

# Perception of Beneficiaries on Education Loan

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## INTRODUCTION

A loan is when you borrow money from a friend, a bank, or another financial organization in exchange for repayment of the principal plus interest in the future. The main is the amount you borrowed, while the interest is the fee you were charged for taking out the loan.

Education loan is nothing but money borrowed by students from banks to cover their educational expenses, it covers a wide range of expenses such as tuition fees, living expenses while the beneficiaries are in the process of pursuing degree, books and supplies, food, laptop etc.

The quality education is very important for successful and complete life. Keeping this in mind the parents who want to give their children a quality and best possible education, they save their money in the best possible way like in fixed deposits, mutual fund etc. for long term but still there is shortage of funds at that point education loan plays an important role to fill the gap between the shortage students requirement and money. Because the cost of education is increasing rapidly, in fact the cost of studying at reputed institution is already quite high. An education loan covers the basic course cost and other expenses related to college such as accommodation, food, exam charges, books, laptop etc. The students are the main borrowers and a parents, siblings, spouse can be the co-applicant.

The education loan offered to the students who want to pursue their education including higher education by their own means not depending on parents or who are not able to pay course fees from their parents income. The loan amount offered for studies to students varies from one bank to another. It covers graduation, post-graduation in all fields like medical, engineering, management, hotel management, architecture also it covers full-time, part-time and vocational courses also.

The banks can give loan up to 100% of the loan depending on the loan amount applied for, currently for up to 4 lakhs loan amount, there is no margin money required. The bank asks for collateral if your loan amount is above rupees 7.5 lakhs and bank does not ask for any collateral for loan up to rupees 4 lakhs. Also for loan amount 4 lakhs up to 7.5 lakhs a third party guarantor is required. Once a loan application is accepted then bank disburses loan amount then bank disburses loan directly to the college as per the given fees structure.

The interest rate on an education loan varies from bank to bank it may be 8% up to 11-12% also but it's less as compared to other loans. The loan will be repaid by the students generally, the repayment starts when the course completed. Some banks provide a relaxation period of 6 months up to 1 year after securing a job or completion of studies for repayment. The repayment period is generally 5 to 7 years, it may be extended beyond as well.

The key to transforming a weakness into a strength is education. It provides many tools and methods for understanding and resolving difficulties that arise in the future of us. More significantly, education equips us with the mental agility to make sound decisions and act quickly when necessary.

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It helps students in becoming better citizens, obtaining a higher-paying career, and demonstrating the distinction between good and bad. Education teaches us the value of hard work while also assisting us in our growth and development. As a result, by understanding and respecting rights, rules, and regulations, we may help to form a better society to live in.

Education and training increase your inner confidence, which aids you in achieving your work goals. You obtain knowledge, abilities, and experience that will aid your career advancement. According to studies, having more confidence helps you advance in your work.

The most of the times the education loan is the first loan in person's life, it helps to this person to build a good credit score, if you repay the loan without any delay and default then it makes easier for person to get other loans in future, like home loan, car loan etc.

Education loan teaches students to take responsibility for their studies as it builds a financial discipline from an early age of them.

Loans have become increasingly important in our current economy. Their significance, on the other hand, is not limited to persons. The governments can borrow from individuals and individuals can borrow from governments. Borrowings and lending money are crucial to a country's economy in any case. As the interest rate on education loan is low as compared to other loans the most of the students wanting to take their own financial responsibilities that's why 90% students took education loan to complete their education, if more students are taking education loan then it raises the flow of money in economy as after completing education immediately students start repaying their loan also with good income it increases their purchasing power.

### **Research methodology**

#### **Objectives –**

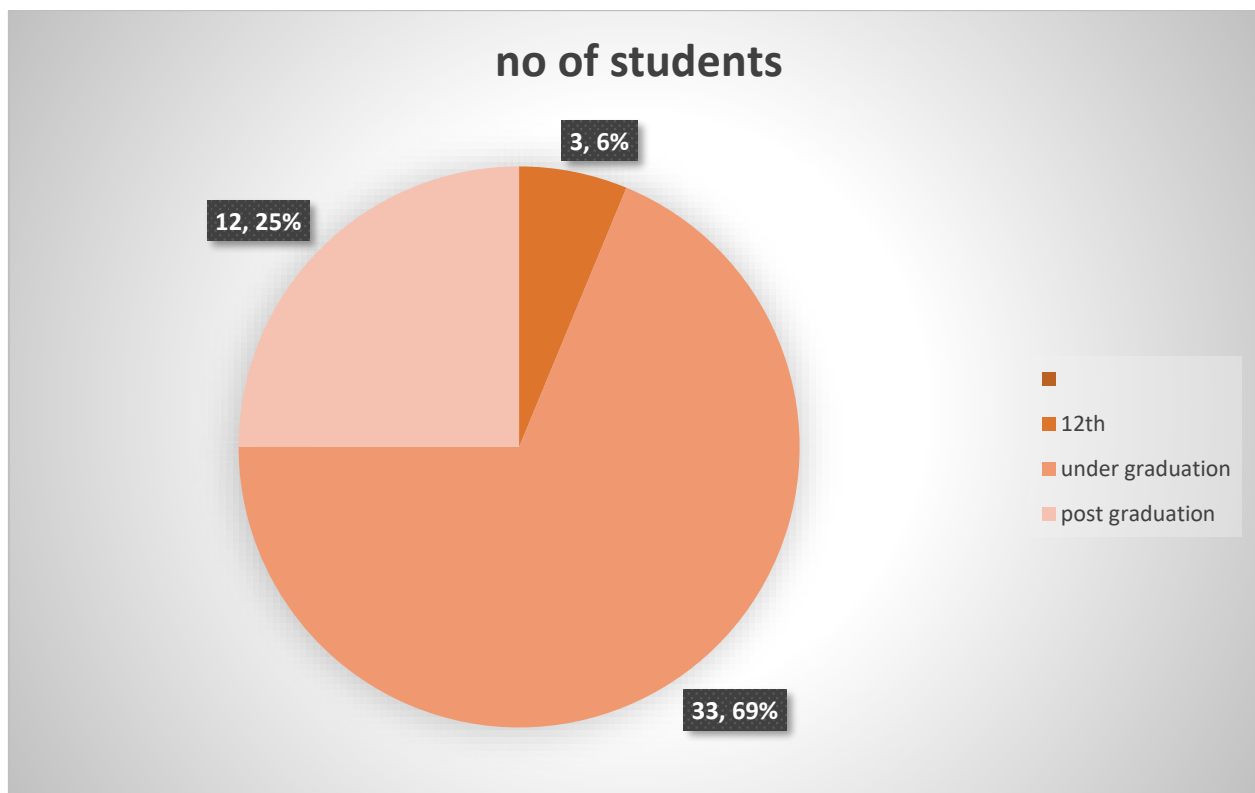
- 1) To analyse the satisfaction level of borrowers towards the education loan from banks in the study area.
- 2) To find out the problems faced by beneficiaries during process of taking loan in study area.
- 3) To analyse the perception of beneficiaries about education loan in study area.
- 4) To study the various factors that influence the students to avail the educational loan.

