

A STUDY ON AWARENESS TOWARDS EDUCATION LOAN, A STUDY CONDUCTED AT HDFC BANK

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Abstract: *An education loan is a loan taken out by students to help them cover their educational expenses. This research was conducted at HDFC Credila, a sister firm of HDFC Bank. It is a post-covid awareness study towards the education loan. The objective of this article is to determine how well graduates are aware of education loans and study the value of higher education as well as the bank's financial aid programs. The data will be analyzed using a descriptive method. This study concludes that HDFC Credila should take more effective programs to create an awareness towards education loans that assist students in financing their higher education.*

Keywords: Higher education, Education loan, Borrower, Awareness, Processing charges.

Introduction

"Excellence is not an accident," said APJ Abdul Kalam, former President of India. To achieve the power of excellence and gain more knowledge in the field of study, students go for higher education. Higher education includes all post-secondary. Extension of education, training and research in educational institutions such as universities licensed as higher education institutions by state authorities. Currently, higher education is becoming more expensive with each passing year as the inflation rate of education is much higher than the overall consumer price. Inflation. In such a situation, parents find it very difficult to finance their children's education. As a result, many of them are forced to rely on education loans.

An education loan covers the cost of studies as well as other related costs. Higher education in this context refers to education beyond the senior secondary level. The loan amount and other terms differ from one lender to the next.

Covid Impact on Education

During covid, many people lost their jobs, which hindered their source of income. Lack of financial support made people have higher education as a second thought, as there is no guarantee for a stabilized income during the pandemic.

HDFC Credila

A division of HDFC Limited. The first dedicated education loan institution in India is known as the company. HDFC Credila Finance Services Limited has come up with the idea of a specialized education lender. Credila provides funding for students to pursue higher education at home and abroad. Before submitting their applications to universities, students can get pre-approved for their student loans. The institution where the student completes his education bears its name for life.

Review of Literature

(1990) stated that most commercial loans are secured, but little is known about the relationship between credit risk and collateral. According to conventional thinking, high-risk borrowers often post collateral when the risk is obvious. According to empirical research, it is banks, riskiest borrowers and riskiest loans that use collateral the most.

Gorton, C. This, according to a 2000 study, shows that the unique characteristics of bank loans are intrinsic to increase efficiency. The renegotiated interest rates on the loan need not be constant as the company's risk is internal. Initial transfers can be made from borrower to bank or bank to borrower, lending rate is non-linear.

C. According to Kejar (2009) Individual Development Accounts (IDAs) are an underutilized tool. They have the potential to fulfill the mission of higher education to provide financial education while increasing access and retention of low-income students.

According to JE Rothstein & Associates Ross (2011), UK universities implemented a "no loans" policy in the early 2000s, replacing the loan component of financial aid grants with grants. To determine the causal relationship between student loan debt and business outcomes, we conduct this naturalistic experiment.

N. S., Kayarkatte, Shenoy (2012) said that the main obstacle preventing students from pursuing higher education is the poverty of their lower and middle class parents. In India, banks actively support higher education by providing loans to deserving students. Enrollment rates and numbers in higher education are well below the global average.

Leuven, E., Booij, A. S., and Oosterbeek, H. Student loan acceptance rates are low in the Netherlands (2012) due to students' inability to understand the government's financial aid scheme. Researchers have tried to increase students' chances of getting loans by increasing their knowledge of these criteria, but their efforts have had no effect.

According to M. Zhan, & X. Xiang (2013) analysis, the amount of student loans has

increased rapidly in recent years. College fees have increased dramatically over the last ten years. Students and their families now have easy access to federal and private loans. Between 6% and 15% of American households now report having school loans.

C. Bandyopadhyay in his 2016 study found that adding a guarantor or co-borrower along with the guarantor significantly reduces the risk of default. The social and economic makeup of borrowers and their geographic regions play an important role in student loan default risk. According to Jayadev (2017), banks are concerned about rising non-performing assets related to student loans. According to the latest official data from the Ministry of Finance of India, there has been a significant increase in the amount of student loans with an annual growth rate of 12% since March 2008.

Need for the Study

The purpose of the study is to understand the different types of education loans, the process of sanctioning the loan, and also to examine the level of awareness towards education loans among the respondents of HDFC Credila.

