



Education loan and socio-economic growth

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Abstract

Higher Education has a noteworthy contribution in the Indian Economy. Education contributes to social, and economic growth of a region. Higher Education increases labour productivity and individuals' income and that of the whole economy. Hence, it is necessary to develop an education system which generates human capital for achieving social and economic development. Present study is based on the socio-economic growth due to Education Loan. A set of 377 Questionnaires were distributed to Beneficiaries and 126 to Bank Employees. The main objective of study is to identify the relationship between Education Loan and socio-economic growth of people.

Keywords: higher education, education loan and socio-economic growth

Introduction

Higher Education impacts the human development and economic growth and it also makes a person very responsible and a proper citizen through education. People get proper respect in the society and we can eliminate many social problems such as poverty, unemployment and illiteracy and can live a peaceful and better life. In recent times the cost of Higher Education is increasing. It is not possible for everyone to get such costly education. Public and private sector banks are playing a significant role in helping people for their financial needs for meeting their needs of Higher Education. Meanwhile Educational loan has become a necessity to ensure supply of skilled manpower for the economic progress of the country and to improve wealth distribution.

Education Loan

A term Loan which is granted to Indian national for pursuing higher education in India and Abroad is called Education Loan or student loan. Presently the Higher Education is increasing at a new sphere which makes difficult to people to seek it when their financial background is not very sound.

Literature Review

Sinha Sarithain her study (2005) ^[1] examined the importance of women education in society along with the traditional role of wife and mother. Women are now participating in career line with Men. The researcher realized that there should be also some motivational sources which can inspire women for going for Higher Education. Some special funding schemes for Higher Education should be initiated in India to enhance women education. Chattopadhyay Saumen (2007) ^[2] asserted on the

importance of Education associates the strength in the world economy and to ensure social mobility and social unity. For this objective, the government is trying to enhance the enrolment in Higher Education. Education is the only key to inclusive growth which provides the path to enter in knowledge world. The study emphasized on the alternatives that have been adopted in the world to raise various sources for Higher Education such as deregulation of fees, easy grant of Education Loans, Income contingent Loan and initiate Graduate Tax etc.

The findings of paper critically examine different alternative sources of finance for Education and suggest measures to raise funds for Higher Education on easy lines. It argued that the government should take initiative to observe and view constantly the growing need of finance for Higher Education and play a leading role. The paper concludes with the suggestion to increase the share of GDP on Higher Education.

Tiwari Rajesh and Anjum Dr. Vimal (2013) ^[3] asserted the role of educational loans for development of human capital in India. They analyzed about the move of Higher Education towards privatization and find that budgetary support is poor for this. Norms of Education Loan were described and it was found that there were many difficulties in this which were tried to remove by giving suggestions.

Adhikari Harasankar (2016) ^[4] presented his views about the allocation of Education Loan for SC categories. He focused on the conditions of Schedule caste for availing the finance for Higher Education in his opinion SCs are not getting Education Loan even after good academic records due to lack of collateral securities which compelled them to join traditional caste occupations and businesses. He also discussed the status of West Bengal students who depend on the parental livelihood. Author suggested to bring in

¹Sarita Sinha, "Women's Education in India", (2005), the myth and the reality.

² Saumen Chattopadhyay, "Exploring Alternative Sources of Financing Higher Education", Economic and Political Weekly, October 20, 2007.

³Rajesh Tiwari and Dr. Vimal Anjum, "Role of Education Loan in Indian Higher Education", International Interdisciplinary Research Journal, ISSN 2347-6915 GIIRJ, Vol.1 (2), December 2013.

⁴Harasankar Adhikari, "No Educational Loans for SCs", Economic & Political Weekly, February 13, 2016 Volume LI no 7, ISSN 0012-9976.

practice the eligibility criteria which mainly focusses on good academic records.

Objectives of Study

1. To understand the socio-economic growth due to Education Loan in India.
2. To know the relationship between urbanization and income earning capacity of beneficiaries due to Education Loan.
3. To give suggestions on the basis of findings.

Hypothesis

Following hypotheses were designed to evaluate socio-economic growth of people due to Higher Education Loan-

1. H₀: There is no significant difference in the opinion of Bank Employees and Beneficiaries that Education Loan improves standard of living.
2. H₀: There is no significant relationship between urbanization and income earning capacity of beneficiaries.
3. H₀: There is no significant relation between occupational background of families availing Education Loan and the course expenditure.