### **Date collection -**

**TABLE NO [1] - EDUCATION OF BENEFICIARIES AT THE TIME OF LOAN  
AVAILED**

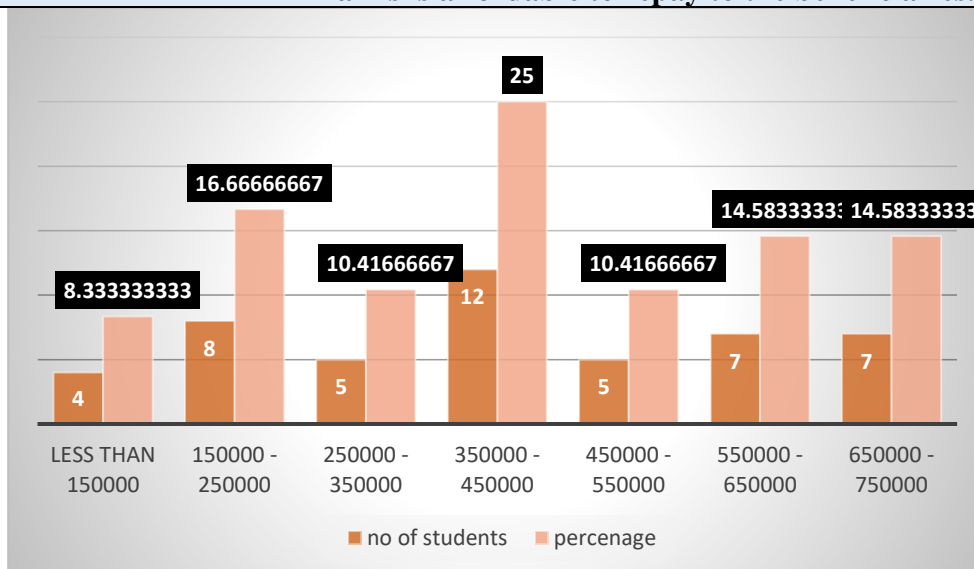
| category         | no of students | percentage |
|------------------|----------------|------------|
| 12th             | 3              | 6.25       |
| under graduation | 33             | 68.75      |
| Post-graduation  | 12             | 25         |
| total            | 48             | 100        |

**68.75 % of beneficiaries who availed loan were under-graduated and only 6.25% were in 12th qualified, Because scope for higher education is more after under graduation.**

**TABLE NO [2] - AMOUNT OF LOAN TAKEN BY BENEFICIARIES FOR THAIR EDUCATION**

| amount of loan   | no of students | percentage  |
|------------------|----------------|-------------|
| less than 150000 | 4              | 8.333333333 |
| 150000 - 250000  | 8              | 16.66666667 |
| 250000 - 350000  | 5              | 10.41666667 |
| 350000 - 450000  | 12             | 25          |
| 450000 - 550000  | 5              | 10.41666667 |
| 550000 - 650000  | 7              | 14.58333333 |
| 650000 - 750000  | 7              | 14.58333333 |
| total            | 48             | 100         |

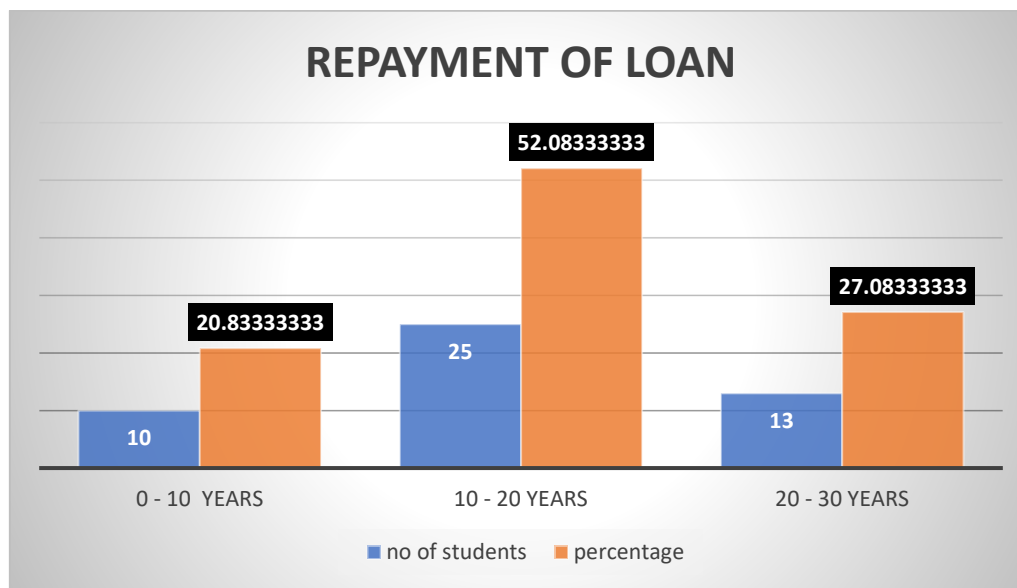
25% of beneficiaries availed loan between 3.5 lakhs to 4.5 lakhs and least 8.3% beneficiaries availed loan of rupees less than 1.5 lakhs because the amount between 3.5 lakhs to 4.5 lakhs is affordable to repay to the beneficiaries.



**TABLE NO[3] - REPAYMENT PERIOD FOR LOAN TAKEN BY BENEFICIARIES**

| repayment period | no of students | percentage  |
|------------------|----------------|-------------|
| 0 - 10 years     | 10             | 20.83333333 |
| 10 - 20 years    | 25             | 52.08333333 |
| 20 - 30 years    | 13             | 27.08333333 |
| total            | 48             | 100         |

