Role of Educational Loan in the Coimbatore District 
(Trend Pattern and Students’ Satisfaction)

B. Angamuthu*[Ph.D.]
Assistant Professor in Commerce, Kovai Kalaimagal College of Arts and Science, 
Vellimalaipattinam, Narasipuram (Po), Thondamuthur (via), Coimbatore – 641 109, 
Tamilnadu, India; muthuanga82@gmail.com

Abstract
Coimbatore has made a rapid stride in the field of higher education with an aim to provide quality of education whereas most of the students want timely financial assistance to continue their higher education. Educational loan is the major source for solving the financial difficulties among the students. In order to this empirical and analytical study was undertaken to measure the growth of educational loan through its disbursement from Financial Years 2011-2012 to 2014-2015 and also to analyze the students' satisfaction level towards educational loan among various groups. A sample of 200 students selected from various Arts & Sciences, Engineering colleges and B-Schools of Coimbatore District. The research has found that actual performance of education loan was increasing trend during the study periods with growth of 35% but it has been low than the expectation during the Financial Years from 2010-2011, 2012-2013 and 2013-2014. Further, the data predicts that the education loan disbursement in the Coimbatore District which will reach Rs. 280 Crore for the FY 2017-2018. Only 64% of the students are satisfied about educational loan service in the Coimbatore. Chi-square analysis reveals that there is a significant association between demographic factors (via. gender, age group, place of living, father’s occupation and family income) of the students and their satisfaction level.

Keywords: Educational Loan, Financial Service, Higher Education, Students’ Satisfaction

1. Introduction and Execution of the Study

1.1 Introduction
Education loan ensures no student misses on higher education due to lack of funds. It is an attractive option not only for students from economically weaker sections of the society but even for those from middle or higher middle class due to the easy repayment options and availability of funds. Presently, we are all in the Knowledge era. So, Education is the heart of human empowerment in any country. Education loan is becoming popular day-by-day because of rising fee structure of higher education. It came into existence in 1995 started by SBI Bank and after that many banks started offering student loan. The Indian banking sector began giving loans for higher education from 2001 onwards. The Government of India (GoI) and Reserve Bank of India (RBI) have been agreed that loans for higher education as an investment for economic development and prosperity. The Educational Loan Scheme aims at providing financial support from the banking system to deserving/ meritorious students for pursuing higher education anywhere in the country and foreign. 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. Now-a- days, higher education becomes too costly because more number of self-financing colleges presence in the country and they follow different level of fees structure among students. No deserving student is denied
an opportunity to pursue higher education for want of financial support. The higher educational institutions have seen rising trend in the past years and of every year lakhs of students enrolled. As shown in Table 1 the number of colleges increased from 578 in 1950-51 to 35,500 in 2012-13, while the number of universities grown from mere 27 to 700 during the same period. Furthermore, the education loans in India have seen a rising trend in the past years. Now-a-days, public as well as private sector banks are disbursing financial assistance to the students. Reflecting their popularity, public sector banks have disbursed Rs 57,700 crore as education loans and 25,70, 254 such accounts were opened by 31st Dec 2013. Of these, the largest number of accounts were opened by SBI (6,14,957), followed by Canara Bank (2,45,155) and Indian Overseas Bank (2,17,045). By 2030, India will be amongst the youngest nations in the world. With nearly 140 million people in the college-going age group, one in every four graduates in the world will be a product of the Indian higher education system (EY Building better world). So, the educational loan scheme becomes most important lending area for upcoming years.

