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An Analysis of Education Loans in Punjab

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Abstract

Education is the right weapon to cut the social slavery and it is the education which will enlighten the down trodden masses to come up and gain social status, economic betterment and political freedom. Expenditure on education is considered as investment on human capital; it raises the level of skills of workers and thus contributes to economic growth and development of the country. Availability of financial resources is important determinants for quantitative expansion and to improve the quality of educational sector. Our education system has severely starved of funds. It requires huge flow of funds for its quantitative expansion, qualitatively improvement and for universal access. To fill this gap between demand and supply of funds, most of the committees recommended the provision of education loans. This paper has analysed the socio- economic impact of education loan. This paper is based on primary data which is collected with the help of questionnaire. In order to analyse the education loans in Punjab, five major professional streams have been chosen i.e., medicine, engineering, MBA, MCA and Law. The maximum numbers of students who have taken loans are those who are doing B. Tech, followed by BDS, MBA, MCA and nursing. The largest numbers of students i.e., 90.09 percent have taken loans from public sector banks. Punjab Gramin Bank has given loans to 12 students only.

Keywords: Education loans, extent of loan, public expenditure, repayment of loan.

Introduction

The higher education system of India has been growing rapidly as it covers all the major disciplines such as arts, science, medical, agriculture, pharmacy, engineering and management. The higher education system of India is the third largest in the world, next to China and United States (GOI, 2010).

In India, the expenditure on higher education is incurred by both the center and state government; however, the role of the state is relatively more. With the economic reforms, there was cut in budget for education and government diverted the resources from the higher education to primary education. It can be noticed from the tenth five year plan document that the government has the limited resources and need to be allocated to expand primary education and universities must make



efforts to supplement resources from the government. No doubt, the primary education is fundamental to the country, the higher education determines the economic and technical progress of the country. It was realized that the public budget could not fund higher education (Government of India, 2002-2007).

To overcome this financial crunch, various measures are such as enhancing the fee to recover at least 20 percent of recurring expenditure, encourage the role of private sector in professional education. The trend towards privatization led to increase in fee. Therefore, the cost of higher education increased and it was difficult for the poor students to take admission in higher education. There was the need of alternative sources to finance higher education such as grants, scholarships and education loans (All India Council of Technical Education, 1994).

Educational loan schemes are operative in around 75 countries of the world with three types of repayment: Fixed-schedule or conventional mortgage-type loans (CMLs), Income Contingent Loans and Fixed Schedule Income-Contingent Loan. The educational loan scheme introduced in India is the CML scheme. The main features of this scheme are that the quantum of interest charged is linked with the bank's prime rate, female students get a concession of 0.5 percent on the interest rate and simple interest is charged during the study period plus one year grace period. The loans are collateral-free up to Rs. 4 lakh, except when the parent is a co-borrower. Above Rs. 4 lakh and up to Rs.7.5 lakh, collateral security is in the form of a third-party guarantee is required. If the loan amount exceeds Rs.7.5 lakh, tangible collateral security is required along with the assignment of the future income of the student for payment of installments and the repayment period is 15 years for loans up to Rs. 7.5 lakh and 20 years for loans exceeding Rs. 7.5 lakh (Tiwari and Anjum, 2013).

Objectives

The main objectives of this paper are:

1. To examine the socio-economic profile of borrowers.
2. To examine the extent of education loans among students.
3. To examine the status of repayment of loans among students.

Methodology

The paper is based on primary data which is collected from the students who availed education loans and from banks or other institutions which have provided education loans. First of all the colleges and institutions are selected in which professional courses (Medical, Engineering, Law, MBA and MCA) are run, secondly students from these colleges or institutes are selected on purposive sampling basis. The information is gathered with the help of three detailed questionnaires one for students, second for bank officials and other for financial institutions. In the questionnaire designed for students, questions have been framed on general profile of the borrowers, family profile of the students and economic profile of students' families. General profile helps in analysing the social status and other factors like age, gender and category etc. Family profile helps in examining the occupational status of the family. Economic profile tells about economic status, income of the family. In Punjab, government



institutes are less in number for medicine and engineering courses, no government institute offers MBA, MCA and Law courses. In aided institutes, we have taken autonomous bodies like universities. Punjab has a number of private institutes. Data has been collected from all the universities and deemed universities, affiliated colleges of the universities. Total 817 students have been interviewed.