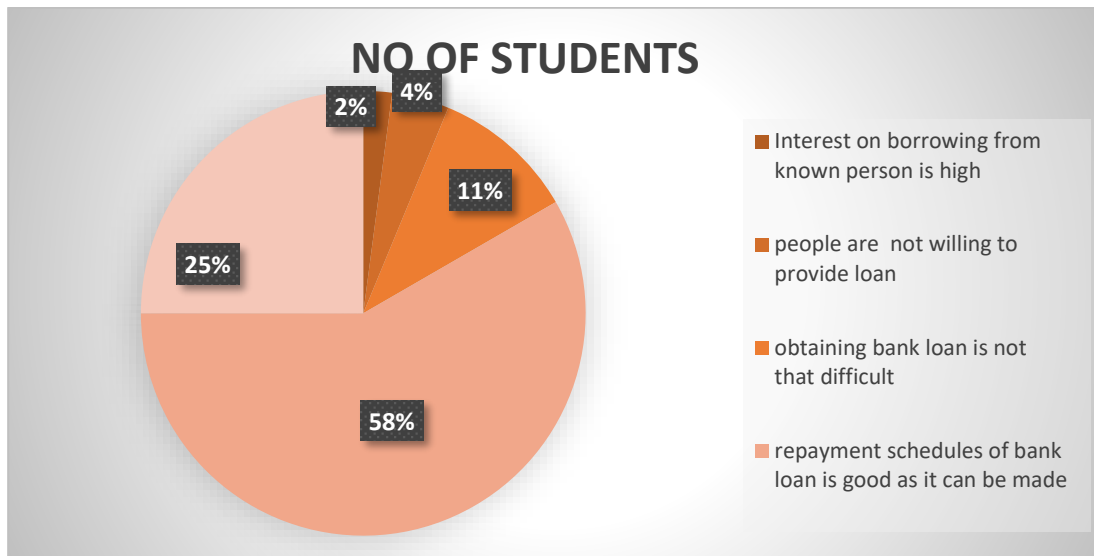
Interpretation: the 52.08% beneficiaries repayment period for loan is between 10-20 years and least 20.83% of beneficiaries repayment period for loan is upto 10 years because the repayment period of loan is depend on beneficiaries income.



**TABLE NO[4] - REASONS FOR TAKING BANK LOAN RATHER THAN BORROWING FROM KNOWN PERSON**

| REASONS  | NO OF STUDENTS | PERCENTAGE  |
|--|----------------|-------------|
| Interest on borrowing from known person is high            | 1              | 2.083333333 |
| people are not willing to provide loan                     | 2              | 4.166666667 |
| obtaining bank loan is not that difficult                  | 5              | 10.41666667 |
| repayment schedules of bank loan is good as it can be made | 28             | 58.33333333 |
| I do not like to borrow from people                        | 12             | 25          |
| total  | 48             | 100         |

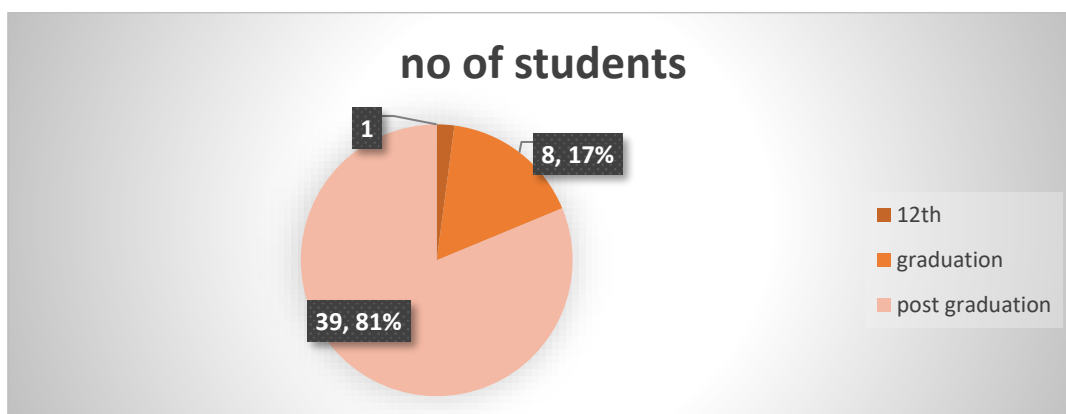
58.33% of beneficiaries reasons for taking bank loan rather than borrowing from known person because repayment schedule of bank is good as can be made and least 2.08% of beneficiaries reason was interest on borrowing from known person is high because the bank's interest rate is low as compared to another loan and repayment schedule is long as 10 to 20 years



**TABLE NO[5] - EDUCATION FOR WHICH LOAN HAS TAKEN BY BENEFICIARIES**

| category        | no of students | percentage  |
|-----------------|----------------|-------------|
| 12th            | 1              | 2.083333333 |
| graduation      | 8              | 16.66666667 |
| Post-graduation | 39             | 81.25       |
| total           | 48             | 100         |

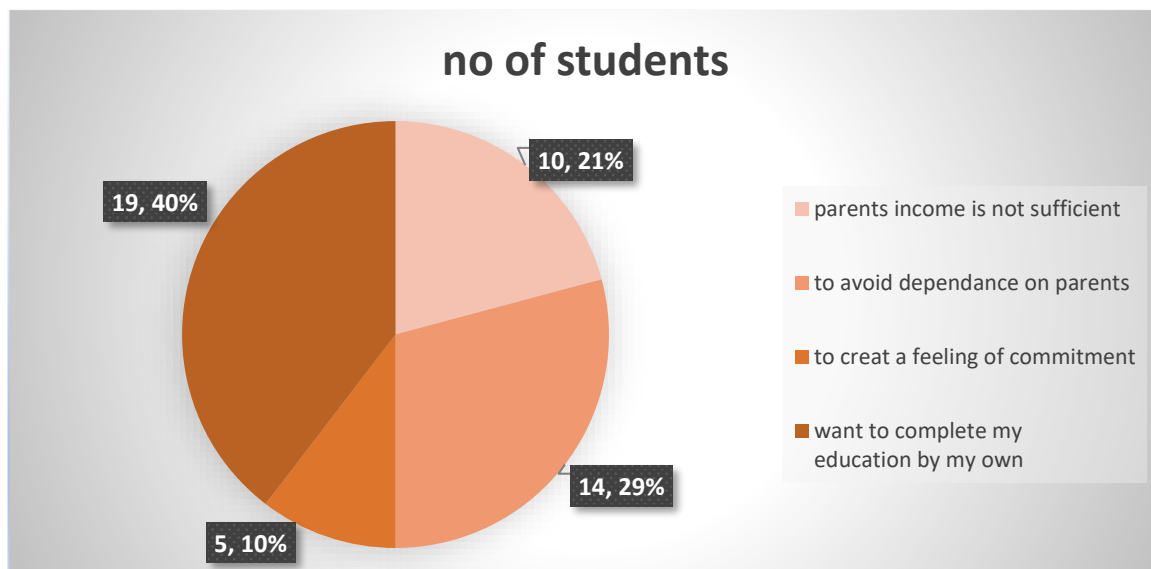
81.25% of beneficiaries who availed the loan for post-graduation were, least 20.8% of beneficiaries were for 12th qualification because the course fees were high as compared to 12th and under-graduation courses.