### Table 1. Growth of higher educational institutions in India

<table>
<thead>
<tr>
<th>Year</th>
<th>Colleges</th>
<th>Universities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>578</td>
<td>27</td>
</tr>
<tr>
<td>1960-61</td>
<td>1819</td>
<td>45</td>
</tr>
<tr>
<td>1970-71</td>
<td>3277</td>
<td>82</td>
</tr>
<tr>
<td>1980-81</td>
<td>6963</td>
<td>110</td>
</tr>
<tr>
<td>1990-91</td>
<td>5748</td>
<td>184</td>
</tr>
<tr>
<td>2000-01</td>
<td>10152</td>
<td>254</td>
</tr>
<tr>
<td>2005-06</td>
<td>16982</td>
<td>350</td>
</tr>
<tr>
<td>2006-07</td>
<td>19812</td>
<td>371</td>
</tr>
<tr>
<td>2007-08</td>
<td>23099</td>
<td>406</td>
</tr>
<tr>
<td>2008-09</td>
<td>27882</td>
<td>440</td>
</tr>
<tr>
<td>2009-10</td>
<td>25938</td>
<td>436</td>
</tr>
<tr>
<td>2010-11</td>
<td>32974</td>
<td>621</td>
</tr>
<tr>
<td>2011-12</td>
<td>34852</td>
<td>642</td>
</tr>
<tr>
<td>2012-13</td>
<td>35,500</td>
<td>700</td>
</tr>
</tbody>
</table>

(i) figures for 1920-51 to 2009-10 from the Statistics of Higher and Technical Education publication
(ii) figures for 2010-11 to 2011-12 taken from AISHE
(iii) Figures for 2012-13 taken from University Grants Commission

#### 1.1.1 About Coimbatore and Development of Higher Educational Institutions in the District

Coimbatore is the third largest city of the Tamil Nadu state and is one of the most industrialized cities in Tamil Nadu, known as the textile capital of South India or the Manchester of the South. The present Coimbatore district consists of two revenue divisions of Coimbatore (Industrially developed) and Pollachi (Predominantly in agriculture). The District contains 10 taluks namely Coimbatore(North), Coimbatore(South), Mettupalayamm, Sulur, Pollachi, Sulur, Madukkarai, Perur, Annur and Valparai. There are more than 25,000 small and medium, large scale industries. Coimbatore is also famous for the manufacture of motor pump sets and varied engineering goods.

Coimbatore is also home for state owned universities like Tamil Nadu Agricultural University (est. 1971), Bharathiar University (est.1982), Anna University Coimbatore (est. 2007) and private universities like Karunya University (est. 1986), Avinashilingam University (1987), Amrita University (est. 2003) and Karpagam University (est. 2005). The first college opened in Coimbatore was the Government Arts College (1875-76). The Forest College and Research Institute was opened in 1916. The first engineering college in the city was started by G.D. Naidu as the Hope College in 1945. Later it became the Government College of Technology (GCT), Coimbatore. The Air Force Administrative College was established in 1949 to train Indian Air Force personnel. Coimbatore Medical College was opened in 1966 and the Government law college was started functioning from 1978. The two famous private Engineering Colleges of PSG College of Technology and Coimbatore Institute of Technology (CIT) were started in the 1950s. Several private engineering and Arts & Science colleges were started during the education boom in the 1990s. Now, Coimbatore district has 54 engineering colleges, 2 medical colleges, 18 polytechnics and more than 70 Arts and Science Colleges.

#### 1.2 Statement of the Problem

With the presence of large number of higher educational institutions and increasing student penetration in the higher education has influenced for the demand for education loan is growing in the Coimbatore District. With increase in awareness about the educational loan being available for all courses, an increasing number of
students in arts and science courses are also applying for education loan. The recent statistics in the District shows that 10600 beneficiaries in the FY 2012-2013 and 12960 beneficiaries in the FY 2013–2014 received education loan. Now, over 40 per cent of the education loans disbursed was for Arts and Science students. With increased public awareness about the benefits of the education loan scheme, bank branches are receiving more and more applications for loans every year. Presently, 34825 students who completed Plus Two in the district and most of them in the process of getting loan from banks. So, there is urgency for measure the budget required by the banks for disbursement of educational loan during the FY2015-2016 and also to analyze the educational loan takers satisfaction level in the District. In order to this research work undertakes through raising the following research questions.

- What is the actual and expected trend pattern of education loan in Coimbatore District?
- What is the satisfaction level among the various groups of educational loan takers?

