

Career Opportunities in Professional Courses through Higher Education Loans in India: Prospectus and Challenges



Sapna Chawla

Professor,
Deptt. of Commerce,
Govt. M.K.B. (Autonomous)
College
of Arts & Commerce for Women,
Jabalpur, M.P, India.



Komal Rawat

Assistant Professor,
Deptt. of Commerce,
St. Aloysius' College
(Autonomous),
Jabalpur, M.P, India.

Abstract

Higher education imparts the skills, knowledge and understanding for dealing in the world. There is a huge rush of students towards enrolling into the professional courses. Quality of education demands for high cost. It is not possible for everyone to afford such high cost. Banks are playing a vital role in fulfilling the financial needs of students through education loan. In lack of good career opportunities students are unable to repay the loan amount which effects the performance and working of banks. The research paper deals with the challenges and issues of these courses and concludes with effective suggestions.

Keywords: Education Loan, Professional Courses and Quality of Education.

Introduction

Education is the only key to inclusive growth which provides the path to enter in knowledge world. Everyone has a right to get education. Due to the competition and quality of education the fee of higher education is rising at a high speed. Present education is becoming very expensive day by day which is not possible for everyone to afford. Public and private sector banks as they are providing education loans to meet the financial requirements of the needy and meritorious students. Education loans are provided for various professional courses such as Management, Engineering, Foreign and other courses. Today Education Loans are liberally granted for engineering courses. Every year in India 25% of engineers are produced of the world and also the highest number of unemployable engineering graduates in the world. A report shows that 97% graduating engineers in India want jobs either in software engineering or core engineering but only 3% graduate with suitable skills and expertise to be engaged in software engineering¹. Another report presents that around 1.5 million engineers are graduated every year and entered for the job market. But the job market rejects them because they don't have adequate skills to be employed². Due to lack of skills, knowledge and techniques, the professional courses have less career opportunities after graduation which results in great defaults for repaying the loan amount and effects the entire functionality and performance of banks.

Review of Literature

S. S. Kohli (2004)³ analyzed the higher education system of India and its Growth over the years 1947-48 to 2009-10 which indicates the rapid growth and increasing demand for higher education in India that's why the enrolment of students for higher education has increased. He compared states like Maharashtra, Andhra Pradesh, West Bengal, and Uttar Pradesh and found that women enrolment is less as compared to men. This lower participation of women in higher education results in lower human capital formation. He did an analysis of education loan by Canara Bank and State Bank of Mysore.

Harasankar Adhikari (2016)⁴ gave his views about the allocation of Education Loan for SC categories. He concentrated on the conditions of Schedule caste for availing the finance for Higher Education that SC are not getting Education Loan even after good academic records in lack of collateral securities which compel them to join traditional caste occupation and business. He also discussed the status of West Bengal students those depend on the parental livelihood.

Saumen Chattopadhyay (2007)⁵ 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. The study emphasize on the alternatives that have been adopted in the world to raise various sources for Higher Education such as deregulation of fees, Education Loans, Income contingent Loan and Graduate Tax etc. The findings of paper critically examine different alternative sources of finance for Education and gave suggestions to raise funding for Higher Education.

Sangeeta Arora and Jagdish Kaur (2016)⁶ explored some things about Indian Higher Education system that it is the third largest in the world, next only to China and the United States

Education is a key requirement for development and growth of every country, the higher the amount of human capital a country has, the higher is its relative standard of living. It generates a wide range of other social benefits such as better health, less crime, and lower unemployment levels and it not only yields a high social return, it is also an attractive investment.

Vivek Raj bahadur Singh (2016)⁷ asserted on growth of Non-Performing Assets in Commercial Banks that has a direct impact on profitability of banks. Some ways have been suggested to solve the problem of old NPAs in the balance sheets of the banks. He suggested to have a systematic evaluation of the best way of tackling the problem.. NPAs affect the liquidity and profitability, in addition to posing threat on quality of asset and survival of banks. Although various steps have been taken by government to reduce the NPAs but still a lot needs to be done to curb this problem so there should be a system that can settle fastest the default cases.

K Ramesh (2017)⁸ examined the Indian Financial System and its different components. He explained that the financial sector in India is mainly a banking sector with commercial banks accounting for more than 64 per cent of the total assets held by the financial system. Government of India and RBI took various methods to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs). The most important thing about of the NPA is that a bank can neither credit the income nor debit to loss, unless either recovered or identified as loss. He gave one suggestion to overcome with this problem that if anybody does default all the accounts would be considered NPA if one account becomes NPA.

