CHAPTER VI

FINDINGS, SUGGESTIONS AND CONCLUSION

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This chapter includes summary of major findings, suggestions and conclusion. This chapter also identifies the areas for further research.

6.1 STUDY IN RETROSPECT

The cost of higher education is increasing day by day. It is becoming unaffordable to the financially backward students to pursue their higher education. Here arise the importance of financial assistance to those students. As an initiative for the development of higher education, the government has framed education loan scheme and has brought it under priority sector advances. This development has brought forth both opportunities and challenges to commercial banks. On the one hand they can provide education loan under priority sector and on the other hand they find it difficult to recover the same as majority of these loans are given without collateral security. The borrowers are also under severe stress, often leading to suicide and other family problems, as they find it difficult to repay the loan. Given this peculiar education loan scenario, the researcher doubts whether the implementation of education loan scheme in Kerala by commercial banks was effective or not. The review of literature reveals that no specific studies have been carried out to evaluate education loan scheme of commercial banks in Kerala. The present study is an attempt to fill this gap. It provides insights into the different dimensions of education loan scheme. It acts as a torch bearer to both central and state governments and RBI to take appropriate measures either by way of creating and implementing new policies and programmes or revamping the existing education loan scheme which in turn would be beneficial to both the borrowers and the banks.
The present study has attempted to achieve the following objectives.

1. To examine the nature of education loan scheme of commercial banks in Kerala in terms of its structure, growth and performance.

2. To evaluate the education loan scheme of commercial banks in Kerala in terms of its i) awareness, ii) eligibility, iii) adequacy, iv) affordability and v) acceptability from the perspective of the borrowers.

3. To find out the problems encountered by the borrowers in relation to education loan scheme.

4. To assess the level of satisfaction of the borrowers as regards the prevailing education loan scheme of commercial banks in Kerala.

5. To identify the problems faced by the managers of commercial banks in relation to education loan scheme.

6. To assess the level of satisfaction of managers of commercial banks with regard to the prevailing education loan scheme of commercial banks in Kerala.

The study attempts to evaluate in detail the education loan scheme of commercial banks in Kerala from borrowers and bank managers’ perspective by using both primary and secondary data. The primary data are collected from the 36 bank managers of major commercial banks and 360 education loan borrowers through structured and pre-tested questionnaires. Secondary data are sourced from books, journals, websites and official publications of Government of India,
RBI, Indian Banks Association (IBA), State Level Managers Committee (SLBC) and commercial banks in Kerala.

Population of the study consists of all the education loan borrowers of commercial bank and all the managers of commercial banks in Kerala that provide education loan. Sample borrowers were selected through a multi stage sampling procedure. Accordingly, three districts were selected. They were Kasargod, Alappuzha and Ernakulam districts belonging to three different stratas such as low loan intensity, medium loan intensity and high loan intensity districts respectively.

The present study was confined to major commercial banks in Kerala in terms of education loan outstanding. They were SBI [erstwhile SBT], Canara Bank from public sector and Federal Bank, South Indian Bank from private sector banks. The data are analysed using percentage, trend analysis, mean score analysis, independent samples t test and One Way ANOVA.

6.2 FINDINGS OF THE STUDY

The findings of the study are presented under three heads, viz. Growth and performance of education loan scheme, Borrowers perspective and Managers perspective.

Growth and performance of education loan scheme in Kerala

- The commercial banks in Kerala received 562345 applications during the period from April 2005 to March 2017. Out of this, the public sector banks had 489533 applications and private sector banks had 72812
applications. The application for education loan received by public sector banks is 6.72 times more than that of private sector banks.

- The commercial bank sanctioned ₹13630.84 crores through 539889 accounts during the period from April 2005 to March 2017. Out of this, the public sector banks had ₹ 11,774.41 crores through 470311 accounts and private sector banks had ₹ 1,856.44 crores through 69578 accounts. Moreover, the public sector banks are far ahead of private sector banks in terms of number of education loan accounts (6.76 times) and quantum of loan sanctioned (6.34 times). The education loan sanctioned by the public sector banks shows an upward trend. Whereas in the case of private sector banks, there is no such visible trend was identified.

- The commercial bank disbursed ₹12,535.77 crores through 916104 accounts during the period from April 2005 to March 2017. Out of this, the public sector banks had disbursed ₹ 10,989.37 crores through the 769593 accounts and private sector banks had disbursed ₹ 1,546.42 crores through 146511 accounts. Education loan disbursement by commercial banks in Kerala increased more than four times within a decade. It has increased from ₹ 352.7 crores in March 2006 to ₹ 1456.64 crore in 2017. The education loan amount disbursed by public sector banks is 7.12 times more than that of private sector banks. The number and amount of education loan disbursed by commercial banks show an increasing trend especially in the case of public sector banks.
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- The percentage of education loan disbursement to total credit disbursement of public sector banks is more than twice than that of private sector banks in all years. Both public and private sector commercial banks shows a declining trend in the proportion of the disbursement of education loan to the total credit.