1.3 Objectives of the Study

- To analyze the trend pattern of education loan disbursement in the Coimbatore District
- To find out the demographic factors of students who are getting educational loan in the Coimbatore District and also to analyze the satisfaction level among various groups of the students.

1.4 Hypotheses of the Study

- Ho1: There is a slow growth of educational loan disbursement in the Coimbatore District.
- Ho2: There is no significant relationship between demographic factors of the students and their satisfaction level.

1.5 Importance of the Study

The importance of this present study is to examine the past and present trend pattern for disbursement educational loan of both public and private sector banks in the Coimbatore District and prediction of future performance also done. Further, this study helps bank branches in the Coimbatore to adopt strategies to frame their policies and to enhance their soundness in educational loan services to the students’ satisfaction.

2. Research Methodology

2.1 Research Design

This empirical and analytical research aims to analyze the trend pattern of educational loan scheme in the Coimbatore district as well as students satisfaction level. Both secondary and primary data has been used to achieve the above said objectives. The secondary data regarding educational loan disbursement by the banks during the FY 2010-2011 to FY 2014-2015 were collected from official reports of Lead bank in Coimbatore. Further, the primary data were collected from 200 students (respondents) who are currently pursuing their higher education with the help of educational loan schemes. Self-designed questionnaire has been used to collect primary data from the respondents who are studying in Arts & Science, Engineering Colleges and B-Schools in the Coimbatore District. The purposive sampling technique is the most suitable for present research. The primary data were collected during the periods from February to June' 2015.

2.2 Application of Statistical Tools

2.2.1 Percentage Analysis

Each of the single variables (e.g. demographic factors) is an observation that places the subject or entity into two or more categories and observe summaries of these variables, it was typically given as counts (the number of subjects placed into each category) and/or the corresponding percents.

2.2.2 Least Square Trend and Growth Analysis

The present study tries to find out the movements of data either upward or downward or constant direction over a period of time using linear trend by the method of least squares. It provides a convenient basis for obtaining the line of best fit in a series. The line of the best fit is a line from which the sum of the deviations of various points on either side is zero (actual values of \( Y \) from the expected values of \( Y_c \)). Further the sum of the squares of the deviations of the actual values of \( Y \) and computed values of \( Y_c \) is least. So, it is called the method of least squares and line obtained by this method is called the line of best fit and it is derived from the equation of \( Y_c = a + bx \).

2.2.3 Pearson's Chi-square Test (\( \chi^2 \))

The \( \chi^2 \) test is an important test among the several tests of significance developed by statisticians. It is statistically
measured and used in the context of sampling analysis for comparing an obtained variance to a theoretical variance. As a non-parametric test, it can be used to evaluate the contingencies between two nominal measures. In the present study, the Chi-square test is used to test the association between two attributes. The \( \chi^2 \) statistic is to carry out through the difference between the observed and the expected frequencies in the cells of the contingency table using the
\[
\chi^2 = \sum \left( \frac{(O_i - E_i)^2}{E_i} \right)
\]
where,
\[
\chi^2 = \text{Pearson's Chi-square statistic}
\]
\( O_i = \text{an observed frequency} \)
\( E_i = \text{an expected frequency} \)

The table value of chi-square is calculated by \((R-1) (C – 1)\) degree of freedom at required percent level of significance whereas \( R \) and \( C \) denote Rows and Columns of the contingency table. Furthermore, the discussion of correlation statistics is used to measure degree of association between the variables through the Cramer’s \( V \), and its value ranging from -1 to +1. It can be find out through application of
\[
V = \sqrt{\frac{\chi^2}{n (k – 1)}}
\]

