



## An Empirical Research of Education Loan with Reference of bank of Baroda

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### ABSTRACT-

A loan is when you receive money from a friend, bank or financial institution in exchange for future repayment of the principal, plus interest. The principal is the amount you borrowed, and the interest is the amount charged for receiving the loan. Since lenders are taking a risk that you may not repay the loan, they have to offset that risk by charging a fee- known as interest. Loans typically are secured or unsecured. A secured loan involves pledging an asset (such as a car, boat or house) as collateral for the loan. If the borrower defaults, or doesn't pay back the loan, the lender takes possession of the asset. An unsecured loan option is preferred, but not as common. If the borrower doesn't pay back the unsecured loan, the lender doesn't have the right to take anything in return.

**KEYWORDS-** Loan. Financial institution, Equity, Bank of Baroda, Repayment,

### INTRODUCTION

An education loan is a sum of money borrowed to finance post-secondary education or higher education-related expenses. Education loans are intended to cover the cost of tuition, books and supplies, and living expenses while the borrower is in the process of pursuing a degree. Payments are often deferred while students are in college and, depending on the lender, sometimes they are deferred for an additional six-month period after earning a degree. This period is sometimes referred to as a "grace period, Education loans are issued for the purpose of attending an accredited college or a university and pursuing an academic degree. Education loans can be obtained from the government or through private-sector lending sources. Federal loans often offer lower interest rates, and some also offer subsidized interest. Private-sector loans generally follow more of a traditional lending process for application, with rates that are typically higher than federal government loans.

#### *Type of Education loan*

1. Federal Student Loans
2. Private Student Loans

Apart from the courses, the institution you are applying to also plays a major role as well. Reputed academies or universities are favourable when it comes to lenders approving education loans. Since the students will be paying the loan, the lender must be assured that the students study in a good college and get a good job to pay off the loan. "Most of the banks are having its own list of premium colleges/Institutes. Collateral free Loans are available in selected premium institutes. The students pursuing study in these premium colleges/ Institutes will have extra benefit in ROI. You are more likely to get approval on your education loan if you are applying to study at:

- Universities and colleges recognised by University Grants Commission (UGC) Delhi, All India Council for Technical Education (AICTE), and Institute for Mediation & Conflict Resolution (IMCR), etc. and reputed polytechnic colleges.

#### *History of Bank of Baroda*

Bank of Baroda is one of the leading commercial public sector banks in India.

The Bank's solutions include personal banking which includes deposit gen next services retail loans credit cards debit cards services and lockers; business banking which includes deposits loans and advances services and lockers; corporate banking which includes wholesale banking deposits loans and advances and services and international business which includes non-resident Indian (NRI) services foreign currency credits ECB offshore banking export finance import finance correspondent banking trade finance and international treasury.

The Bank offers services such as domestic operations and For-ex operations. They also offer rural banking services which include deposits priority sector advances remittance collection services pension and lockers. They also offer fee-based services such as cash management and remittance services. The Bank is having their head office located at Baroda and their corporate office is located at Mumbai. Bank of Baroda is one of India's largest banks and as

on December 2020 the bank has a strong domestic presence spanning 8246 domestic branches and 11553 ATMs & Cash Recyclers supported by self-service channels.

### **OBJECTIVES OF STUDY**

- To critically investigate the impact of education loan among the various economic classes in India.
- To study the Educational Loan Scheme, aims at providing financial support from the banking system to meritorious students for pursuing higher education in India.
- To determine the level of satisfaction about the education loan schemes and procedure among the students who have taken loan.
- To study the terms & conditions imposed by banks for educational loans in India.

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### **REVIEW OF LITERATURE**

V.K. Sudhakar (1998): The Bank of Baroda submitted a dissertation entitled “Policies and Perspectives of NPA Reduction in Public Sector Banks” to The Indian Banks Association, Mumbai, for the fiscal year 1997-98. This study sought to examine the policies and practices related to NPA reduction. This study revealed that although senior management in Public Sector Banks (PSBs) was cognisant and concerned about Non-Performing Assets (NPAs), this understanding was not evident among operational staff. The lowering of NPAs as an organisational objective has not been adequately executed in practice. The procedures and systems utilised by most public sector banks can be categorised as conventional and basic.

Kishore Bhoir (2000): A study investigating the diverse aspects of Non-Performing Assets (NPA) in public sector banks. The analysis highlighted the principal element that converts performance assets into non-performing assets. The author supports remedial measures undertaken by public sector banks and compromise agreements as viable solutions to the difficulties faced by these institutions. The author studied both internal and external industrial distress. Researchers indicate that NPA exerts a diverse influence on the overall operations of the Indian banking sector, leading banks to forfeit additional investment prospects. The study also emphasised different categories of borrowers.

Gopalakrishnan, T.V. (2004) projected an annual growth rate of non-performing assets at 5 percent of gross advances. The NPA constituted 9.9 percent of gross advances in March 2012, in contrast to 12.4 percent in March 2001. It was recognised that throughout this period, gross advances would substantially rise in absolute terms (almost doubling), hence intensifying the need for a reduction in NPAs.