- The commercial banks in Kerala has outstanding education loan of ₹9,282.33 crores through 370906 accounts as at March 2017. Out of this, the public sector banks have ₹8143.20 crores through 324621 accounts and private sector banks have ₹1,139.13 crores through 46285 accounts. The number of education loan outstanding in public sector banks is 7.01 times more than that of private sector banks. Similarly the amount of education loan outstanding is 7.15 times more than that of private sector banks.

- The number of education loan accounts outstanding in commercial banks has increased by 3.42 times i.e., from 108553 accounts in the year 2006 to 370906 accounts in 2017. In the case of public sector banks it has increased by 3.29 times i.e., from 98534 accounts in 2006 to 324621 accounts in 2017. In the case of private sector banks it had increased by 4.62 times i.e., from 10019 accounts in 2006 to 46285 accounts in the year 2017.

- The amount of education loan outstanding of commercial banks has increased by 7.11 times i.e., from ₹1,306.26 crores in 2006 to ₹9,282.33 crores in 2017. In the case of public sector banks it has increased by 6.91
times i.e., from ₹1,178.28 crores in 2006 to ₹8,143.20 crores in 2017. In the case of private sector banks it has increased by 8.90 times i.e., from ₹127.99 crores in 2006 to ₹1,139.13 crores in 2017.

• The amount and number of education loan accounts outstanding in the case of public sector banks shows an increasing trend. However, there is no such remarkable increase in the case of private sector banks.

• Out of three categories viz., less than ₹4 lakhs, ₹4 to 7.5 lakhs and above ₹7.5 lakhs, the outstanding amount of education loan is very high in the small loan category (less than ₹4 lakh). It may be due to the lack of security and on account of high volume of loan given in this category.

• The percentage of education loan outstanding to total advances outstanding of commercial banks is 3.62 percent. Compared to private sector (1.27 percent) the percentage of education loan outstanding to total advances outstanding is more in public sector (4.90 percent) banks.

• The NPA of commercial banks in Kerala in respect of education loan was ₹1,234.53 crores through 49098 accounts as at March 2017. Out of this, the public sector banks have ₹1080.62 crores through 42471 accounts and private sector banks have ₹153.91 crores through 6627 accounts. The number of education loan NPA accounts of public sector banks is 6.41 times more than that of private sector banks. Similarly the amount of education loan NPA of public sector banks is 7.02 times more than that of private sector banks.
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- The number of NPA accounts in respect of education loan of commercial banks had increased by 24.61 times (i.e., to from 1995 in the year 2006 to 49098 in 2017). In the case of public sector banks it increased by 22.60 times (i.e., from 1879 accounts in 2006 to 42471 accounts in 2017). In the case of private sector banks it increased by 57.13 times (i.e., from 116 accounts in 2006 to 6627 accounts in the year 2017).

- The amount of NPA in respect of education loan of commercial banks increased by 63.90 times (i.e., from ₹19.32 crores in 2006 to ₹1234.53 crores in 2017). In the case of public sector banks it increased by 61.89 times (i.e., from ₹17.46 crores in 2006 to ₹1080.62 crores in 2017). In the case of private sector banks it increased by 82.75 times (i.e., from ₹1.86 crores in 2006 to ₹153.91 crores in 2017).

- In the case of public sector banks, there is an increasing trend in education loan NPA both in terms of amount and number of accounts.

- The percentage of education loan NPA to total NPA of commercial banks is 13.24 percent. Compared to private sector (6.60 percent) the percentage of education loan NPA to total NPA is more in public sector (15.45 percent) banks.
Borrower’s perspective

- Classification of respondents shows that 51.7 percent of them are females, 36.4 percent are from semi-urban area, 35.8 percent of the joint borrowers have educational qualification up to SSLC, 43.6 percent of the joint borrowers are salaried employees, 41.1 percent of the borrowers monthly family income is less than ₹10000, 73.9 percent are private sector employees and 43.3 percent of the borrowers monthly income falls below ₹10000.

- 33.3 percent borrowers have chosen medical courses, 61.1 percent studied in unaided institutions and 58.3 percent studied outside Kerala. 42.8 percent of borrowers studied 4 year courses and 38.0 percent of them have incurred course expense up to ₹2,00,000.