3. Review of Literatures

Nagarajan et al.\(^\text{7} \) argues that the awareness level of customers towards various loan products & services provided by State Bank of India and they reported that there is a significant relationship between Gender and awareness about loan products. Hymanathi and Kalpana\(^\text{3} \) argue that the customer satisfaction towards housing loan, car loan and personal loan services provided by State Bank of India, Andhra bank and Axis bank whereas the authors do not focused for educational loan services. Aarti et al.\(^\text{1} \) compares the male and female students’ perception towards educational loan with respect to its various features like value Addition, mortgage, effectiveness, eligibility criteria, procedure or convenience, disbursement and rate of interest but the authors has not been focus on the trend pattern of educational loan. Chudry et al.\(^\text{2} \) explored the factors affecting undergraduates’ borrowing attitudes and found that students considered education loans as a way to enhance their future, rather than a form of debt. Rashmi and Yasmine\(^\text{19} \) argue that bank customer’s perceptions and satisfaction towards home loans and this study reported that the customers were highly satisfied with the home loan services in relation to its services, transparency, time taken for loan approval, employee cooperation and query handling. Elisa Rose and Paul\(^\text{3} \) find that the probability of taking out student loans for the full cost of university is largely influenced by students’ socio-economic status. Other major influences on this decision include students’ demographic and university enrolment characteristics. Oluyele\(^* \) argue that financial resources to the education system in the Switzerland. He analyzed traditional resources like government, local communities and households, non-governmental organizations, private enterprises and corporations as well as foreign aid.

4. Analysis and Discussions

4.1 Analyze the Growth of Education Loan Disbursements in the Coimbatore District

The actual education loan disbursements going up from the FY 2010-2011 to FY 2014-2015 which shows in the FY 2010-11, Rs. 58 Crore and it has been reached to Rs. 193 Crore in the FY 2014 – 2015 with the growth engine of 35% during the study periods (Figure 3). The actual performance of education loan disbursement in the district has been continuously low than its expectation during the Financial Years from 2010-2011 to 2013-2014 except FY 2011–2012 (Figure 2) whereas the education loan disbursement is expected to cross Rs. 220 Crore for the FY 2015-2016 than the FY 2010-2011 grow at a CAGR of 30.70% (Figure 1) but after three academic years to reach a figure of Rs. 284 Crore by FY 2017-2018 (Figure 3) with grow at 13.8% during the four academic years from 2014-2015.

4.2 Demographic Factors of the Respondents

Distribution of the respondents based on their demographic factors (viz., gender, age group, place of living, father’s occupation and family income) is given in the Table2.

It can be inferred from the Table 2 that a nearly 3/4\(^\text{th} \) of the respondents are male and little more 1/4\(^\text{th} \) of the respondents are female. This is followed by majority (47%) of the respondents belonged to the age group of 21 – 25 years, 49% of the respondents are living in the city area, majority of the respondents’ fathers occupation is employed category (42%) and nearly 2/5\(^\text{th} \) of the respondents family income ranging from Rs. 5,001 – Rs. 10,000 per month.
4.3 Satisfaction Level of the Respondents

Distribution of the respondents based on their satisfaction level towards education loan is given in the Figure 4 and it can be concluded that 64% of the respondents are under satisfaction category.

4.4 Relationship of Demographic Factors and Satisfaction Level

Ho: There is no significant relationship between the demographic factors (viz., gender, age group, place of living, father’s occupation and family income) of the respondents and their satisfaction level.
4.5 Demographic Factors and Satisfaction Level

It could be collected from the Table 3 which the calculated value of $\chi^2$ between demographic factors viz., gender ($\chi^2 = 9.49; p<0.05$), age group ($\chi^2 = 16.239; p<0.05$), place of living ($\chi^2 = 173.337; p<0.01$), father’s occupation ($\chi^2 = 47.666; p<0.01$) and family income ($\chi^2 = 23.215; p<0.05$) of the respondents and their satisfaction level statistically significant at respective level of significance value. Hence, the above said hypothesis is rejected and it can be concluded that there is a significant relationship between gender, age group, place of living, father’s occupation, family income of the respondents and their satisfaction level. Further, we obtained in the Table 4 that the calculated value of Cramers V between gender, age group, family income, father’s occupation of the respondents and their satisfaction level comes out lesser than the value of 0.4 but these variables statistically significant at respective level. So, there exist low relationship of satisfaction level among the various gender, age group, family income and father’s occupation.