Objectives

- To know various types of education loans offered by HDFC Credila.
- To study the requirements and conditions of fulfillment for sanctioning of education loans.
- To study the awareness level of education loans among graduates.

Scope of The Study

Banking activities have grown entirely automated in recent years, and practically all commercial banks now offer education loan services. The topic chosen for the study includes various education loans offered by HDFC Credila and also post-covid awareness among graduates towards education loans. The study is conducted in Bangalore city.

Research Methodology

The researcher is going to adopt the descriptive method. As descriptive method involves collecting data to answer questions concerning the current status of the subject of the study.

Data Collection Method

For this study, the Primary data will be gathered through a Structured Questionnaire & Secondary data is obtained from other related research reports, books, company websites, etc.,

Sampling Design

The design of the sample is based on the convenience sampling method through which the researcher is going to collect the Primary data from 100 respondents, who are pursuing or completed their graduation by availing an education loan from HDFC Credila.

Plan of Analysis

The obtained data will be analyzed and interpreted through tables, graphs, and other descriptive statistical tools. These will clearly state the results of the study and help the researcher to present the findings of the study.

Data Analysis & Interpretation

Table 1- Socio-Economic Variables

Particulars		No. of Respondents	Percentage
Gender	Male	30	30%
	Female	70	70%
Age	18-22	33	33%
	22-27	65	65%
	27-31	1	1%
	32 & Above	1	1%
Education Qualification	B.COM	43	43%
	BBA	10	10%
	BCA	3	3%
	BE	15	15%
	Other Equivalent courses	29	29%
Family Type	Nuclear Family	84	84%
	Joint Family	16	16%
Parent's Educational Qualification	SSLC	45	45%
	PUC	11	11%
	Under Graduate	29	29%
	Post Graduate	15	15%
Income Level	Below 2.5 lac	44	44%
	2.5 - 3.5 lacs	28	28%
	3.5- 4.5 lacs	7	7%
	4.5 lacs & above	21	21%
Usage of Financial services offered by HDFC	Banking Services	84	84%
	Investment Services	5	5%
	Foreign Exchange Services	3	3%
	Insurance	8	8%

Interpretation

From the above table, we can find that major respondents of 70% are female; 65% of respondents who falls in the age group 22-27; 43% of the respondents are B. Com graduates; 84% of the respondents belong to a nuclear family; 45% parents' of the respondents are having educational qualification of SSLC; 44% of the income level of the respondents fall Below 2.5 lakhs; 84% of the respondents use Banking services.

Table 2- Awareness towards Education Loan

Particulars		No. of Respondents	Percentage
The Extend of Awareness towards the Concept of Education Loan	Complete	21	21%
	Significant	18	18%
	Partial	44	44%
	Not at all	17	17%
Source of Awareness	Newspaper	4	4%
	Advertisement	16	16%
	Bank	34	34%
	Loan agent	3	3%
	Friends & Relatives	43	43%
Types of Education Loans offered by HDFC Credila	Domestic	40	40%
	Study Abroad Education Loan	13	13%
	Both	47	47%
Age Limit of the Education loan borrower	Extremely Aware	16	16%
	Very Aware	7	7%
	Moderately Aware	24	24%
	Slightly Aware	28	28%
	Not at all	25	25%
Amount of Borrowing Limit of an Education Loan	Extremely Aware	10	10%
	Very Aware	11	11%
	Moderately Aware	29	29%
	Slightly Aware	23	23%
	Not at all	27	27%
The Collateral Conditions	Extremely Aware	9	9%
	Very Aware	13	13%
	Moderately Aware	28	28%
	Slightly Aware	18	18%
	Not at all	32	32%