- 34.5 percent of the borrowers got the information about education loan from friends and relatives, 51.1 percent of them availed education loan as per Non IBA scheme, 84.2 percent availed loan amount up to ₹4 lacks, 54.2 percent of the borrowers availed education loan at a rate above 12 percent, 60.6 percent of the borrowers are not repaying the EMI regularly.

- Of the 10 aspects indicating awareness, with regard to 6 of them, viz., sanctioning duration, calculation of EMI, repayment period, security requirements, rate of interest and borrowing limit, there is no evidence to prove that there exists any significant difference among borrowers of varied backgrounds. However, in respect of the remaining 4 aspects of awareness viz., necessity to remit the EMI regularly, eligibility criteria,
moratorium period of repayment and repayment ability, there is significant difference. The borrowers from urban area are significantly more aware than borrowers from rural area with respect to the eligibility criteria for getting education loan. Similarly high income group are significantly more aware than low income groups about repayment ability. Moreover the government employees are significantly more aware than NRIs and unemployed borrowers.

- Of the 3 aspects indicating eligibility, with regard to 2 aspects, viz., eligibility criteria and CIBIL rating, there is no evidence to prove that there exists any significant differences among borrowers. However, in the case of ‘income status of the joint borrower’ there was significant difference. The eligibility to avail education loan is significantly more for urban borrowers than rural and semi urban borrowers.

- Of the 5 aspects indicating adequacy, with regard to 2 of them viz., interest subsidy and expenses considered for loan, there is no evidence to prove that there exists any significant difference among borrowers. However, in the case of the remaining 3 aspects viz., loan amount, moratorium period and repayment period, there is significant difference. Adequacy of loan amount is significantly more for those borrowers who availed education loan with third party guarantee than those borrowers who availed the loan without any security. Moratorium period is significantly inadequate to the borrowers from semi-urban area compared to the borrowers from urban area.
• There is no significant difference among borrowers with regard to various aspects indicating affordability viz., rate of interest, volume of EMI and insurance premium.

• Of the 4 aspects indicating acceptability, with regard to 2 of them viz., linking repayment with salary and mode of disbursement, there is no evidence to prove that there exists any significant difference among borrowers. However, in respect of the remaining 2 aspects viz., insurance coverage and security requirements, there is significant difference among borrowers. Regarding insurance coverage, the acceptability is significantly more for those who got education loan within a short span of time (within 10 days). With respect to security requirement, the acceptability is significantly more for those who pay low EMI compared to those who pay high EMI.

• There is no significant difference among borrowers belonging to low loan intensity, medium loan intensity and high loan intensity districts regarding awareness, eligibility, adequacy, affordability and acceptability of education loan scheme.

• ‘Repeated visit to bank’ is the most important problem faced by the borrowers during loan sanction and disbursement followed by complicated formalities, lack of proper guidance and delay in sanction and disbursement.
• Of the 4 problems relating to sanction and disbursement, there is no evidence to prove that there exists any significant difference among borrowers regarding the problem on account of ‘delay in sanction and disbursement of loan’. However, in the case of the remaining 3 problems viz., complicated formalities, lack of proper guidance and repeated visit to bank, there is significant difference. The problems on account of education loan is significantly more for female borrowers than male borrowers in respect of complicated formalities.

• The problem on account of education loan is significantly more for the borrowers whose joint borrower is doing business than others in respect of lack of proper guidance.

• The problem on account of education loan is significantly more for the borrowers who opted medical course than who opted engineering course in respect of repeated visit to bank.

• High EMI is the major problem faced by the borrowers during loan repayment followed by insufficient income, lack of reminder from bank, unemployment, unforeseen events in the family, delay in getting job and lack of family support.

• Of the 7 problems relating to repayment, with regard to 4 of them viz., insufficient income, high EMI, delay in getting job and lack of reminder from bank, there is no evidence to prove that there exist any significant difference among borrowers. However, in respect of the remaining 3
problems viz., unemployment, lack of family support and unforeseen events in the family, there is significant difference. Unemployment is significantly more for borrowers whose age is above 30, lack of support from family is significantly more for borrowers from urban area than the borrowers from rural and semi-urban area, unforeseen events in the family is significantly more for borrowers from urban area than the borrowers from semi-urban area.

- There is no significant difference among borrowers belonging to low loan intensity, medium loan intensity and high loan intensity districts with respect to various problems relating to loan repayment.

- The borrowers are ‘satisfied’ about the terms and conditions of loan, attitude of bank officials, attitude of educational institution, government support and policy intervention, sanction and disbursement procedure and repayment schedule. However they are ‘dissatisfied’ with the recovery methods.