### Table 2. Demographic Factors of the Respondents

<table>
<thead>
<tr>
<th>Factor</th>
<th>Character</th>
<th>No. of Respondents</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>148</td>
<td>74</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>52</td>
<td>26</td>
</tr>
<tr>
<td>Age group (in years)</td>
<td>Upto 20</td>
<td>84</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>21 - 25</td>
<td>94</td>
<td>47</td>
</tr>
<tr>
<td></td>
<td>Above 25</td>
<td>22</td>
<td>11</td>
</tr>
<tr>
<td>Place of Living</td>
<td>City</td>
<td>97</td>
<td>49</td>
</tr>
<tr>
<td></td>
<td>Semi-urban</td>
<td>67</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>Rural</td>
<td>36</td>
<td>18</td>
</tr>
<tr>
<td>Father’s occupation</td>
<td>Employed</td>
<td>83</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>Professional</td>
<td>55</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>Businessmen</td>
<td>28</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Agriculturists</td>
<td>22</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>Family income (in Rs.: per month)</td>
<td>Upto 5,000</td>
<td>14</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>5,001 - 10,000</td>
<td>74</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>10,001 - 20,000</td>
<td>56</td>
<td>28</td>
</tr>
<tr>
<td></td>
<td>Above Rs. 20,000</td>
<td>56</td>
<td>28</td>
</tr>
</tbody>
</table>

Source: Field Survey

Figure 4. Satisfaction level of the Respondents (in%).
Source: Field Survey

4.5 Demographic Factors and Satisfaction Level

It could be collected from the Table 3 which the calculated value of $\chi^2$ between demographic factors viz., gender ($\chi^2 = 9.49; p<0.05$), age group ($\chi^2 = 16.239; p<0.05$), place of living ($\chi^2 = 173.337; p<0.01$), father’s occupation ($\chi^2 = 47.666; p<0.01$) and family income ($\chi^2 = 23.215; p<0.05$) of the respondents and their satisfaction level statistically significant at respective level of significance value. Hence, the above said hypothesis is rejected and it can be concluded that there is a significant relationship between gender, age group, place of living, father’s occupation, family income of the respondents and their satisfaction level. Further, we obtained in the Table 4 that the calculated value of Cramers V between gender, age group, family income, father’s occupation of the respondents and their satisfaction level comes out lesser than the value of 0.4 but these variables statistically significant at respective level. So, there exist low relationship of satisfaction level among the various gender, age group, family income and father’s occupation.
The calculated value between place of living and satisfaction level comes out within the value of <=0.4 to >=0.8 and also statistically significant at one percent level. It can be concluded that there is a moderate relationship of satisfaction level towards education loan across various places.

5. Conclusion and Recommendations

It is that time of the year thousands of students aspiring for an admission in Arts and sciences, Engineering courses, professional and polytechnic courses in the Coimbatore District. They look for educational loan as resources to get funds from the banks. Moreover, the existing beneficiaries under education loan ready to submit their expenses of Academic Year 2015-2016 to the banks. More than 500 bank branches are functioning throughout the Coimbatore district and these branches expected to disburse Rs. 221 crore as education loan for the FY 2015-2016. Nearly 2/3rd of the students who are previously availed education loan comes under satisfaction category while the demographic factors (viz., gender, age group, place of living, father’s occupation and family income) of the students influence their satisfaction level.

Finally this study gives some recommendations to the banks. They are:

- The banks must make 100% in satisfaction level among the students through simplify the procedures.
- The banks should cut down interest rate to the education loan.
- The banks may be avoided lending education loan to the high income groups.
- The banks should associate with higher educational institutions to identify the poor economic background of the students. It will be helps to disburse the educational loan to the weaker sections.
- The banks must provide financial assistance to the Government and aided college students for meet expenses other than tuition fees.

6. References