Main Findings

Education particularly the higher education is a critical component of bringing change in a society and a nation. High literacy rate ensures sustainable economic development and increase the productivity of labour. Equalization of educational levels eliminates regional inequalities and gender discrimination. After the reform period the government expenditure on higher education was decreased, therefore, the education loans schemes are introduced in the country. In this paper the socio-economic profile of borrowers, extent of education loans and the repayment status of education loans have been analysed. For this purpose, total 817 students have been interviewed through a well-structured questionnaire and analysis of primary survey has following findings:

The Table 1 shows age wise distribution of sampled students as well as gender wise distribution of students. Total 817 students were interviewed; out of these 466 were males and 351 were females which comprised 57.04 percent and 42.96 percent of males and females among the total sampled students respectively.

Age wise distribution shows that male students who have availed loans are maximum (50.21 percent) from the age group of 18-21 followed by 21-25 age group (39.91 percent), 25-30 age group (6.87 percent). Only 3 percent of the students of age group of above 30 have availed education loan. In case of female students, same scenario has been seen that the maximum female students of age group 18-21 i.e. 197 students availed education loan and that is 56.13 percent of the total. Only 2 students i.e. 0.57 percent of the total female students belong to age group of above 30 which has taken educational loan. Even for total students, more than 50 percent of students belong to age group of 18-21 years of age who have availed education loans. As the age increases, proportion of loanee students decreases.

Table 1 Age-wise Distribution of Students in Punjab

Age	Male	Female	Total
18-21	234(50.21)	197(56.13)	431(52.75)
21-25	186(39.91)	139(39.6)	325(39.78)
25-30	32(6.87)	13(3.7)	45(5.51)
Above 30	14(3)	2(0.57)	16(1.96)
Total	466(100)	351(100)	817(100)

Field Survey- 2016-2017 (Percentages are in parenthesis)



Table 2 shows that out of 817 students, 526 belong to general category which is 64.38 percent of the total students, followed by SC, BC and other castes which comprise 25.58 percent, 5.14 percent and 4.9 percent respectively. Almost same scenario can be seen in both the gender cases i.e. 64.81 percent and 63.82 percent females belong to general category, 24.03 percent male students and 27.64 percent female students belong to SC category. Proportion of female students i.e. 5.7 is greater than 4.29 percent of male students which belong to other categories.

Table 2 Caste-wise Distribution of Students in Punjab

Caste	Male	Female	Total
General	302(64.81)	224(63.82)	526(64.38)
SC	112(24.03)	97(27.64)	209(25.58)
BC	32(6.87)	10(2.85)	42(5.14)
Others	20(4.29)	20(5.7)	40(4.9)
Total	466(100)	351(100)	817(100)

Field Survey- 2016-2017 (Percentages are in parenthesis)

In the questionnaire, the question regarding the marital status of students was asked. Maximum students are unmarried i.e. 791, which comprises of 96.82 percent of total students. In male students, only 5 students are married, which is just 1.07 percent and; female students dominate in married category with 5.98 percent i.e., 21 female students are married.

In the analysis, attempt has been made to analyse education loans in Punjab, it is for students who are from Punjab and studying in Punjab as well as students who have come from other states to Punjab for study. Out of total 702 students are from Punjab itself, out of that 393 are males and 309 females, 115 students belong to states other than Punjab of which 73 are males and 42 are females who have availed loans. It is not that people who are living in urban areas have all the information regarding the facilities provided by the government in any field. Now a days, rural people are aware about these, they also have information of education loans and they avail it for higher education. Table 3 shows that 250 students belong to rural areas which is 30.6 percent of the total, 143 males (30.69 percent) and 107 females (30.48 percent) students have availed loans for higher education. Almost 70 percent of sampled students availed loans and they belong to urban areas, 323 (69.31 percent) are males and 244 (69.52 percent) are females. Coefficient of inequality is for total sample is 2.268, whereas for males and females, it is found 2.25 and 2.28 respectively.