Limitations of the Study

1. The study is only limited to Jabalpur Division not entire Madhya Pradesh.
2. It is confined to 3 public and 2 private sector banks.

3. It is considered to time duration of 5 years from 2010-11 to 2014-15.

Sample Size

The study is descriptive in nature and based on the primary data. A set of 377 questionnaires were distributed to Beneficiaries and 126 questionnaires to Bank Employees. 3 public sector banks i.e. State Bank of India (SBI), Bank of India (BOI) and Union Bank of India (UBI) and 2 private sector banks i.e. Housing Development Bank of India (HDFC) and Axis Bank were selected for the proposed research study.

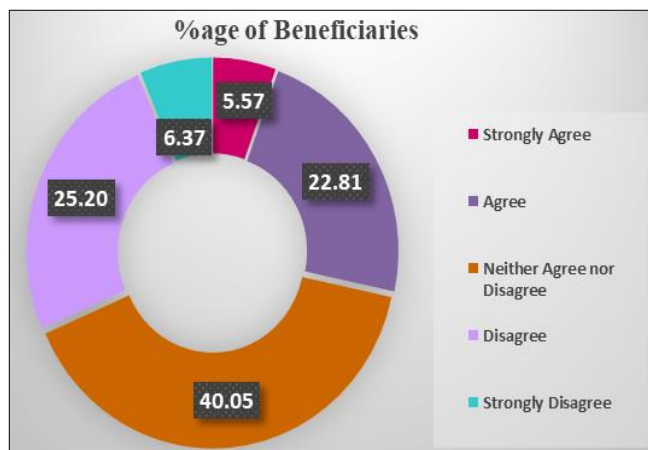
Socio-Economic Growth

Present study is based on the Education Loan and socio-economic growth of people of Jabalpur city. Various socio-economic factors such as Standard of living, urbanization, income earning capacity, saving habits, family occupational background were studied in this research work. Education Loan also affects the overall functions and operations of banks such as increased workload, defaults in loan recovery and financial performance. Education Loan has impact on the saving habits of the people when they avail Education Loan they are unable to save money which adversely affect the aggregate saving habits of economy. Below table presents the views of beneficiaries and bank employees on the statement that Education Loan improves saving habits.

Table 1: Education Loan Improves Saving Habits

Level of Agreement	Beneficiaries	%age	Bank Employees	%age
Strongly Disagree	11	2.92	4	3.17
Disagree	42	11.14	14	11.11
Neither Agree nor Disagree	57	15.12	26	20.63
Agree	193	51.19	58	46.03
Strongly Agree	74	19.63	24	19.05
Total	377	100.00	126	100.00

Source: Data collected through Questionnaire



Source: Data collected through Questionnaire

Pie-Chart 1: Education Loan Improves Saving Habits

The above graph indicates that 25.20 % beneficiaries disagree and 6.37% beneficiaries strongly disagree with the statement that Education Loan improves the saving habits. Hence majority of beneficiaries disagree with the improvement in saving habits due to education loan.

Testing of Hypothesis

Framed hypotheses were tested through various statistical tools such as chi-square test, correlation and f-test.

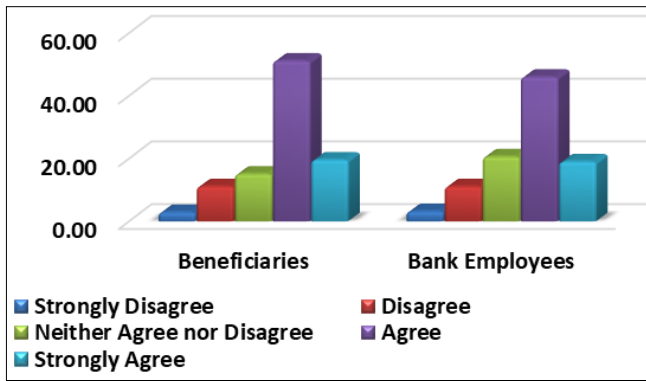
H₀: There is no significant difference in the opinion of Bank Employees and Beneficiaries that Education Loan improves standard of living.