**TABLE NO - [6] REASONS FOR AVAILING BANK LOAN**

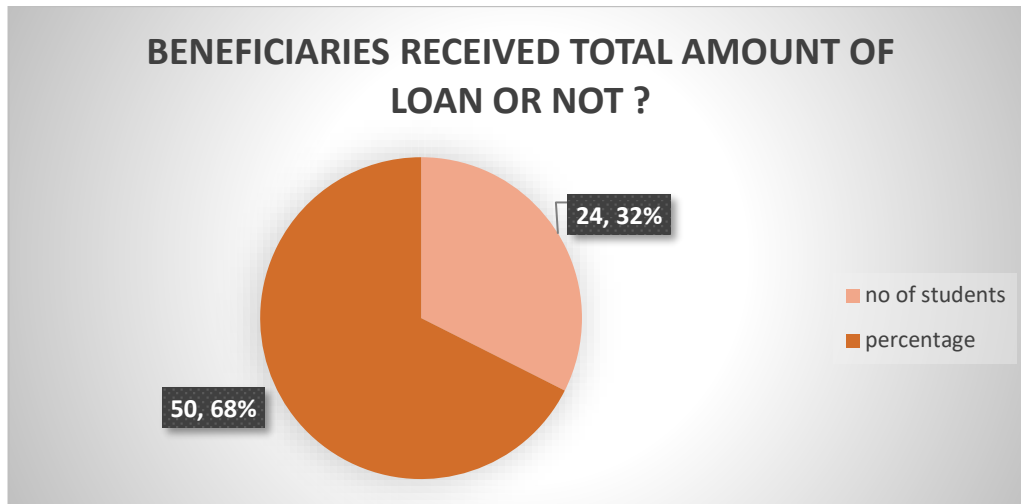
| reasons                                 | no of students | percentage  |
|---|----------------|-------------|
| parents income is not sufficient        | 10             | 20.83333333 |
| to avoid dependance on parents          | 14             | 29.16666667 |
| to creat a feeling of commitment        | 5              | 10.41666667 |
| want to complete my education by my own | 19             | 39.58333333 |
| total                                   | 48             | 100         |

39.58% of beneficiaries availed the bank loan because then want to complete the education by their own money, they don't want to depends on the parents for money and least 10.41% of beneficiaries availed bank loan because they want to creat the feeling of commitment.


**TABLE NO - [7] HAS BENEFICIARIES RECCEIVED TOTAL AMOUNT OF LOAN OR NOT ?**

| yes/no | no of students | percentage |
|--------|----------------|------------|
| yes    | 24             | 50         |
| no     | 24             | 50         |
| total  | 48             | 100        |

**50% of beneficiaries received full amount of loan for they applied and 50% didn't receive the full amount of loan because of CIBIL score of parents, poor academic performance, loan amount, income of parents, course applied for etc.**



**TABLE NO - [8] was the borrowed loan adequate to meet expenses?**

| yes/no | no of students | percentage  |
|--------|----------------|-------------|
| yes    | 28             | 58.33333333 |
| no     | 20             | 41.66666667 |
| total  | 48             | 100         |

**58.33% of beneficiaries borrowed loan meet the adequate expenses were 41.66% of beneficiaries loan amount did adequate to meet expenses because they didn't get the full amount of loan for they applied.**





**TABLE NO - [9] what is the normal time taken to sanctioning the loan ?**

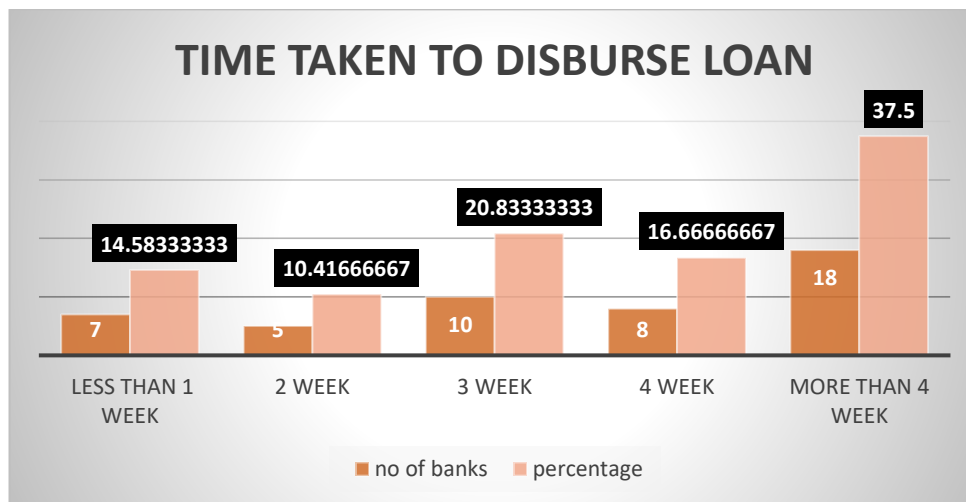
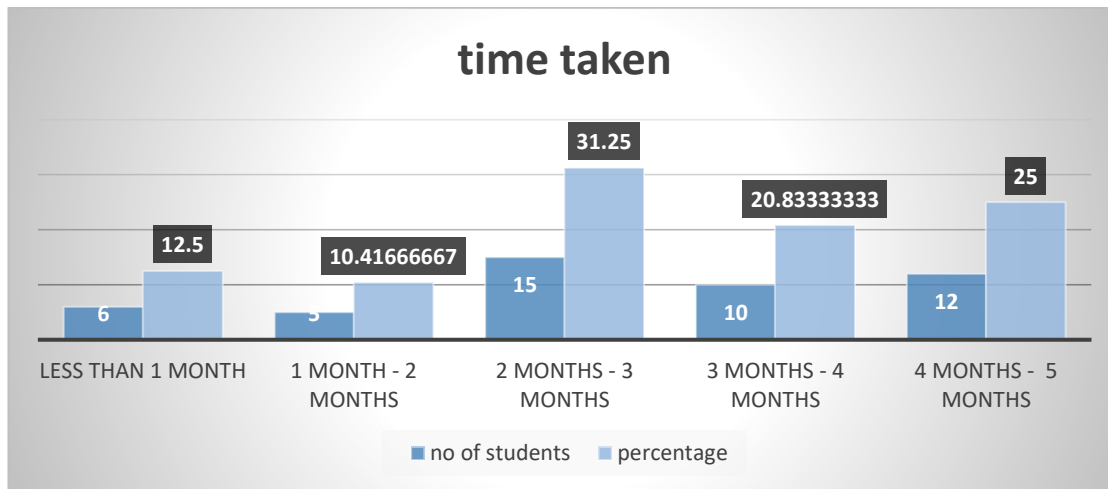
| time taken          | no of students | percentage  |
|---------------------|----------------|-------------|
| less than 1 month   | 6              | 12.5        |
| 1 month - 2 months  | 5              | 10.41666667 |
| 2 months - 3 months | 15             | 31.25       |
| 3 months - 4 months | 10             | 20.83333333 |
| 4 months - 5 months | 12             | 25          |
| total               | 48             | 100         |

31.25% of beneficiaries took 2 to 3 months to get their sanctioned loan and least 10.41% of beneficiaries took 1 - 2 months to get their sanctioned loan because sanctioning the loan is little bit lengthy process which includes sanction letter, pre-approved sanction letter, documents required of applicant and co-applicant etc.

