

**A Study on Effectiveness of Education Loan in Empowering Rural Area Students with Special Reference to Cuddalore District**

**\* MS. V. Rohini**

\* Assistant Professor, Department of Management Studies,  
CK College of Engineering & Technology, Cuddalore-3

**Introduction:**

Education is central to the Human Resources Development and empowerment in any country. National and State level policies are framed to ensure that this basic need of the population is met through appropriate public and private sector initiatives. While government endeavors to provide primary education to all on a universal basis, higher education is progressively moving into the domain of private sector. With a gradual reduction in government subsidies higher education is getting more and more costly and hence the need for institutional funding in this area.

The scope of education has widened both in India and abroad covering new courses in diversified areas. Development of human capital is a national priority and it should be the endeavor of all that no deserving student is denied opportunity to pursue higher education for want of financial support. Loans for education should be seen as an investment for economic development and prosperity. Knowledge and information would be the driving force for economic growth in the coming years.

The Educational Loan Scheme aims at providing financial support from the banking system to deserving/meritorious students for pursuing higher education in India and abroad. The main emphasis is that every meritorious student though poor is provided with an opportunity to pursue education with the financial support from the banking system with affordable terms and conditions. No deserving student is denied an opportunity to pursue higher education for want of financial support.

**Education:**

Education in its general sense is a form of learning in which knowledge, skills, and habits of a group of people are transferred from one generation to the next through teaching, training, research. Generally, it occurs through any experience that has a formative effect on the way one thinks, feels, or acts.

**The Educational System in India:**

Education in India is no more an option. It has turned out to be more of a necessity and there is no denying that in this competitive world, we need to be educated to scale new heights.

In India, our education system is handled by public sector as well as the private sector. There are government schools/colleges, government aided schools, and private schools/colleges. Government schools and colleges are run entirely by the government. It's notoriously famous that government run schools has the least facilities for students. The fees are extremely low and many parents who cannot afford the cost of private schools send their children here. In most government schools, they provide mid day meal as well

Government aided schools are run by private management but gets aid from the government. Here the quality of education is still questionable as most of the management never cares about the facilities in the school or the quality of education they impart.

Most schools take a huge capitation from teachers (Up to 20 lakhs in some cases) as well as private schools are run by management and government has no say in the functioning of the school. They often charge premium fees and provide better facility and faculty.

### **Higher Educational system In India:**

India is country having about more than hundred crores people. The development of our country is lies on the hands of students. They are the greatest wealth of our country. The contribution of each person is very important for our country. Therefore, it is very necessary to get higher education to every student of our country. Even though there may be lot of unemployment problem in our country, the educated people will not suffer much from this unemployment. The main reason for that is, there are many institutions in our country that need good educated personalities. Therefore, it is very important to become an educated person. The higher education is very important now. This because that, the standard of education is increasing day by day. Moreover, the technological development in the world will also force to get good knowledge. The getting knowledge is not an easy thing; it is a result of continuous involvement in the present facts. There are so many colleges in our country to provide education at a higher level. The best technological institution to provide higher education is IITs. There are several more institutions are also there to provide the education at higher levels. The international companies are always pointing to get Indian engineers and managers for their companies. The reason for that is the ability of Indian professionals to manage the various circumstances. This is a real fact which is collected from various news papers.