Mrs. Aarti Patel & Dr. Kamlesh Bhandari (2017)⁹ examined the present Education system and found that demand for Higher Education is increasing due to rise in Gross Enrolment Ratio and Higher Education Institutes. But with this the cost of Higher Education is also changing with a new paradigm. The perception of students towards efficacy of education

loan was studied to identify the intensity of the factors affecting efficacy of education loan. The students found the loan process and formalities so complex and complicated which was not understandable by everyone. They suggested to relax the norms and make its process simple. The study focused on creating good environment among the loan availers and providers.

Sajith Kumar. S (2018)¹⁰ stressed on the role of Bank managers. Bank managers act as an mediator and linkage between banks and the students and deliver the service of education loan. The study tries to analyze the perspective of manages in sanctioning, recollecting and controlling the problem of NPAs associated with education loan. It identifies the common reasons and its solutions for education loan NPAs. NPA creates many problems in our economy such as poor recycling of funds, increasing stress burden and less chances of further availability of credit. NPA affects not only financial soundness of banks but also entire economy. He found many reasons for NPA like Absence of proper security, Higher fee, Willful default, Cost of effective Legal Measures, poor loan recovery strategies and wrong selection of courses.

Research Methodology

Research is a process which is never ending. It is a search over the existing things. The study is descriptive in nature. Primary data was used to arrive at a significant result. Four public sector banks and three private sector banks were selected randomly in Jabalpur Division which are granting education loan. Primary data was collected in two parts through questionnaire method. The first part of the questionnaire was prepared for bank employees whereas the second part dealt with loan availers known as beneficiaries.

Objectives of the Study

1. To study the lending procedure of banks for lending higher education loan.
2. To understand the trend of courses for which the education loan is granted by the banks.
3. To evaluate the impact of education loan on financial wellness of the banks.
4. To offer suggestions on the basis of findings of the study.

Limitation of the Study

1. The study is limited to only Jabalpur Division.
2. It is limited to eight years from 2009-10 to 2016-17.
3. It is restricted to only four Public and three Private Sector Banks.

Hypothesis

The following hypotheses were designed to achieve the objectives of research such as-

H₀ (1)

There is no significant relation between the courses for which education loan granted and defaults in repayment of courses.

Table 1.1 Opinion of Beneficiaries and Bank Employees

| Nature of Course | Loan Granted for Courses | Defaults in Repayment of Courses |
|----------------------------|--------------------------|----------------------------------|
| Medical | 14 | 12 |
| Engineering | 55 | 49 |
| Management | 30 | 21 |
| Other Professional Courses | 17 | 14 |
| Foreign Courses | 11 | 18 |
| Other | 3 | 16 |
| Total | 130 | 130 |

Source: Data collected through Questionnaire

Summary of Correlation

| | Loan Granted for Courses | Defaults in Repayment of Courses |
|----------------------------------|--------------------------|----------------------------------|
| Loan Granted for Courses | 1 | |
| Defaults in Repayment of Courses | 0.9090874 | 1 |

The Karl Pearson's coefficient of correlation was used to show the relationship between the courses for which the education loan granted and the defaults in the repayment of courses. The correlation (r) value is 0.9090874. This presents that there is strong positive relationship. The relationship also indicates that more amount of loan was granted to engineering courses and number of defaults are also

more in engineering courses. So we conclude that null hypothesis (H_0) is rejected. It is suggested to bring in practice the eligibility criteria mainly focus on good academic records.

$H_0(2)$

There is no significant difference between the opinion of beneficiaries and bank employees that education loan increases stress burden.

Table 1.2 Opinion of Beneficiaries and Bank Employees

| Level of Agreement | Beneficiaries (X) | Employees (Y) |
|----------------------------|-------------------|---------------|
| Strongly Disagree | 28 | 9 |
| Disagree | 71 | 26 |
| Neither Agree nor Disagree | 54 | 31 |
| Agree | 126 | 51 |
| Strongly Agree | 99 | 13 |
| Total | 378 | 130 |

Source: Data collected through Questionnaire

For above hypothesis F-Test was used to find the difference between the opinion of beneficiaries and bank employees.