**Table 3 Distribution of Students in Punjab (Residential Status wise)**

Area	Male	Female	Total
Rural	143(30.69)	107(30.48)	250(30.6)
Urban	323(69.31)	244(69.52)	567(69.4)
Total	466(100)	351(100)	817(100)
Coefficient of inequality	2.25	2.28	2.268

Field Survey- 2016-2017 (Percentages are in parenthesis)

To analyse that which class means service, business or farming class takes more education loans, table 4 has been made to show distribution of sampled students according to parents' occupation. As per table, 671 parents are engaged in services means maximum of the loans are taken by service class followed by business, farming and self-employed. In services, 424 (51.9 percent) fathers and 247 (30.23 percent) mothers are engaged. None of the mothers was doing business, only two were in farming sector. 191 fathers(23.38 percent) are engaged in agriculture sector. Just 2.14 parents are self-employed.

Table 4 Parent's Occupation-wise Distribution of Students in Punjab

Parent's Occupation	Father's	Mother's	Total
Service	424(51.9)	247(30.23)	671(41.06)
Business	181(22.15)	0(0)	181(11.08)
Farming	191(23.38)	2(0.24)	193(11.81)
Self-Employed	17(2.08)	18(2.2)	35(2.14)
None	4(0.49)	550(67.32)	554(33.9)
Total	817(100)	817(100)	1634(100)

Field Survey- 2016-2017 (Percentages are in parenthesis)

In the questionnaire, the questions were asked regarding assets of family like house, TV, refrigerator, vehicles, mobile etc. All the students are having these amenities of life. Some having costly things while others are having not so expensive, that means people are not that poor, they have amenities of life like pucca house, TV, mobiles, vehicles etc. Income wise group distribution is shown in the table 5 which shows that 48.23 parents have come under less than 2 lakh income group which are 788 in number followed by 6 to 8 lakh income group comprising 15.18 percent of parents and 4 to 6 lakh income group comprising 12.61 percent of the total. Under 2 to 4 lakh and 8 to 10 lakh, 12.3 percent and 9.24 percent parents fall respectively. Only 2.44 percent of parents are in above 10 lakhs income group.

**Table 5 Distribution of Students (Income levels wise)**

Family Income (In Lakhs)	Father	Mother	Total
Less than 2 Lakh	215(26.32)	573(70.13)	788(48.23)
2 to 4	193(23.62)	8(0.98)	201(12.3)
4 to 6	164(20.08)	42(5.14)	206(12.61)
6 to 8	112(13.70)	136(16.65)	248(15.18)
8 to 10	97(11.88)	54(6.61)	151(9.24)
Above 10 lakhs	36(4.40)	4(0.49)	40(2.44)
Total	817(100)	817(100)	1634(100)

Field Survey- 2016-2017(Percentages are in parenthesis)

Out of total sampled students, 47.12 percent students are doing Engineering, 29.87 percent are medical students, 10.53 percent are pursuing MBA, 7.59 percent are studying MCA and in Law there are 4.9 percent students of the total. Gender wise division shows that males dominate in Engineering, 251 students i.e. 53.86 percent, in MCA 58 students (12.45 percent) and in Law 31 students (6.65 percent). Females dominate in medical courses, they are 167 i.e. 47.58 percent. In MBA, same proportion of males and female students has been seen.

Table 6 bifurcates the courses as medical (MBBS, MS/MD, BDS, MDS, Nursing, Pharmacy), engineering (all trades of B. Tech., BE, M. Tech) has been taken. This table shows that if we see course wise then students who are studying B. Tech, they have taken maximum loans i.e. 353(43.21 percent). Moreover, in gender wise distribution, both male and female students have taken maximum loans for B. Tech i.e. 223 and 130 students respectively. Second course for which loans are taken is BDS in which 124 students (15.18 percent) are found. Females have taken more loans for this course i.e. 81 female students and 43 male students.