### **Need of Educational Loans:**

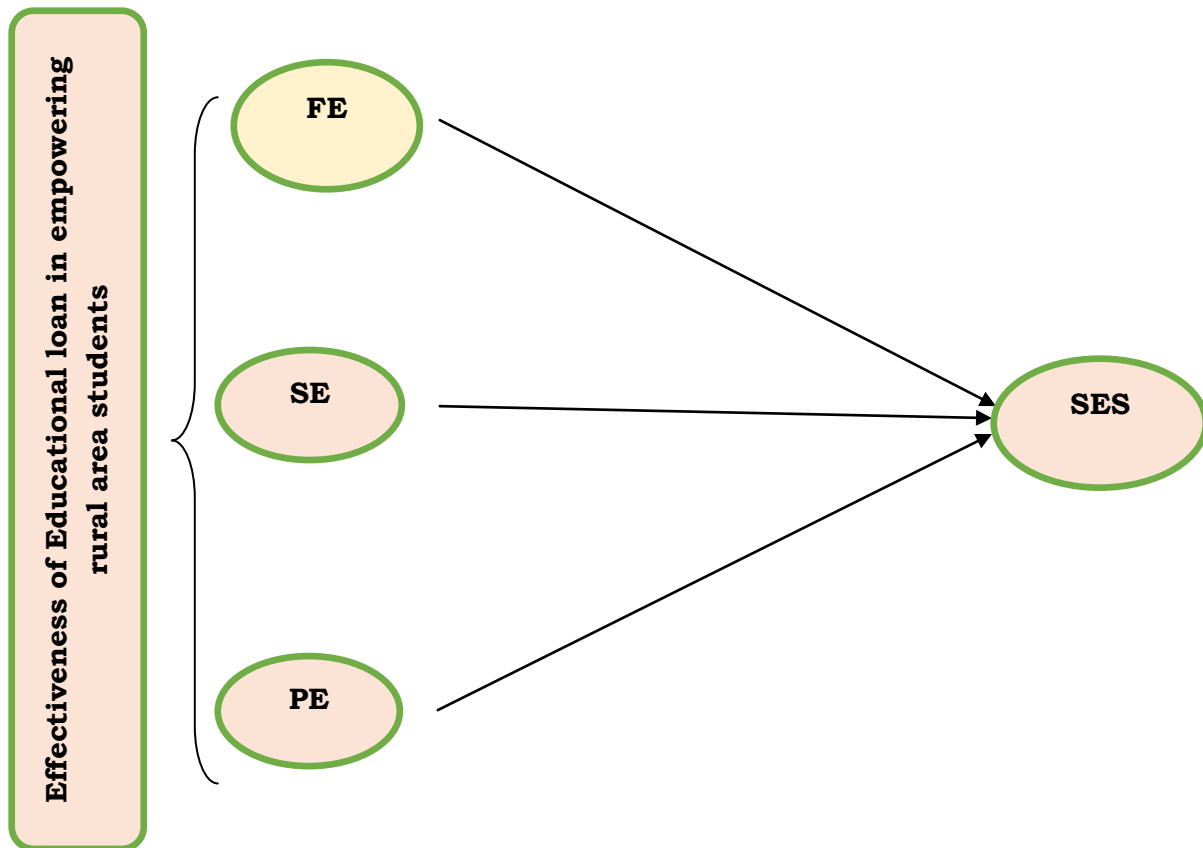
Even though there are so many government colleges in our country, it is not possible to get admissions for all the students in India. There are only limited seats are available in government colleges. The remaining students have to be depended on other private and aided institutions for studying. The fee structures at many private colleges are very high. The economic conditions of all people in India are not so good. Hence, this high amount is always become barrier for many student for studying at higher levels. There should be a chance for all qualified students. The best way is to provide financial assistance from the government. But, providing economical support to all students who like to study is not practically possible. Therefore, government should take proper actions for providing educational loans for students of higher studies.

The main thing is to provide educational loans to students of higher education. The educational loan is always a great support to the students. The aim of an educational loan is actually to provide the financial. Support for those students from economically backward family for higher education. In India there are several banks to provide educational loans for the students. Moreover there are so many educational institutions have tied up with so many nationalized banks to provide the educational loans for achieving their dreams.

### **Proposed Research Methods:**

This study focuses on evaluating the effectiveness of education loan in empowering rural area students. The descriptive research will be done to examine the conceptual model. This is the research designed to describe the characteristics of population or a phenomenon (Zikmund, 2003). For the purpose of this study the structured questionnaire will be prepared and the data will be collected from the students who are pursuing higher education and who have completed the higher education by availing education loan. Both primary and secondary data will be used.

**PROPOSED CONCEPTUAL MODEL:**



**Abbreviation:**

FE – Financial Empowerment,  
SE- Social Empowerment;  
PE- Psychological Empowerment,  
SES - Socio Economic Status.

**Source:** Report of the State -Level Bankers' Committee (SLBC)

**Statement of Problem:**

Education loan system has enhanced the opportunity for meritorious and poor students to pursue their higher education. The number of educational loans that are not being paid back is increasing in the state. This is majorly because students are not empowered in the current procedure of education loan system. Non-performing assets (NPAs) in educational loans stood at Rs 528.16 crore, accounting for 5.02% of the educational loan business. For co-operative banks, this figure stood at Rs 1.6 crores representing 1.25% of the total educational loan portfolio of such banks.

**Objectives of the Study:**

**Primary Objectives**

- ✓ To analyze and evaluate the effectiveness of education loan among rural area students
- ✓ To analyze the empowerment of students in receiving education loans

### **Secondary Objectives**

- To evaluate the basic awareness of students regarding education loans
- To assess the difficulties in repaying the loan back by the students
- To analyze the initiative taken by the students in settlement of loans

### **Research Methodology:**

Descriptive Research and Convenience sampling is used for this study.