**TABLE NO-[10] how much time taken by the bank to disburse the sanctioned loan?**

| time taken       | no of banks | percentage  |
|------------------|-------------|-------------|
| less than 1 week | 7           | 14.58333333 |
| 2 week           | 5           | 10.41666667 |
| 3 week           | 10          | 20.83333333 |
| 4 week           | 8           | 16.66666667 |
| more than 4 week | 18          | 37.5        |
| total            | 48          | 100         |

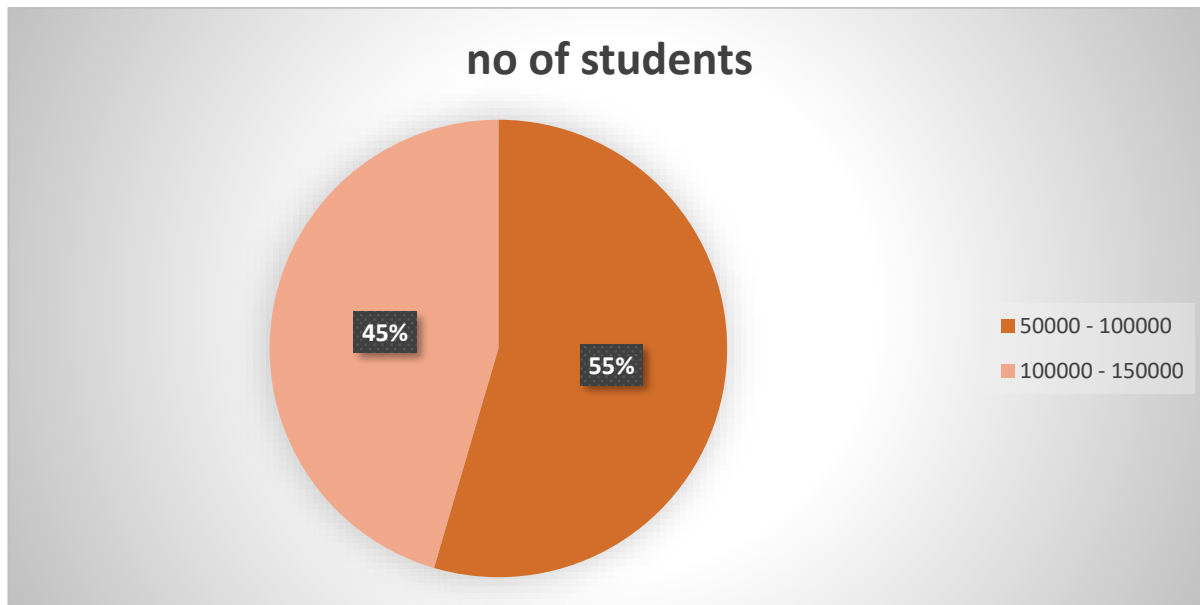
37.5% of banks took more than 4 week to disburse the sanctioned loan amount were least 10.41% of banks bank took around 2 weeks to disburse loan amount because the process to disburse loan is little bit lengthy and its Includes documentation work as well.



**TABLE NO -[11] amount of scholarship received by beneficiaries**

| amt of scholarship | no of students | percentage  |
|--------------------|----------------|-------------|
| 50000 - 100000     | 12             | 44.44444444 |
| 100000 - 150000    | 10             | 37.03703704 |
| total              | 27             | 100         |

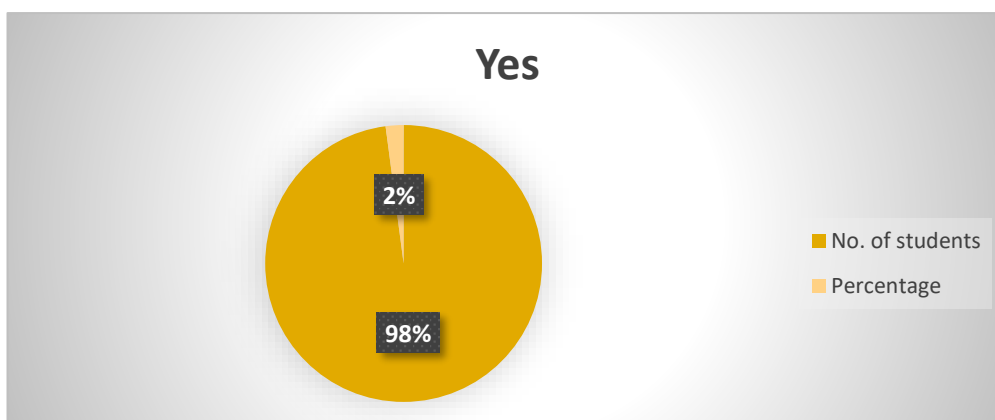
44.44% beneficiaries were eligible for scholarship and remaining 37.03% beneficiaries were not eligible for scholarship because to give the scholarship to the students that category decided by the college one of that is past academic performance of the student.



**TABLE NO- [12] Do you utilized the loan fully for the purpose for which applied?**

| Category | No. of students | Percentage |
|----------|-----------------|------------|
| Yes      | 47              | 100%       |
| No       | 0               | 0          |
| Total    | 47              | 100%       |