Table 6 Distribution of Students in Punjab (Course wise)

Course	Male	Female	Total
Medical	77(16.52)	167(47.58)	244(29.87)
MBBS	18(3.86)	10(2.85)	28(3.43)
MS/MD	2(0.43)	1(0.28)	3(0.37)
BDS	43(9.23)	81(23.08)	124(15.18)
MDS	5(1.07)	20(5.7)	25(3.06)
Nursing	0(0)	51(14.53)	51(6.24)
Pharmacy	9(1.93)	4(1.14)	13(1.59)
Engineering	251(53.86)	134(38.18)	385(47.12)
B. Tech	223(47.85)	130(37.04)	353(43.21)
BE (AERO)	16(3.43)	0(0)	16(1.96)



Course	Male	Female	Total
M. Tech	12(2.58)	4(1.14)	16(1.96)
MCA	58(12.45)	4(1.14)	62(7.59)
MBA	49(10.52)	37(10.54)	86(10.53)
B.A. (LLB)	31(6.65)	9(2.56)	40(4.9)
Total	466(100)	351(100)	817(100)

Field Survey- 2016-2017 (Percentages are in parenthesis)

Third and fourth rank goes to MBA and MCA where 86 and 62 students have taken loans respectively. In MCA there are only 4 girls who have availed loans. Nursing is the course where 51 female students i.e. 14.53 percent have availed education loan. In the ranking of first five courses in which male students have availed education loans are B. Tech, MCA, MBA, BDS and Law respectively. In case of female students first five courses are B. Tech, BDS, Nursing, MBA and MDS. The survey reveals that girls are taking more loans for BDS, MDS and Nursing because they want to go abroad as these courses have value in foreign countries.

Education loan information given by student borrowers, name of the bank from where they availed education loans is shown in table 7. The table reveals that 90.09 percent student (736) have availed loans from public sector banks, 7.22 percent from private sector banks and 1.96 percent from Gramin banks. Only two students have availed loans from co-operative banks and 4 students from other sources of finance which includes minorities commission, arthiyas, relatives and NGOs.

None of the female students had taken loans from co-operative banks and male students from other sources of finance. Among public sector banks, most leading bank is SBI, followed by Punjab National Bank, Punjab and Sind Bank, Oriental Bank of Commerce and SBOP. HDFC is the leading private sector bank which provided loans to 6 percent students. Punjab Gramin Bank has given loans to 12 students. Co-operative Bank and others provided loans to 0.24 percent and 0.49 percent of students respectively.

Table 7 Bank-wise distribution of sampled students

Banks Wise	Male	Female	Total
Public Sector Banks	424(90.99)	312(88.89)	736(90.09)
Private Sector Banks	29(6.22)	30(8.55)	59(7.22)
Co-operative Banks	2(0.43)	0(0)	2(0.24)
Gramin Banks	11(2.36)	5(1.42)	16(1.96)
Others	0(0)	4(1.14)	4(0.49)
Total	466(100)	351(100)	817(100)

Field Survey- 2016-2017 (Percentages are in parenthesis)



Reasons for opting a particular bank by sampled students have been taken in table 8. The analysis given in the table is based on multiple responses given by the students. It has been analysed that majority of students have opted a particular bank to avail loan because of lesser rate of interest i.e. 87.27 percent of students, 37.7 percent students have opted a bank due to persuasion of agents. Proportional students who have opted a bank on suggestions of some relatives or friends is 30.97 percent, 15.67 percent have availed loan from a bank which was near to their residential area. Mainly the economic reason is behind the choice of a particular bank i.e. lesser rate of interest.

Table 8 Reasons for opting bank for education loans

Reasons for opting particular bank	Students
Less rate of interest	713(87.27)
Suggested by relatives or friends	253(30.97)
Near residential area	128(15.67)
Newspaper advertisement	32(3.92)
Agents	308(37.7)
Others	126(15.42)
Total	817(100)

Field Survey- 2016-2017 (Percentages are in parenthesis)

There are multiple responses for problems faced by the students at the time of availing loans, 89.23 percent of the student responded that they found it a very lengthy and time consuming procedure. Many procedures are followed and more paper work is involved told by 72.34 percent respondents. 69.03 percent of students felt that behaviour of bank employee was not cordial. 67.56 percent of students expressed that they were harassed, 17 percent were refused the education loan by one bank or the other. 60 students complained that they were sanctioned lesser amount of loan than the amount they had applied for. The survey reveals that most of the students feel that it was a lengthy procedure with a very long waiting period for releasing installments. Sometimes even the first installment is released after 2-3 months of fee deposition date and the students had to find some other alternative for arrangement of fee. Bank official themselves are not clear about the required documents and frequently asked students for one or the other document (Table 9).