**Sample Size:** The sample size is 100.

Obtained primary data through direct communication with respondent in form of questionnaire. In this method a questionnaire is sent to the persons concerned with a request to answer the questions and return the questionnaire. A questionnaire consists of a number of questions printed or typed in a definite order on a form or set of forms. The questionnaire is mailed to respondents who are expected to read and understand the questions and write down the reply in the space meant for the purpose in the questionnaire itself.

The secondary data are collected from Journals, Articles, Books and other websites.

The data are collected through survey and books, reports, newspapers and internet etc., the survey conducted among Cuddalore town. The data collected are tabulated and analyzed in such a way to make interpretations.

### **Statistical Tools:**

- Percentage analysis
- Structured Equation Modeling(SEM)

**Data Analysis & Interpretation:**

**Percentage Analysis - Table 1.1**

<b>S. No</b>	<b>Demographic Variables</b>	<b>Options</b>	<b>Frequency</b>
1.	Gender	Male Female	46 54
2.	Educational background	Non Technical Technical	34 66
3.	Monthly Income of Family	below 10000 10001-20000 20001-30000 30001-40000 above 40000	56 13 15 6 10
4.	Occupation of Father	Daily Labour Private Employee Govt Employee Business	37 15 25 23
5.	Economic status of family	Lower Class Middle Class Upper Middle Class	9 74 17
6.	No of brothers and sisters	0 1 2 More than 3	10 36 36 18
7.	Education Loan Availed	below 100000 100001-200000 200001-300000 300001-400000 above 400001	40 30 19 6 5
8.	Type of Bank	Public Sector Bank Private Sector Bank	56 44
9.	Reason for availing loan	For pursuing U.G For pursuing higher education For pursuing education abroad For pursuing research studies	26 61 4 9
10.	Necessity to avail loan	Economic status of family More no of brothers and sisters Increased cost of education	37 23 40
11.	No of visit to bank for loan	Once in a semester Twice in a semester Thrice in a semester More than three times in a semester	3 19 14 64
12.	Percent of marks in higher secondary	Below 60% 60-70% 70-80% Above 80	37 32 13 18
13.	No of arrears	Nil 1 2 3	36 32 19 13

### **Structural Equation Model on Effectiveness of Educational Loan in Cuddalore**

The structural equation model specifies that all three construct are reflects the outcome variable Socio Economic Status of the students, those who are availing educational loan from bank. There are three latent construct, which are, Financial Empowerment, Social Empowerment and Psychological Empowerment explaining the outcome variable Socio Economic Status.

The Financial Empowerment consisting five items namely, burden of my parents in educating me has been reduced (FE1), there is no interruption in my education due to lack of money (FE2), the economic status of my family has increased(FE3), the education loan enable me to join in the preferred college (FE4), the educational loan has ensured the prompt payment of my fee dues (FE5) and the second latent construct Social Empowerment consisting five items which are Educational loan has improved the standard of my living (SE1), My self esteem has increased (SE2), Educational Loan has given me a self identity in the society (SE3), Educational loan has increased my social responsibility (SE4), the educational loan has positively contributed to the social welfare (SE5). The third latent construct Psychological Empowerment is consisting five sub dimensions namely, Educational loan has improved myself confidents (PE1), It has increased mental peace in my family(PE2), Educational loan has relieved me from financial stress (PE3), It is motivated me to pursue higher education (PE4), It has positively motivated me to perform better in my academics (PE5).

The collected data was tested by Structural Equation Modelling using Amos 21. The SEM model shows the goodness of fit indices. The RMSEA value is 0.081 and Confirmatory Fit Indices (CFI) 0.94, the normed fit indices (NFI) is 0.86 all other indicators are satisfactory level. Since the validity of model can be accepted as the indicators are satisfactory but it is not very good model. The detailed study may be required to have very model fit to evaluate the effectiveness of educational loan in Cuddalore District.