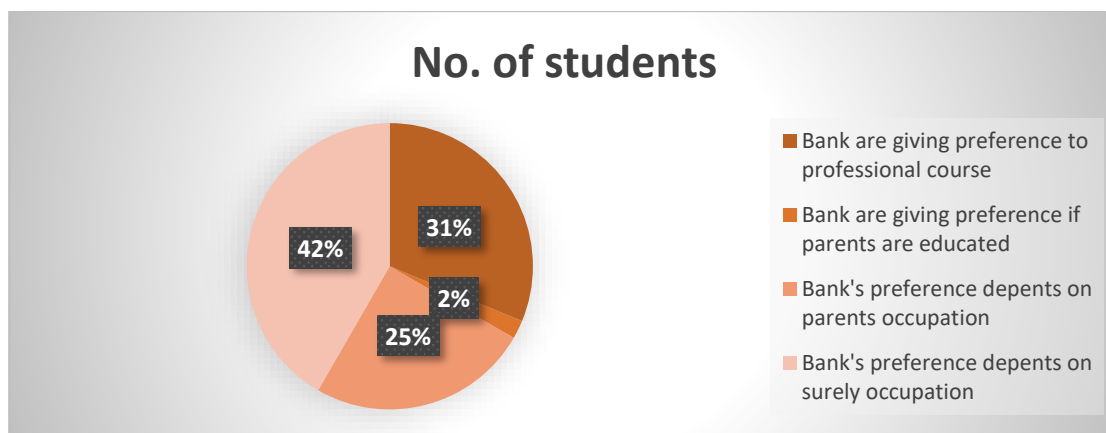
**Interpretation – 47% are fully utilizing their education loan because they are aware of how much it is going to spend.**



**TABLE NO-[13] what are the preference attached by bank while sanctioning education loan?**

| Category   | No. of students | Percentage |
|--|-----------------|------------|
| Bank are giving preference to professional course  | 15              | 31.30%     |
| Bank are giving preference if parents are educated | 1               | 2.10%      |
| Bank's preference depends on parents occupation    | 12              | 25%        |
| Bank's preference depends on surely occupation     | 20              | 41.70%     |
| Total  | 48              | 100%       |

**Interpretation: 42% says, Bank needs their parent to have surely occupation because they want security of getting repayment easily. According to 2% , Bank wants educated parents because parents must know the formalities of education loan**



**TABLE NO-[14] has your loan applied been rejected at any point of time?**

| Category | No. of students | Percentage |
|----------|-----------------|------------|
| Yes      | 11              | 22.90%     |
| No       | 37              | 77.10%     |
| Total    | 48              | 100%       |

**Interpretation:**

**77% says No because they were having proper documents for the loan  
And 23% are those who didn't matched with the formalities whichever was needed.**

**Yes**

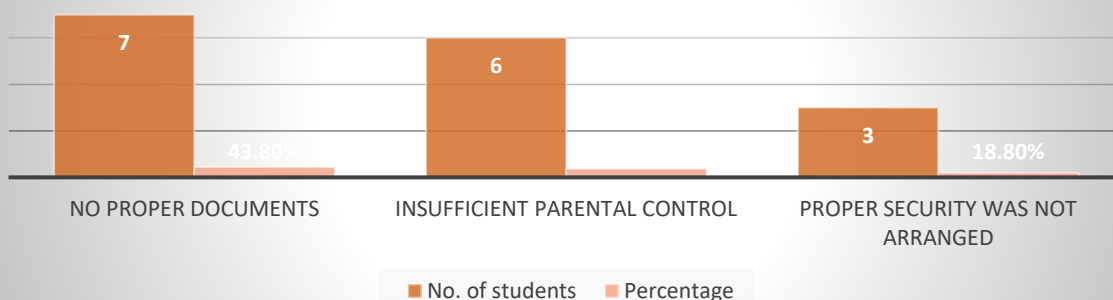


**TABLE NO-[15] what are the reasons for rejecting your application?**

| Category                         | No. of students | Percentage |
|----------------------------------|-----------------|------------|
| No proper documents              | 7               | 43.80%     |
| insufficient parental control    | 6               | 37.50%     |
| proper security was not arranged | 3               | 18.80%     |
| Total                            | 16              | 100%       |

**Interpretation: 44% got rejected because of no proper documents  
19% rejected for not having proper security like property papers, parents salary account etc.**

