the customers and customer loyalty in the long run which is an integral part of any business. The customer's requirements must be translated and quantified into measurable targets. This provides an easy way to monitor improvements, and deciding upon the attributes that need to be concentrated.
on in order to improve customer satisfaction. We can recognize where we need to make changes to create improvements and determine if these changes, after implemented, have led to increased customer satisfaction. The Customer Satisfaction Index (CSI) represents the overall satisfaction level of that customer as one number, usually as a percentage. Plotting this Satisfaction Index of the customer against a time scale shows exactly how well the supplier is accomplishing the task of customer satisfaction over a period of time.

Since the survey feedback comes from many respondents in one organization, the bias due to individual perception needs to be accounted for. This can be achieved by calculating the Satisfaction Index using an importance weighting based on an average 1. Calculate the average of all the weighing given by the customer. Divide the individual weightings by this average to arrive at the weighing on the basis of average of 1. Customer's higher priorities are weighing more than 1 and lower priorities less than 1. The averages of the Customers Importance Scores are calculated and each individual score is expressed as a factor of that average. Thus Customer Satisfaction can be expressed as a single number that tells the supplier where he stands today and an Improvement plan can be chalked out to further improve his performance so as to get a loyal customer.

Rama Krishna,Y & Venkoba Rao, D, (2009) in their study “Virtual Banking - Does it really work” Hyderabad, aim to find out whether services was to satisfy customers. There is a need to understand customer awareness, perception and importantly the level of satisfaction. In this paper we measured these issues on four virtual banking services offered by Indian private banks in Hyderabad city. These services include Automated Teller Machine (ATM), Telephone Banking, Internet Banking and Integrated Voice Response System (IVRS). Based on findings of the study, we conclude that, banks have to do a lot to take advantage of virtual banking services. We also penned down few suggestions that would help banks to provide better service. The objective of this study is to measure the customers' awareness, perception, and the level of satisfaction with regard to virtual banking services offered by the Indian private banks in the city of Hyderabad. Banks should lay emphasis on training their CSR's on the important aspect of being empathetic. CSR's
should be taught on understanding the customer queries and giving appropriate, relevant, timely and satisfying answers. The overall satisfaction level of customers on Internet banking services is found unsatisfactory. Customers’ expressed their inconvenience on issues like content sufficiency, page setup, ease of use and visual design. Nevertheless, they are satisfied with variety of transactions and page loading speed aspects of Internet banking. Banks should concentrate on redesigning their websites.

Shyam Sunder (2010) in his study “Higher Education Reforms in India”, outline the number of institutions and enrollment in higher education continue their rapid growth, but the quality of this education remains uncertain. A small number of state-subsidized institutions attract a thin top layer of talent from each year’s cohort. High selectivity of admission to these elite institutions provides a screen valued by potential employers. Domestic and foreign demand for the services of these few thousand students has created an inflated reputation of the overall quality of India’s higher education. The number of such graduates remains small relative to the population and the demands of India’s economy for educated manpower. Reliable estimates of value-added by higher education, beyond the screening value of admission to elite institutions, are needed to assess colleges and universities, and to guide educational policy. Graduate education - the seed farm of higher education and scholarship - continues in an alarming state of disarray with respect to both quality and quantity. Pressed by budgetary constraints, the government appears to have decided on profit-oriented privatization of higher education as the solution. Political and business classes, with significant overlap between the two, see higher education as a source of lucrative private returns on investment. There is little theoretical or empirical evidence that supports the prospects of success of a for-profit model in building quality higher education. Some recent proposals hold promise of radical reform and renovation, including regulatory restructuring. It remains unclear whether the government has the wisdom, determination, financing, and power to push reforms past the resistance from entrenched faculty and from the political and business classes.
Bedi, & Monica, (2010) in their study “An Integrated Framework for Service Quality, Customer Satisfaction and Behavioral Responses in Indian Banking Industry-A Comparison of Public and Private Sector Banks”, attempts to investigate the relationship between service quality, overall customer satisfaction and behavioral intentions across public and private banks in India. The findings indicated that service quality is a significant determinant of customer satisfaction in Indian banking industry irrespective of public and private sector banks. However, different dimensions of service quality were found to be statistically significant across public and private banks. Customer satisfaction was found to be strongly associated with propensity to recommend. The study will help banks to redefine their corporate image to one that is customer-focused and driven by service quality.