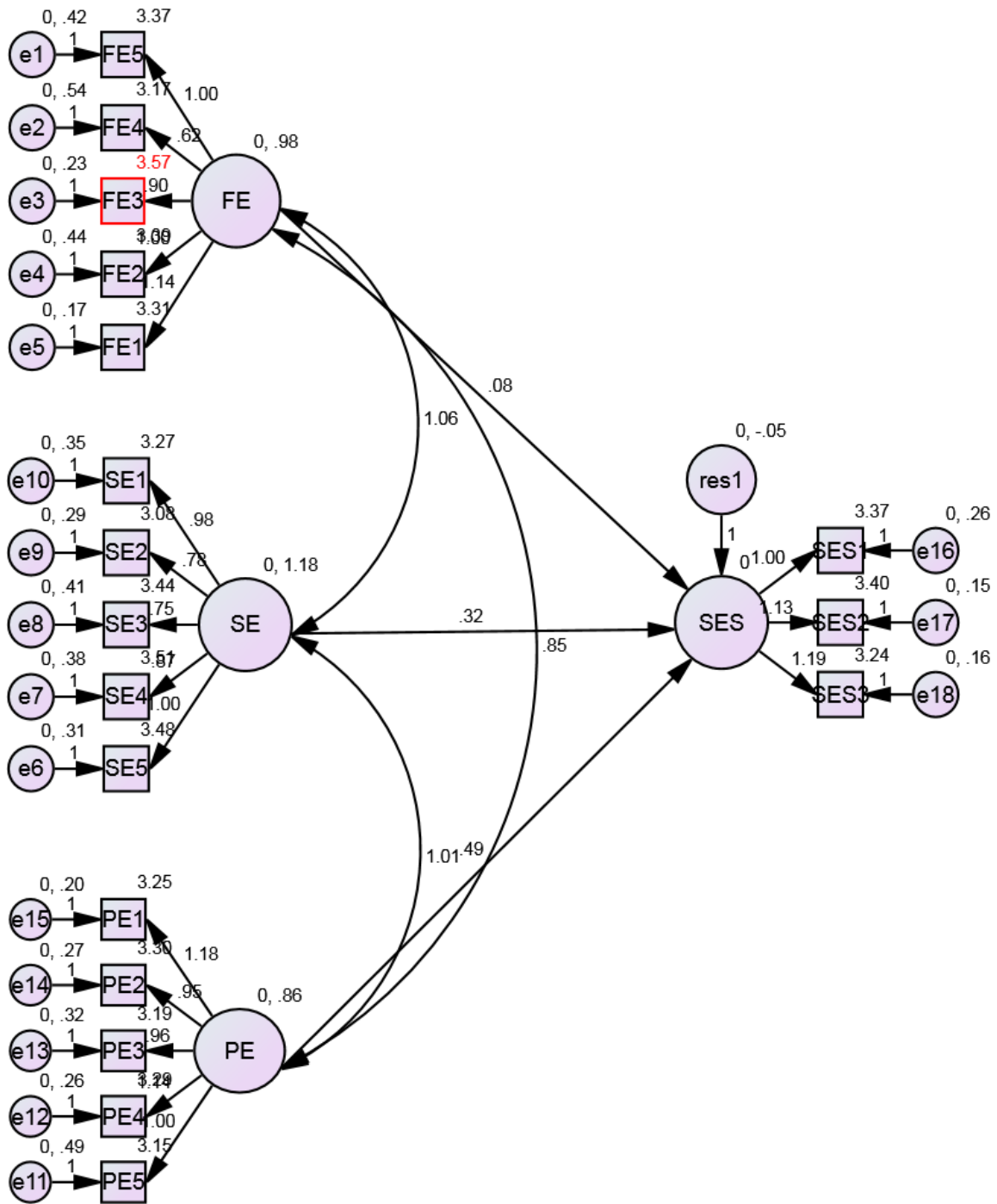


Diagram 1.1 Structural Equation Model

Table 1.2

S. No	Measures of Fit	Output of HR Practices Model	Acceptable Level for Good Fit
1	Chi-square ( $\chi^2$ ) at p 0.05	.000	Significant
2	Degree of freedom (d.f)	129	-
3	Comparative fit index (CFI)	0.94	>0.90
4	Bentler – Bonett Index or Normed Fit Index ( NFI)	0.86	>0.90
5	Root mean squared error of approximation (RMSEA)	0.081	<0.08
6	Non Centrality Parameter (NCP)	412.8	-
7	Non Centrality Parameter, Lower boundary(NCPLO 90)	344.9	-
8	Parsimony adjusted NFI (PNFI)	0.679	-
9	Parsimony adjusted CFI (PCFI)	0.709	-
10	Minimum value of Discrepancy ( FMIN)	5.43	-
11	Lower Limit of FMIN (LO90)	3.48	-
12	Upper limit of FMIN (HI90)	4.93	-

The estimate value shows that regression value in between Financial Empowerment is not significantly related with outcome factor Socio Economic Status (0.481) and all other latent construct are explaining the outcome factor Socio Economic Status. For measuring the effectiveness of educational loan, construct and convergent validity are also tested. The construct validity is reflecting all the items are significantly explained the latent variables. Therefore, the identified latent construct are good enough to predicting the Socio Economic Status.