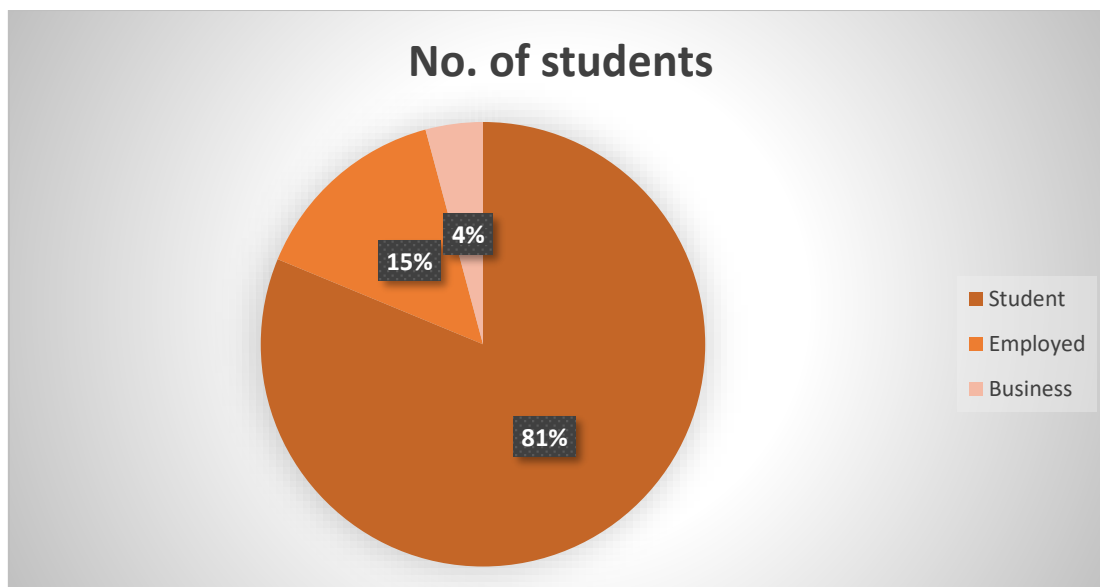
**Chart Title**



**TABLE NO-[16] Present status**

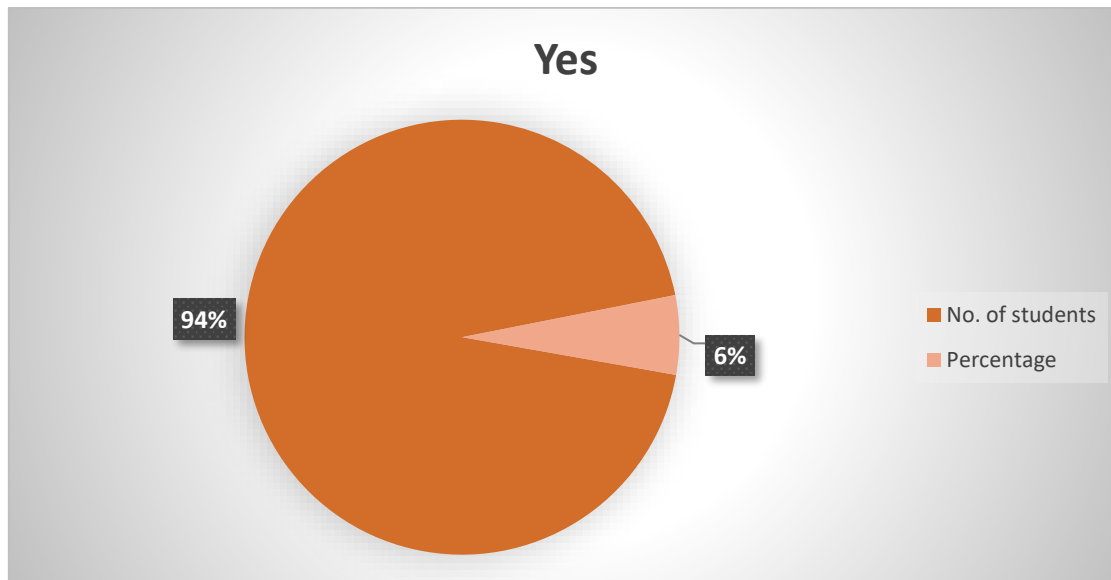
| Category | No. of students | Percentage |
|----------|-----------------|------------|
| Student  | 39              | 81.30%     |
| Employed | 7               | 14.60%     |
| Business | 2               | 2.10%      |
| Total    | 48              | 100.00%    |

**Interpretation:** at the time of taking loan the 81.30% students were in a students category they were pursuing education and least 2.10% were working.


**TABLE NO-[17] Have you started repaying your loan**

| Category | No. of students | Percentage |
|----------|-----------------|------------|
| Yes      | 12              | 75%        |
| No       | 36              | 25%        |
| Total    | 48              | 100%       |

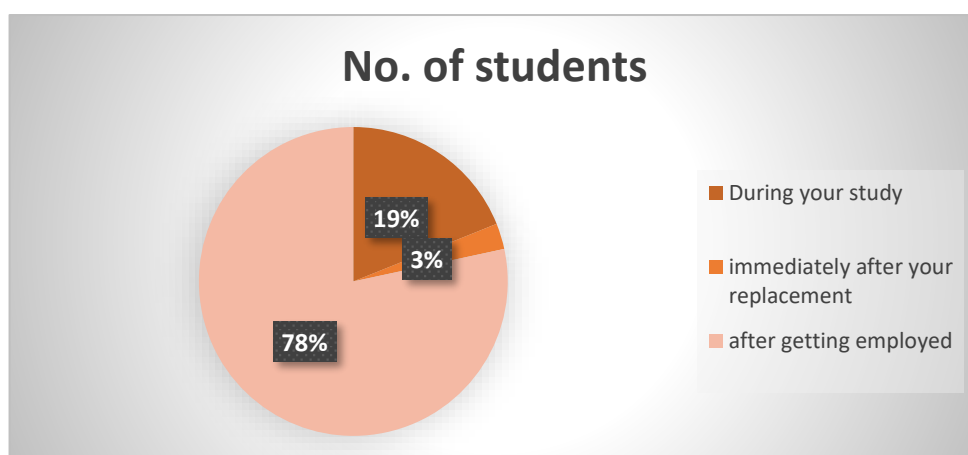
**Interpretation:**  
**75% are waiting for their jobs, after that they can pay.**  
**25% started paying the amount of loans because they don't want future liabilities.**



**TABLE NO-[18] When people started repayment?**

| Category                           | No. of students | Percentage |
|------------------------------------|-----------------|------------|
| During your study                  | 7               | 18.90%     |
| immediately after your replacement | 1               | 2.70%      |
| after getting employed             | 29              | 78.40%     |
| Total                              | 37              | 100%       |

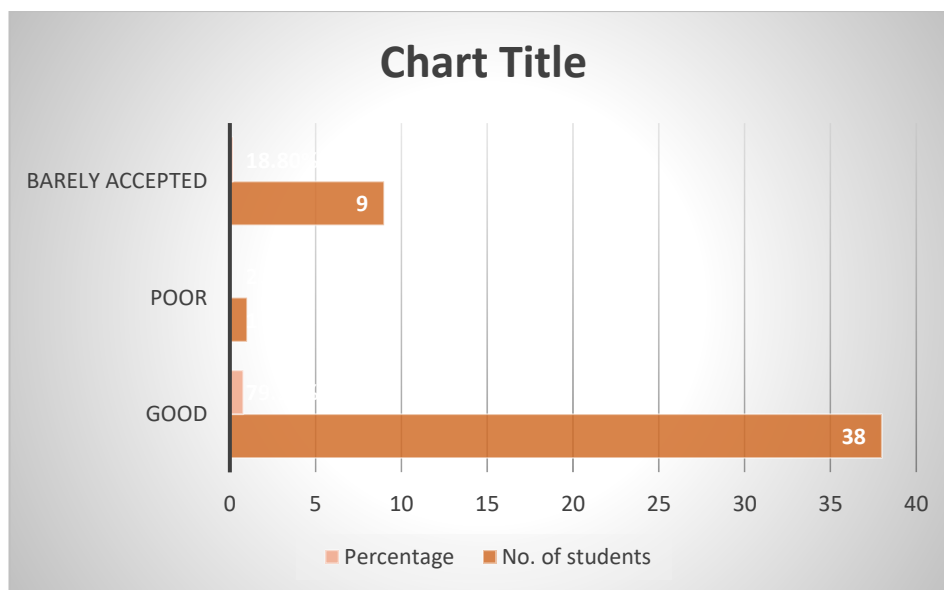
**Interpretation:**78% takes loan after getting employed because people wants to repay loan from their own salary and they don't want to depend on others.19% starts in between their studies because their parent could be more conscious about them.



**TABLE NO-[19] Satisfaction level of the overall service provided by the bank**

| Category        | No. of students | Percentage |
|-----------------|-----------------|------------|
| Good            | 38              | 79.20%     |
| Poor            | 1               | 2.10%      |
| Barely accepted | 9               | 18.80%     |
| Total           | 48              | 100        |

**Interpretation:** 79% of the people are satisfied with banking services, because of bank's quick response to their problems.2% are those who got late responses from banks.