- Of the 7 aspects indicating satisfaction, with regard to 3 of them viz., terms and conditions of loan, attitude of bank officials, Government support and policy intervention, there is no evidence to prove that there exists any significant difference among borrowers. However, in respect of the remaining 4 aspects viz., attitude of educational institution, repayment schedule, sanction & disbursement procedure and recovery methods, there is significant difference. The borrowers who opt for short duration course (upto 3 years) are more satisfied than who opt for longer duration course
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(4 years) with regard to the attitude of educational institution towards education loan.

- Borrowers who took education loan through IBA scheme are significantly more satisfied than Non IBA scheme regarding repayment schedule of education loan.

- Borrowers who repay with low EMI (upto ₹5,000) are significantly more satisfied than those who repay with high EMI (above ₹10,000) regarding sanction and disbursement procedure of education loan.

- The borrowers who got the loan within a short span of time (within 10 days) are significantly more satisfied than those who got education loan with longer sanctioning duration (10 – 30 days) regarding the repayment schedule and recovery methods.

- There is no significant difference among borrowers belonging to low loan intensity, medium loan intensity and high loan intensity districts with respect to satisfaction.

Manager’s perspective

- 58.3 percent of the bank managers are from semi-urban area, 83.3 percent of the education loans are disbursed through the IBA scheme, 50 percent of the bank managers are of the opinion that they have sanctioned the loan within 10 days, 41.7 percent of the bank managers are of the opinion that they have disbursed the loan within one day and engineering students are
the main borrowers as well as defaulters followed by medical, management and arts & science students.

- Lack of security for education loan is the major problem faced by the managers followed by increasing NPA, willful default by the borrowers, inadequate documents from borrowers, loanees association intervention, poor CIBIL rating of joint borrowers, inadequate government support, inadequate support from parents, difficulty to locate borrowers due to change in the address, complexity in education loan procedure, political pressure, unfavorable attitude (procedural delays) of educational institution, inadequate insurance coverage and busy schedule of bank staff.

- Of the 14 problems encountered by managers in respect of education loan, there is no evidence to prove that there exists any significant difference among managers with respect to ‘willful default by the borrowers, difficulty to locate borrowers due to change in the address and inadequate support from parents’. However, in the case of the remaining 11 problems viz, political pressure, inadequate documents, lack of security for education loan, inadequate government support, inadequate insurance coverage, unfavorable attitude of educational institution, increasing NPA, complexity in education loan procedure, poor CIBIL rating of joint borrowers, loanees association intervention and busy schedule of bank staff, there is significant difference.
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- The problems encountered in connection with education loan is significantly more for managers of private sector banks than managers of public sector banks in respect of political pressure, increasing NPA, inadequate documents, complexity in education loan procedure, poor CIBIL rating of joint borrowers, lack of security for education loan, inadequate government support and inadequate insurance coverage.

- The problem on account of unfavorable attitude of educational institution is significantly more for managers belonging to medium loan intensity and high loan intensity districts than the managers from low loan intensity district.

- The problem on account of NPA is significantly more for managers belonging to medium intensity district than managers from high intensity districts and for managers from rural area than from urban area.

- The problem on account of education loan is significantly more for managers belonging to low loan intensity and high loan intensity districts than those who are from medium loan intensity district with regard to complexity in education loan procedure.

- The problem on account of education loan is significantly more for managers belonging to medium loan intensity district than those from low loan intensity districts with regard to poor CIBIL rating.
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• The problem on account of education loan is significantly more for managers belonging to medium loan intensity district than from low loan intensity district with regard to busy schedule of bank staff.

• The problem due to the interference from the part of loanees association is significantly more for managers from rural area than from urban area and semi-urban area.

• Regarding the satisfaction level of managers it was found that they are ‘satisfied’ with the terms and conditions of the scheme, attitude of educational institutions, and attitude of bank staff in loan processing and recovery.

• Of the 8 aspects indicating satisfaction, with regard to 7 of them viz., terms and conditions of the scheme, attitude of borrowers, attitude of educational institutions, security norms, attitude of bank staff in loan processing and recovery, Government policy and NPA recovery, there is no evidence to prove that there exists any significant difference among managers. However, in the case of the remaining aspect viz., loan repayment, there is significant difference. The satisfaction level of managers from urban area is significantly more than managers from rural and semi urban area with respect to loan repayment.

• There is no significant difference between the managers of public sector and private sector banks with respect to level of satisfaction about education loan.
• There is no significant difference among managers of commercial bank belonging to low loan intensity, medium loan intensity and high loan intensity districts with respect to satisfaction.