Table 1.3

Regression Weights	Mean	S.E.	CR	P	Label
SES<--FE	0.0	0.1	0.704	0.4	par_1
SES<--SE	0.3	0.1	2.109	0.0	par_1
SES<--PE	0.4	0.1	3.493	***	par_1
FE5<--FE	1				
FE4<--FE	0.6	0.0	7.15	***	par_1
FE3<--FE	0.9	0.0	11.30	***	par_2
FE2<--FE	1.0	0.1	9.958	***	par_3
FE1<--FE	1.1	0.0	12.60	***	par_4
SE5<--SE	1				
SE4<--SE	0.8	0.0	12.13	***	par_5
SE3<--SE	0.7	0.0	10.70	***	par_6
SE2<--SE	0.7	0.0	12.30	***	par_7
SE1<--SE	0.9	0.0	13.26	***	par_8
PE5<--PE	1				
PE4<--PE	1.1	0.1	11.02	***	par_9
PE3<--PE	0.9	0.0	10.07	***	par_1
PE2<--PE	0.9	0.0	10.39	***	par_1
PE1<--PE	1.1	0.1	11.49	***	par_1
SES1<--SES	1				
SES2<--SES	1.1	0.0	13.70	***	par_1
SES3<--SES	1.1	0.0	13.70	***	par_1

**Findings & Suggestions:**

- From the structural equation modeling it is found that education loan is effective in empowering socially and psychologically but it is less effective in empowering the students financially.
- From the above study conducted it is found that, education loan is hugely availed by the students with technical background, so it is suggested that the government can concentrate in giving loans to the students from non technical background.
- Since it is evident from the study that public sector banks offer more education loans than the private sector banks, the private sector banks can come forward to give more loans to the students.
- It is suggested that education loan can be given to the students for pursuing studies abroad and research studies.
- It is found from the study, that the cost of education has increased, so the banks can revise the amount of loan to be sanctioned on time-to-time basis based on the cost of education prevailing in the country.

- It is found from the study that the students have to visit the banks for more than three times in a semester to avail the loan so it is suggested that the banks can ease the procedures of obtaining the loan so that student community can be benefited.
- Though education loan has positively contributed towards social and psychological empowerment of the students, it is less effective in empowering the financially. So banks can concentrate in ensuring that the financial burden of the parents are reduced, and there is no interruption in the studies of the students due to lack of money and the loan is paid in prompt time to enable the students to pay the fees.
- From the study, it is suggested that the education loan has to be given based on the merit and the academic performance of the students and based on the requirement of the students.
- It is suggested that banks should create awareness among the students and parents about various schemes offered by the banks because students from rural area like Cuddalore are unaware about the procedures.
- It is suggested that there should be common procedures followed both in the public sector and private sector banks so that there is no delay or difficulty in availing the loan.
- It is recommended to the students that prompt repayment of the loans will induce the banks to sanction more loans in future. Students must take it as a social responsibility and ensure prompt repayment of the loan.

### **Conclusion:**

Education loan is a wonderful scheme initiated by the government of India. This scheme has enabled the students from rural background to pursue higher education. This scheme has made an attempt to up bring the socio economic status of rural students and it is found successful in the same. It will become more effective if the loopholes in the systems are rectified. It is evident from the study that the education loan has contributed and will contribute effectively towards the empowerment of rural area students and no doubt that the education loan scheme is great initiative which can foster the nation's Human Resource Development.

### **References:**

- 1) N.Z. Abiddin, 'Issues in education loan repayment in Malaysia', <http://papers.ssrn.com>, Accessed 25<sup>th</sup> January, 2009, (2005)
- 2) M. agarwal, "Education in third world and India: Development perspective", New Delhi, Kanishka publication, xvi(2008)
- 3) Mousumi H. Ghosh, "educational loans getting lot more easier", Times News Network, (2008), [www.timesofindia.com](http://www.timesofindia.com)
- 4) 'Only 3% young students avail of education loan in India', <http://www.banknetindia.com>. accessed 23<sup>rd</sup> January 2009.
- 5) GOI (2005) Ministry of Social Justice and Empowerment Annual Report 2004-05, New Delhi: Government of India
- 6) Govinda, R. and Biswal, K. (2006) Access to elementary Education in India: Identifying Issues, Gaps and Priorities, India Country Analytical Report, Chapter 1, Consortium for Research on Educational Access, Transitions and Equity.
- 7) Purie, A. (2006) *From the Editor-in-Chief*, in India Today International, V (19), May 9-15, 2006, p.1