F-Test Two-Sample for Variances

| | <i>Beneficiaries</i> | <i>Employees</i> |
|---------------------|----------------------|------------------|
| Mean | 75.6 | 26 |
| Variance | 1460.3 | 277 |
| Observations | 5 | 5 |
| df | 4 | 4 |
| F | 5.271841155 | |
| F Critical one-tail | 6.388232909 | |

F-Test result shows that the f table value is 5.271841155 and f critical value is 6.388232909 at which is greater than f table value. The significance level was checked at 0.05 in f table. Hence we conclude that null hypothesis (H_0) is accepted.

$H_0(3)$

There is no significant association between NPA in Education Loan and Impact of Education Loan on Financial Wellness of Banks.

Table 1.3 Response of Employees for Education Loan Becomes NPA and Impact of Education Loan on Financial Wellness of Banks

| Response/ Bank Employees | No. of Employees | Level of Agreement/Bank Employees | No. of Employees |
|--------------------------|------------------|-----------------------------------|------------------|
| Yes | 108 | Disagree | 59 |
| No | 19 | Neither Agree Nor Disagree | 42 |
| Don't Know | 3 | Agree | 29 |
| Total | 130 | Total | 130 |

Source: Data collected through Questionnaire

The above hypothesis was tested by using correlation tool which is used to show the association between two variables such as NPA in Education Loan and Impact of Education Loan on Financial Wellness of Banks.

Summary of Correlation

| | <i>Education Loan Becomes NPA</i> | <i>Impact of Education Loan on Financial Wellness of Banks</i> |
|---|-----------------------------------|--|
| Education Loan Becomes NPA | 1 | |
| Impact of Education Loan on Financial Wellness of Banks | 0.953882787 | 1 |

The Karl Pearson's coefficient of correlation was used to show the relationship between the NPA in education loan and impact of education loan on financial wellness of banks. The correlation (r) value is 0.953882787. This presents that there is strong positive relationship. The relationship also indicates that due to increase in NPA in education loan the financial wellness of banks are effected. So we conclude that null hypothesis (H₀) is rejected.

Challenges

Engineering courses are having following challenges as-

Incorporation of practical aspect in to theoretical aspect

Rising NPA in Education Loan for engineering professional courses is a big concern for present time.

Less Career Opportunities

Generally the students are defaulting when they are unable to find good career opportunities for themselves. The quality of education is also matters for availing good career opportunities.

Inculcate quality in education

It is a major issue for academic institutes to inculcate the quality in education especially for the rigid courses.

Meeting the Demand Ratio

Demand ratio is very high in professional courses. It is a matter of concern that how to meet this demand ratio.

To compete with global players

Due to high competition in the market, the students have to struggle hard for scoring high which increases their stress burden. High stress distract them to perform better.

Less flexibility in curriculum

The curriculum of professional course is less flexible. It is difficult to modify the syllabus as per the local, regional, national and global players. Good placement demands for updated curriculum.

Anxiety of loan repayment

The repayment of loan is also a burning issue for the students who are pursuing higher education by taking education loan. The completion of study

become important to create the capacity of repaying the education loan.

Suggestion and Recommendations

The following suggestions and recommendations were given to improve the effectiveness of education loan scheme.

To modify the policies and rules

To inculcate the quality of education in the curriculum, it is necessary for the institutes to frame policies and make strategies for incorporating changes in the curriculum as per the local, regional, national and global needs.

To create jobs

The government and industries are required to come together to create new jobs opportunities. New entrepreneurship schemes are essential to announce for better industrial growth and development.

To meet global needs

Quality is very important for every course. Nowadays to meet the rising competition the institutes are requested to promote quality teaching and learning.

Proper monitoring

The banks are required to do proper monitoring of the students who have availed education loan. Time to time there is a need to take required update of the academic performance of students to minimize the future risk.

Government observance and initiative

It is also argued that the government should take initiative to observe and view constantly the growing need of finance for Higher Education and play a vital role in lending for pursuing higher education.

Conclusions

Quality of Education has become a concerning matter in present time. Higher Education is the only key to inclusive growth which provides the path to enter in knowledge world. Present education is becoming very costly. It is difficult for everyone to afford such costly education. Public and private sector banks are playing a vital role in providing education loan to meet the financial requirements of needy and meritorious students. In lack of skills, techniques and

knowledge, the professional courses have less career opportunities after graduation which results in enhancing the stress burden of families as well as banks in turn later in great defaults for repaying the loan amount. There is a need to inculcate the quality in professional courses to increase the and create the good career opportunities.