Table 9 Problems faced by sampled students at the time of availing loans

Problems	Male	Female	Total
Lengthy procedure	411(88.2)	318(90.6)	729(89.23)
More Paper Work	329(70.6)	262(74.64)	591(72.34)
Behaviour of the Bank Employees	311(66.74)	253(72.08)	564(69.03)
Refusal by a Bank	76(16.31)	63(17.95)	139(17.01)
Harassment	279(59.87)	273(77.78)	552(67.56)
Total	466(100)	351(100)	817(100)



Reasons told by students for non-repayment of education loans are;majority of students i.e., 52.22 percent said due to less salary they could not repay the loan; it is difficult for them to repay as installment in some cases is 40-45 percent of their salary. 30 percent could not find jobs and 14.44 could not get suitable job according to their qualification (Table 10).

Table 10 Reasons for non-repayment of Education Loan (students' responses)

Reasons for no repayment	Count
Unemployment	27(30.00)
Under employed	13(14.44)
Less Salary	47(52.22)
No specific reason	3(3.33)
Total	90(100)

Field Survey- 2016-2017 (Percentages are in parenthesis)

Sampled bank officers' responses

This section deals with the responses of the bank officials regarding education loans. Total 31 bank officials were interviewed and they were asked questions regarding their work experience, in which course there is more demand of loans, reasons for non-repayment of loans, etc.

When the bank officers asked about in which courses there is more demand for education loan. Engineering students demand for more education loans followed by medical students, MCA, MBA and law students. The officer's asked that whether they have denied any student from providing loan then 26 of them responded 'NO'. Only 5 officials said they have refused to those students which were either short of documents or failed in qualifying exams.

Reasons for non-repayment of loan by bank officers are given in table 11. Multiple responses are given by bank officers majority of them i.e. 67.74 percent feel that students got low paid jobs due to which they are unable to repay the loan. 64.52 percent feel that students could not get jobs. Sometimes students could not pass in the course or where they got the job that company sends them abroad.



Table 11 Reasons for non- repayment of Loan by Bank Officers

Reasons of no repayment	Count
Didn't get job	20(64.52)
Low paid job	21(67.74)
Failed in course	5(16.13)
Went abroad	15(48.39)
Others (Specify)	2(6.45)

Field Survey- 2016-2017 (Percentages are in parenthesis)

Conclusion

This paper has analysed the various socio-economic impacts of education loans. This paper is based on the primary data collected from different institutions of Punjab. For analysis of education loans in Punjab, five major professional streams have been chosen i.e. medicine, engineering, MBA, MCA and Law. The total 817 students were interviewed; out of these 466 are males and 351 females respectively. The maximum number of students who have availed maximum loans from the age group of 18-21, in case of female students, same scenario is seen. The maximum loans are taken by students of B. Tech followed by BDS, MBA, MCA and nursing. Maximum students have availed loans from public sector banks and among public sector banks, most leading bank is SBI. Among private sector banks, HDFC is the leading bank which provided loans to students. The main problems faced by the students at the time of availing loans were lengthy procedure and time consuming, more paper work, refusal by bank, behavior of bank employees is not cordial and harassment. Most of the students are unable to repay the loans and the reasons told by students for non-repayment of education loans are unemployment and less salary in case they got job.

Suggestions

In the study almost all the students want that sanction of loan process should be less time consuming, less paper work should be there and release of money should be on time and other installments should not be withheld, should be released. All the defaulters' problem is of either no employability or low employability or less wages. Need is to develop infrastructure, industries, different sectors. In the study, it has been seen that the institutes which make efforts for the placements, their students get better jobs and they repay their loans. The institutes where no efforts or less efforts are made for placements, there is less employability. The institute should tie up with companies; they should ask for their requirements so that students can make preparations accordingly and get jobs in the companies or industries and can become able to repay their loans.



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