Hypothesis-1 was tested by using Chi-square test. It is most popular statistical tool for testing the hypothesis. It is a tool which is used to evaluate the mismatched variables. In other words, we can say that it is used to analyze the difference between the observed and expected frequencies.

Table 2: Opinion of Beneficiaries and Bank Employees on the Statement that Education Loan Improves Standard of Living

Level of Agreement	Beneficiaries	%age	Bank Employees	%age
Strongly Disagree	11	2.92	4	3.17
Disagree	42	11.14	14	11.11
Neither Agree nor Disagree	57	15.12	26	20.63
Agree	193	51.19	58	46.03
Strongly Agree	74	19.63	24	19.05
Total	377	100	126	100

Source: Data Collected through Questionnaire



Graph 1: Education Loan Improves Standard of Living

Table 1.2 and graph 1.1 above presents the opinion of bank employees and beneficiaries on the statement that education loan improves standard of living. For the opinion 5 criteria were selected as Strongly Disagree, Disagree, Neither Agree nor Disagree, Agree and Strongly Agree to identify their level of agreement on the statement that education loan improves standard of living.

It can be concluded from the above analysis that Chi-square χ^2 (calculated value) is 2.28264262 and Chi-square χ^2 (table value) is 9.4877. If we compare both the values we arrive at the conclusion that calculated value is greater than its table value which means null hypothesis (H_0) is accepted and alternative hypothesis (H_1) is rejected. Hence we conclude that there is no significant difference in the opinion of Bank Employees and Beneficiaries that Education Loan Improves Standard of Living.

H_0 : There is no significant relationship between urbanization and income earning capacity of beneficiaries.

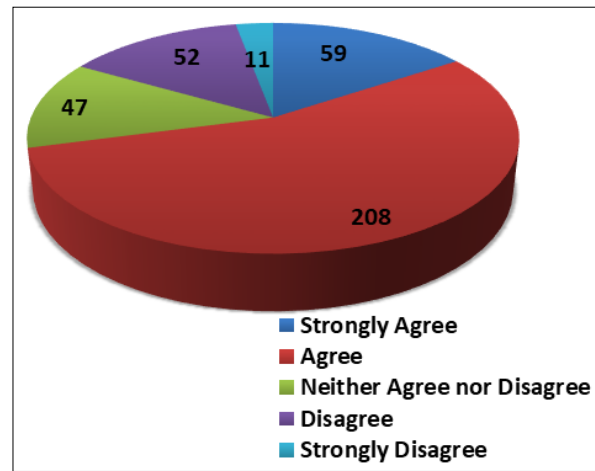
Hypothesis-2 was tested by using the correlation tool which is very popular to show the relationship between variables. The test is a statistical measure utilized to analyze the extent of fluctuation in one variable with other variable. It is a tool which indicates the changes in one variable and its result on other variable. It calculates the impact of one variable on the other variable in quantitative manner.

Table 3: Response of Beneficiaries for Urbanization and Income Earning Capacity of Beneficiaries

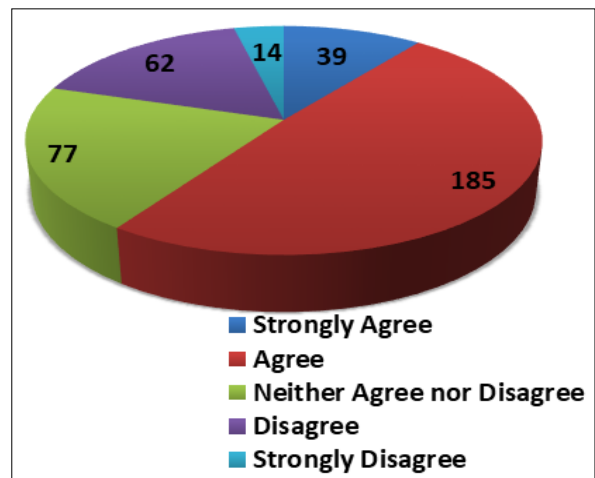
Level of Agreement	Urbanization	Income Earning Capacity
Strongly Agree	59	39
Agree	208	185
Neither Agree nor Disagree	47	77
Disagree	52	62
Strongly Disagree	11	14
Total	377	377

Source: Data collected through Questionnaire

The above table 1.3 shows the two socio-economic parameters which were selected to judge the opinion and views of beneficiaries for education loan. These two parameters are urbanization and income earning capacity of beneficiaries. With the help of correlation tool a relationship between these two variables were identified.