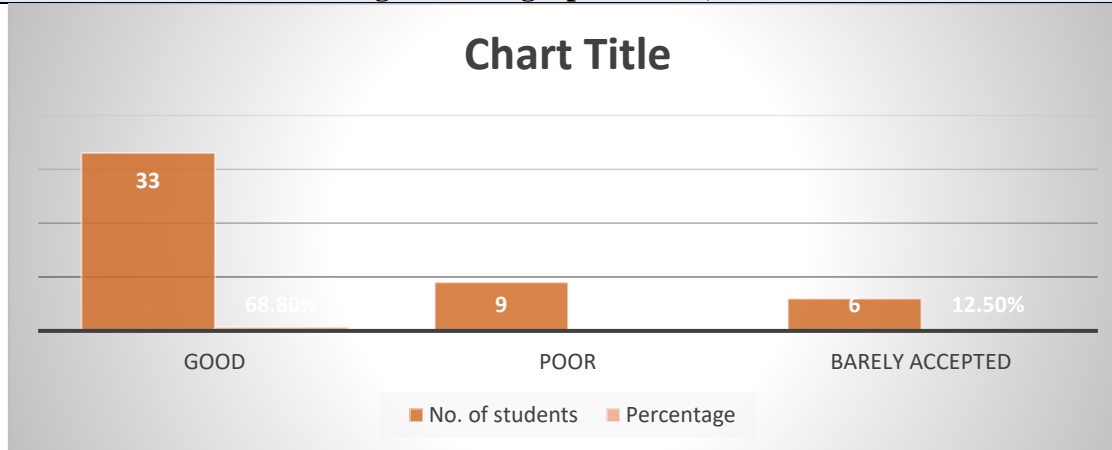
**TABLE NO-[20] Perception about awareness level of people about loan**

| Category        | No. of students | Percentage |
|-----------------|-----------------|------------|
| Good            | 33              | 68.80%     |
| Poor            | 9               | 18.80%     |
| Barely accepted | 6               | 12.50%     |
| Total           | 48              | 100%       |



**Interpretation: 69% given to a good awareness to people because they want to do professional courses from a good Institute, So they have the knowledge of education loan. 12% are those who belongs to demographic areas, who are unaware of this loan process.**

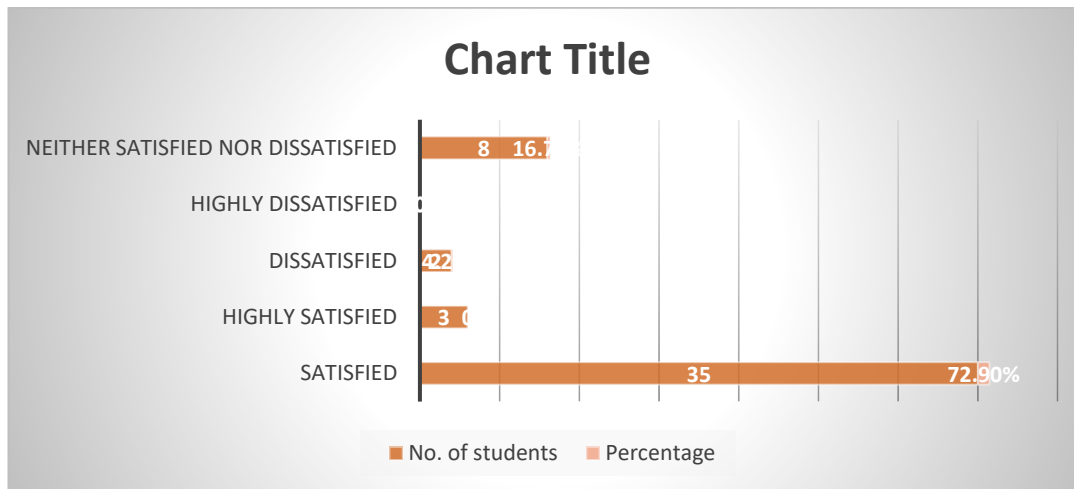
**Chart Title**



**TABLE NO-[21] Indicate the level of satisfaction of clarity of information and explanation provided about education loan.**

| Category                           | No. of students | Percentage |
|------------------------------------|-----------------|------------|
| Satisfied                          | 35              | 72.90%     |
| Highly satisfied                   | 3               | 6.25%      |
| Dissatisfied                       | 2               | 4.20%      |
| Highly dissatisfied                | 0               | 0          |
| Neither satisfied nor dissatisfied | 8               | 16.70%     |
| Total                              | 48              | 100%       |

**Interpretation: 72.9% of beneficiaries are satisfied of the service provided by the bank during loan process because the person who was giving the information have clarity about the loan process.**



## Major Findings

- ❖ 68.75 % of beneficiaries who availed loan were under-graduated
- ❖ 25% of beneficiaries availed of loans between 3.5 lakhs to 4.5 lakhs
- ❖ 52.08% beneficiary's repayment period for a loan is between 10-20 years
- ❖ 58.33% of beneficiary's reasons for taking a bank loan are because the repayment schedule of a bank is good as can be made
- ❖ 81.25% of beneficiaries who availed of the loan for post-graduation were
- ❖ 39.58% of beneficiaries availed of the bank loan because they want to complete the education by their own money
- ❖ 50% of beneficiaries received the full amount of loan for they applied
- ❖ 58.33% of beneficiaries borrowed loan is sufficient to meet the adequate expenses
- ❖ 31.25% of beneficiaries took 2 to 3 months to get their sanctioned loan

- ❖ 37.5% of banks took more than 4 weeks to disburse the sanctioned loan amount
- ❖ 44.44% of beneficiaries were eligible for the scholarship
- ❖ 47% are fully utilizing their education loan
- ❖ 42% says Bank needs their parent to have surely occupation
- ❖ 77% says No because they were having proper documents for the loan
- ❖ 44% got rejected because of no proper documents
- ❖ 81.30% of students were in a student's category at the time of taking a loan
- ❖ 75% are waiting for their jobs, after that they can pay.
- ❖ 78% will repay the loan after getting employed
- ❖ 79% of the people are satisfied with banking services
- ❖ 69% of people have a good awareness of education loan
- ❖ 72.9% of beneficiaries are satisfied with the clear information provided by the bank during the loan

## Hypothesis testing –

| GROUP              | MEAN        |
|--------------------|-------------|
| Satisfaction level | 9.6         |
| challenges         | 5.333333333 |
| perception         | 16          |

| GROUP                             | COVARIANCE  |
|-----------------------------------|-------------|
| Satisfaction level and challenges | -9.88       |
| challenges and perception         | 15.66666667 |
| satisfaction level and perception | 92.24       |

From the above analysis , it is understood that the degree of relationship between the the two variable that is satisfaction level and challenges faced by beneficiaries towards education loan is -9.88 ,it is in negative because if beneficiaries are facing more challenges during availing the loan then there satisfaction level will be less and the degree of relationship between challenges and perception of beneficiaries towards education loan is 15.67 because they face less challenges as compared to they perceived also the relationship between satisfaction level and perception of beneficiaries is 92.24 , it is also high as they satisfied more because they faced less challenges than there perceptions.Hence proved satisfaction level,challenges and perception of beneficiaries are interdependent.