Justin R. La Mort (2010) in his study “Generation Debt and the American Dream: The Need for Student Loan Reform”, states that President Mr. Obama was able to pay off his student loans only after authoring two bestselling books and becoming a prominent figure on the national political scene. This is not a strategy that can be easily replicated by the rest of us. As our tax dollars are being spent to bailout AIG and GM we have ignored helping those who are drowning in student debt. We can either rearrange the deck chairs as the band plays on or we can seize this unique opportunity in time to provide a life preserver to some of our country’s best and brightest.

The American dream is predicated that through education and hard work one can accomplish anything. Sadly, my generation will be less educated and in greater debt than the generation of my parents. Never before has having a college degree meant so much in competing in the global marketplace yet never before has the financial barriers been so great to earning that degree. This paradox must be resolved if our students and our country are to reach their full potential. The present system restricts innovation among the entrepreneurs, inventors, and artists who can no longer risk taking a chance when facing five to six figures of debt. Our society loses the talent of those unable to afford a career in public service. These effects are especially true for the middle and working class who we most want to break from the cycle of poverty but whose best route is by entering modern day indentured
servitude. We must change the way we pay for higher education if the United States is to uphold its promise.

This article will detail the pervasive effects of the student loan problem in America and will examine pragmatic solutions such as ending the Federal Family Education Loans (FFEL) program, removing unwarranted bankruptcy protection of student loans, and enacting loan forgiveness programs to reverse the receding economic tides. The effects of these policies would stimulate the economy, create an environment conducive to innovation, and move our society closer to its meritocratic ideals.

3.2 RESEARCH GAP

From the previous studies about a) higher education requires extra funding b) pay back the country through income contingent student loans c) Impact of income-contingent provisions on students loan taking behavior improves socio economic status d) Financial aid to students in tertiary education can enroll and improve students’ performance e) The relationship between making additional payments to the state for student loan (via the Higher Education Contribution Scheme) and Child support to improve their performance f) Student Loans Repayment and Recovery: International Comparisons, Overall loans recovery is considerably lower. Policy implications of these findings are discussed together with a consideration of steps that may be taken to improve the financial outcome of loans schemes g) Viewing Education Loans through a Myopic Lens which accelerates Student Loan Subsidies, h) The Need for Student Loan Reform, the pervasive effects of the student loan problem in America and examines pragmatic solutions such as ending the Federal Family Education Loans (FFEL) program, removing unwarranted bankruptcy protection of student loans i) Understand the practices used in recovering the education loan, the cause of problems j) Low socio economic status (SES) backgrounds who have lower university participation rates-credit support improves High SES.
Early research in banking industry was mainly concerned with estimating the quality of services. The objective of the study is to evolve the performance of commercial banks towards education loan. Previous studies reveal that nobody has made an attempt to study the financing of education loan scheme. In order to fulfill the gap identified above, the researcher was motivated to do this work with the following main objectives. (1) To evaluate the performance of commercial banks in terms of education loan in Tamil Nadu, (2) To analyze the bankers perception, the problems faced by them with regard to education loan and (3) To analyze the Borrowers perception on education loan, their level of satisfaction and the problems faced by them in this regard.

3.3 CONCLUSION

This research has reviewed the various literatures pertaining to education loan schemes, published in various research related journals namely, Finance India, Journal of Economic Studies, International Journal of Bank Marketing, Journal of Service Research, Indian Doctoral Abstracts and so on in India and abroad. The researcher has visited a number of Indian Universities and thoroughly checked various research works done in the line of this research topic and nearly 100 articles have been collected actively and originally. After thorough examination it is found that only 36 articles are the most relevant to this study and hence they are presented above in this chapter.

Journals Referred for Reviews:


32. Dr. Manoj Kumar Dash & D.M. Mahaptra, D, M, “Measuring Customer Satisfaction in the Banking Industry in India” Journal of service Research, April 1, 2009


34. Shyam Sunder, “Higher Education Reforms in India,” Yale School of Management, June 28, 2010, SSRN.