Pie-Chart 2: Urbanization



Pie-Chart 3: Income Earning Capacity of Beneficiaries

The pie-charts gives an idea about the opinion of beneficiaries for the impact of education loan on urbanization and income earning capacity. Both parameters were asked separately and an effort was made to identify their relationship.

Table 4

	Urbanization	Income Earning Capacity
Urbanization	1	
Income Earning Capacity	0.963096258	1

Summary of Correlation

Correlation tool was used to test this hypothesis. From the above data analysis and calculation it is clearly seen that the correlation (r) value is +0.963096258 which presents that there is a strong positive relationship between the urbanization and income earning capacity of beneficiaries. This means if the people are migrating from the rural areas to urban areas it increases their income earning capacity and also urbanization enhances the income earning capacity of urban people. So we conclude that alternative hypothesis (H_1) is accepted and null hypothesis (H_0) is rejected.

H_0 : There is no significant relation between occupational background of families availing Education Loan and the course expenditure.

Table 5

	<i>Occupational Background of Families</i>	<i>Course Expenditure</i>
Occupational Background of Families	1	
Course Expenditure	-0.342426632	1

Table 4: Occupational Background of Families and Course Expenditure

Occupational Background of Families	Beneficiaries	Course Expenditure	Bank Employees
Farmer	15	Up to Rs. 4,00,000	239
Businessmen	24	Rs. 4,00,001 to Rs. 7, 00,000	89
Servicemen	82	Rs. 7, 00,001 to Rs. 10, 00,000	33
Any other occupation	6	Rs. 10, 00,000 & Above	18
Total	126	Total	377

Source: Data collected through Questionnaire

The above table gives an idea about the total course expenditure of beneficiaries and the Occupational Background of Families availing education loan. Both parameters were asked separately and an effort was made to identify their relationship.

Summary of Correlation

Correlation tool was used to test this hypothesis to know the socio-economic relationship between the family background and the expenditure of course. From the above data analysis and calculation it is clearly seen that the correlation (r) value is -0.342426632 which presents that there is a negative relationship between the occupational background of families and course expenditure. So we conclude that null hypothesis (H₀) is accepted and alternative hypothesis (H₁) is rejected.

Findings and Results

- It was found that there is no significant difference in the opinion of Bank Employees and Beneficiaries that Education Loan Improves Standard of Living. Both stakeholders agree with the statement that Education Loan improves the standard of living which results in their rise in income, good health and prosperity.
- There is a strong positive relationship between the urbanization and income earning capacity of beneficiaries. Education Loan empowers people with good income earning capacity. This means if the people are migrating from the rural areas to urban areas it increases their income earning capacity and also urbanization enhances the income earning capacity of urban people.
- Education Loan doesn't have impact on the Occupational Background of Families availing education loan with their course expenditure. This means that people with different occupational background may avail different amount of education loan. Both parameters were asked separately and an effort was made to identify their relationship. Results show that there is a negative relationship between the occupational background of the families and the course expenditure.

Suggestions and Recommendations

Following suggestions were highlighted-

- **Industrial Growth-** The study shows that education loan enhances urbanization. So it is suggested to frame policy and strategy for industrial growth and development to minimize the urbanization.
- **Provision for saving habits-** Education loan has an

impacts on the saving habits of people adversely. There is need to work on the improvement of saving habits. Because when people borrow, they reduce their saving habits. Some compulsory sum of money may be initiated by banks which may be nominal to increase aggregate savings in the economy.

- **Less Formalities-** It is required to work on the norms and conditions of Education Loan, in order to reduce formalities which cause delay in procuring loan.

Conclusions

Education Loan has become a powerful tool for the social and economic development of human resources. Public and Private sector banks should ease the loan process and reduce the formalities. Some special concessions can be provided to deserving candidates for pursuing Higher Education. There is need to coordinate private providers with government institutions to cater the needs of society. It is concluded that Government should prepare an appropriate strategy for the effective implementation of the education loan scheme by properly managing, controlling and directing the entire banking system.

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