Interest Rate charged by HDFC Credila	Extremely Aware	6	6%
	Very Aware	13	13%
	Moderately Aware	27	27%
	Slightly Aware	27	27%
	Not at all	27	27%
Documentation Procedure of the Bank	Extremely Aware	10	10%
	Very Aware	25	25%
	Moderately Aware	6	6%
	Slightly Aware	35	35%
	Not at all	24	24%
Processing Fee of the Bank	Extremely Aware	8	8%
	Very Aware	13	13%
	Moderately Aware	20	20%
	Slightly Aware	23	23%
	Not at all	36	36%
Sanction Process of the Bank	Extremely Aware	10	10%
	Very Aware	11	11%
	Moderately Aware	42	42%
	Slightly Aware	25	25%
	Not at all	12	12%
Sanction Time of the Bank	Extremely Aware	8	8%
	Very Aware	12	12%
	Moderately Aware	28	28%
	Slightly Aware	17	17%
	Not at all	35	35%
Foreclosure-charges of education loan	Extremely Aware	5	5%
	Very Aware	15	15%
	Moderately Aware	22	22%
	Slightly Aware	20	20%
	Not at all	38	38%
The sanctioning of Education Loan is going online	Extremely Aware	7	7%
	Very Aware	21	21%
	Moderately Aware	17	17%
	Slightly Aware	25	25%
	Not at all	30	30%

Interpretation

From the above table we can find that majority of 44% of the respondents had partial awareness towards the concept of education loan; 43% of respondents are aware of education loan from their friends and relatives; 47% of respondents are aware of both type education

loan; 28% of the respondents are slightly aware of the age limit; 29% of the respondents are moderately aware of the borrowing limit; 32% not at all aware of the collateral conditions; 27% of the respondents fall under moderately, slightly and also not at all aware of the interest rate charged for education loan; 35% of the respondents are slightly aware of the documentation procedure; 36% of the respondents are not at all aware of the processing fee for education loan; 42% of the respondents are moderately aware of the sanctioning process of education loan; 35% of the respondents are slightly aware of the sanction time of education loan; 38% of the respondents are not at all aware of the foreclosure charges for education loan; 30% of the respondents are not at all aware of online sanctioning of education loan going online.

Findings

- It was found that the maximum number of respondents are not at all aware of collateral conditions for education loans and minimum respondents of 9% are extremely aware of collateral conditions for education loans.
- It was found that the maximum number of respondents are slightly aware of the age limit of the borrowers and minimum respondents of 7% are very much aware of the age limit of the borrowers.
- It was found that the maximum number of respondents are not at all aware of foreclosure charges of education loan and minimum of 5% respondents are extremely aware of foreclosure charges of education loan.
- It was found that the maximum number of respondents are not at all aware of education loan sanctioning going online and a minimum of 7% of respondents are extremely aware of education loan sanctioning going online.

Suggestions

- Banks could reach more borrowers, to create awareness towards education loans and get the target group of customers through using different channels of advertisement.
- The bank offers school loans to individuals up to the age of 32 years. It is important for borrowers to be fully aware of the bank's age restrictions when applying for student loans.
- Collateral is something provided as security for your student loan. A house is an example of a tangible asset, while a fixed deposit is an example of an intangible asset.

Banks should educate their customers about the requirement to provide guarantees while availing student loans.

- A process document that lists the steps that must be taken to complete a task or process. For consumers to understand more about school loan, the bank must update the paperwork process.
- Foreclosure is the prepayment of a loan for the full amount before the date the borrower is legally required to repay. Banks have an obligation to warn their customers about the fees associated with foreclosures on student loan loans.
- With the advancement of digitalization, banks have started approving online education loans. Borrowers who wish to use education loans as a financing option for their postgraduate courses should be advised of this..

Conclusions

HDFC Credila does not have a one-size-fits-all interest rate policy. Instead of negotiating interest rates, HDFC Credila offers students the best possible rates based on their credit rating. After details, it was found that the respondents are not much aware about various aspects related to education loans like minimum age of borrower, documentation procedures, processing fees, penalties procedure and penalty time. The researcher also stated that the respondents were not at all aware of the foreclosure factor and its fee, which is early repayment of the loan for the entire balance before the borrower's contractually due date.

It is suggested that, to increase the awareness towards education loans the banks could advertise its service of providing loans for purpose of education through various advertising channels, along with its importance and various advantages of availing education loans like financial support for those individuals planning for their higher studies, tax benefits, etc. Another means for attracting the target group is to tie up with various educational institutions like colleges. At the time of starting the academic year, the bank may get the opportunity to have a small cabin or stall in the premises of the colleges or educational institutions through which the bank can meet and gain more clients for their service provided.

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