References

- <https://www.quora.com/How-many-engineering-students-graduate-every-year-in-India-and-how-can-one-aspire-to-get-it>
- <https://www.indiatoday.in/education-today/featurephilia/story/engineering-employment-problems-329022-2016-07-13>
- HarasankarAdhikari, "No Educational Loans for SCs", *Economic & Political Weekly*, February 13, 2016 Volume LI no 7, ISSN 0012-9976.
- K Ramesh, "Effective NPA Management The need for improving the bottom line", *International Journal of Management, IT & Engineering*, Vol. 7 Issue 1, January 2017, ISSN: 2249-0558.
- Mrs. Aarti Patel & Dr. KamleshBhandari, "A Study on Efficacy of Education Loan from Students' Perspective", *ZENITH International Journal of Multidisciplinary Research*, ISSN 2231-5780, Vol.7 (8), August (2017), pp. 13-24.
- Sajith Kumar. S, "Education Loan and Non-Performing Assets: Banker's Perspectives" *TRANS Asian Journal of Marketing Management Research (TAJMMR) (Double Blind Refereed & Reviewed International Journal)*, ISSN: 2279-0667, Volume 7, Issue 1, January 2018.
- SaumenChattopadhyay, "Exploring Alternative Sources of Financing Higher Education", *Economic and Political Weekly*, October 20, 2007.
- SangeetaArora and JagdishKaur, "Status of higher education and education loan in India with special reference to Punjab", *Educational Quest: An Int. J. of Education and Applied Social Sciences* Vol. 7, Issue 1, April 2016.
- S. S. Kholi, *Monthly Commentary*, October 2004, Vol. XLVI, No.10., P.13.
- VivekRajbahadur Singh (2016), "A Study of Non-Performing Assets of Commercial Banks and it's recovery in India", *Annual Research*

Journal of SCMS, Pune Vol. 4, March 2016, ISSN 2348-0661 Print © 2015 Symbiosis Centre for Management Studies, Pune ` , Vol. 4, March 2016.

Endnotes

1. <https://www.quora.com/How-many-engineering-students-graduate-every-year-in-India-and-how-can-one-aspire-to-get-it>
2. <https://www.indiatoday.in/education-today/featurephilia/story/engineering-employment-problems-329022-2016-07-13>
3. S. S. Kholi, *Monthly Commentary*, October 2004, Vol. XLVI, No.10., P.13.
4. HarasankarAdhikari, "No Educational Loans for SCs", *Economic & Political Weekly*, February 13, 2016 Volume LI no 7, ISSN 0012-9976.
5. SaumenChattopadhyay, "Exploring Alternative Sources of Financing Higher Education", *Economic and Political Weekly*, October 20, 2007.
6. SangeetaArora and Jagdish Kaur, "Status of higher education and education loan in India with special reference to Punjab", *Educational Quest: An Int. J. of Education and Applied Social Sciences* Vol. 7, Issue 1, April 2016.
7. VivekRajbahadur Singh (2016), "A Study of Non-Performing Assets of Commercial Banks and it's recovery in India", *Annual Research Journal of SCMS, Pune* Vol. 4, March 2016, ISSN 2348-0661 Print © 2015 Symbiosis Centre for Management Studies, Pune ` , Vol. 4, March 2016.
8. K Ramesh, "Effective NPA Management The need for improving the bottom line", *International Journal of Management, IT & Engineering*, Vol. 7 Issue 1, January 2017, ISSN: 2249-0558.
9. Mrs. Aarti Patel & Dr. KamleshBhandari, "A Study on Efficacy of Education Loan from Students' Perspective", *ZENITH International Journal of Multidisciplinary Research*, ISSN 2231-5780, Vol.7 (8), August (2017), pp. 13-24.
10. Sajith Kumar. S, "Education Loan and Non-Performing Assets: Banker's Perspectives" *TRANS Asian Journal of Marketing Management Research (TAJMMR) (Double Blind Refereed & Reviewed International Journal)*, ISSN: 2279-0667, Volume 7, Issue 1, January 2018.