6.3 SUGGESTIONS

• Educational institution have to create awareness among students and parents about the availability of education loan scheme offered by different banks. They shall also appraise the pros and cons of education loan to them. A tie up of the institution with a few banks, may significantly reduce the complications such as repeated visits, complicated formalities and lack of proper guidance. Through such tie ups, bank managers can be relieved from the difficulties they encounter during the sanctioning, disbursement and recovery of education loan. By co-opting educational institution in all stages of education loan may significantly reduce NPA of banks. It may also help the students to avail education loan at comparatively less rate of interest.

• From the banks side also, awareness programmes may be given to prospective borrowers about document requirements, formalities etc. regarding education loan.

• As high EMI is emerged as a major hurdle in the repayment, a new mechanism for EMI calculation is proposed. As income of the borrower’s post education employment determines the ability of the borrower to repay the loan, an EMI as a certain percentage of their income may be automatically determined so that it may not pose a big issue for the
borrower. Facility of deduction from salary may be resorted to collecting an undertaking from the borrower. Aadhar linking and e-banking facilities can be done.

- A special purpose vehicle in the form of tribunal or Ombudsman may be set up at the state level and national level to speed up the recovery of education loan. One time settlement may be offered at frequent intervals along with concessional interest. Apart from that waiver of default interest may also be offered at regular intervals to motivate payment by loan defaulters.

- A data bank of education loan borrowers may be collected centrally and proper monitoring of borrowers and their accounts may be done so as to avoid willful defaulters.

- One reason for not getting good job after the completion of the course is the lack of competency of the students and the mushrooming of substandard educational institutions in the country which miserably fails to bring out competent and employable students. Cut off marks at entry level for different courses may be fixed well in advance and institution based interest rates as per the grade of the institution will discourage incapable applicants from availing education loan.

- In order to overcome the trauma due to non-repayment and consequent issues, mentoring and group counselling sessions may be arranged at
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institutional level or at bank level. The help of education loanees association may also be sought to make it more effective.

- As part of CSR initiatives from the part of commercial banks they can provide special consideration to the borrowers who belong to the BPL, differentially abled and women at time of sanction, disbursement and recovery of education loan which in turn will enable authorities to tackle various social issues in connection with education loan.

6.4 CONCLUSION

The study examined the education loan scheme of commercial banks in Kerala from the borrowers as well as from the bank managers’ perspectives. It is observed that both the public and the private sector banks demonstrate noticeable differences in the administration and performance of education loan scheme in Kerala. Public sector banks have the lion’s share in the sanction and disbursement of education loan in Kerala. It is also found that the increase in the education loan, has also increased the NPA of the banks considerably.

The evaluation of education loan scheme of commercial banks in Kerala from the perspective of borrowers shows that the borrowers hailing from the urban area are significantly more aware of education loan than borrowers from rural area. It is also found that borrowers belonging to low, medium and high intensity districts do not differ significantly regarding the different aspects of education loan such as awareness, eligibility, adequacy, affordability and acceptability of education loan. Moreover, the ‘repeated visit to bank’ has been
identified as the most prominent problem encountered by borrowers during the sanction and disbursement of loan.

Evaluation of education loan from managers’ perspective signifies that problem on account of education loan is significantly more in private sector banks than in public sector banks. The interference of loanees’ associations is significantly more in rural areas than in urban areas. Moreover, the satisfaction level of managers of urban area is significantly more than those from the rural and semi urban areas.

In short, the tapping of tremendous potential of education loan, through effective implementation, monitoring and follow up we will be able to cater to the mounting financial needs of students for pursuing their studies. Education loan scheme can provide a more promising tomorrow by educating the masses leading to the creation of a highly enlightened future generation. The problem encountered by borrowers and managers of commercial banks need to be addressed proactively. Certainly, education loan will be a true contribution to the social and economic development of the country in general and education sector in particular.

6.5 SCOPE FOR FURTHER RESEARCH

There is lot of scope for further research in the field of education loan scheme. For instance the scope of the present study can be extended by including new generation banks and co-operative banks. A detailed study regarding NPA on account of education loan may be undertaken so as to bring out the different
dimensions of NPA in respect of education loan. There is a scope for comparing education loan scheme implemented in different states and regions. It is worth considering the socio-economic empowerment achieved by the students who avail education loan to see how far this priority sector lending contribute to the development of the society. A study that covers the repayment intention of students can also bring out useful insights for the proper administration of education loan scheme in Kerala as it may help us to identify the drivers that contribute to the success and barriers that pullback achievements of education loan scheme.