Rajesh Chakrabarti and Gaurav Chawla (2004): Authors introduced the increasingly common methodology of Data Envelopment Analysis to evaluate the relative efficiency of Indian banks compared to global banks. The study's findings reveal that, in terms of value, foreign banks together exhibit markedly greater efficiency than all other banking groups, with Indian Private Banks closely trailing. From a quantitative performance standpoint, private banks exceed other banking institutions. The study indicated that the regulatory process leads to inadequate performance, including poor product quality, which adds to non-performing assets, while emphasising profitability and performance metrics.

Sanjay Choudhari and Arabinda Tripathy (2004) sought to utilise Data Envelopment Analysis (DEA) to evaluate the relative performance of public sector banks in India. The authors sought to evaluate the banks according to five criteria: Profitability, Financial Management, Growth, Productivity, and Liquidity. The analysis disclosed that most banks create an efficient frontier concerning profitability and financial metrics, rather than productivity, growth, and liquidity metrics. The authors emphasised the disparity in which banks concentrate profitability and financial management above other criteria, including productivity, growth, and liquidity.

Abhinna Mohan Nanda (2006): The perpetrator secured funding by falsifying mortgages on fraudulent title deeds for properties and also mortgaged counterfeit title deeds for non-existent properties, as no mortgage registration was executed on behalf of the banks at the Sub Registrar's office. The author suggested a harmonious merger of equitable and registered mortgages with minimal additional expense, incorporating all benefits of both. The bank's fee under the proposed method will be specified in the Encumbrance Certificate, offering public notification to other banks and financial institutions, thereby assisting in fraud prevention and the documentation of additional recitals at the bank branch.

Dr. Sukhdev Singh (2006): The author conducted a study on the performance of banks concerning benchmark and ratio evaluations. He suggested multiple options for improvement in the banking sector. The research evaluated performance utilising statistical methods, particularly ratio analysis. The examination of the NPA indicated a decline during the post-liberalization era. The study claimed that the ideal benchmark is under 1 percent, as the sectors impede the growth rate of NPAs and enacted specific measures similar to those that not only contained NPAs but also reduced them.

S. Khasnobis (2006): A substantial segment of the banking sector's growth has been propelled by consumer finance, as demonstrated by the expansion of retail banking. The growth driver will involve financing the expanding Small and Medium Enterprise sector of the economy. The author has combined the evaluation of the NPA with asset enterprises that focus on particular parts of the financial sector.

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### **RESEARCH METHODOLOGY**

Generally, research is considered as an endeavour to arrive at the answer to intellectual and practical problem through the application of scientific methods to the knowledge universe. It is movement from known to unknown. Research is essentially a logical and an organized enquiry seeking facts through objective verifiable methods in order to discover the relation among them and to refer from the board principles or laws. It is really a method of critical thinking.

□ *The data collection can be grouped under two types: -*

#### Primary data Secondary data

##### PRIMARY DATA:

Primary data are those which are collected for the first time. They are original in character. They are collected by the researcher for the first time for her own use.

**The source of primary data includes:**

##### **DIRECT PERSONAL INVESTIGATION:-**

This implies the situation where the researcher goes into the field of study in person for the collection of required data. Also, the investigation of this nature is normally confined to a single locality and the information gathered is capital in nature.

##### **Sample size:**

The sample size is 100 students/ peoples /customers who opened by the education loan of bank of Baroda.

##### **SECONDARY DATA:**

Secondary data are those which have already been collected by others. When it is not possible to collect data in primary form, the researcher may take the help of secondary data. They are thus which have already been collected for serving the objectives other than what the researcher might have in his mind.

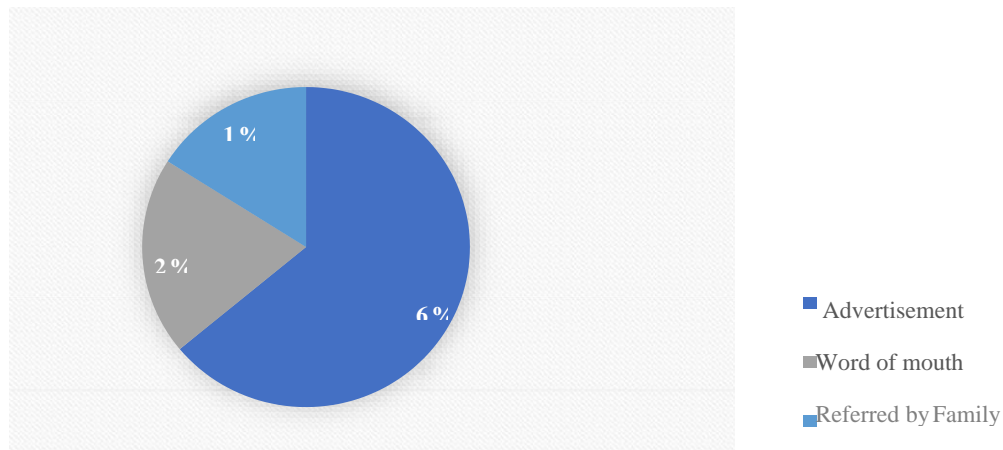
**The sources of secondary data include: -**

- Books
- Websites
- Journals

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## DATA ANALYSIS AND INTERPRETATION

**How you came to know about the education loan of this bank?**



##### **Interpretation**

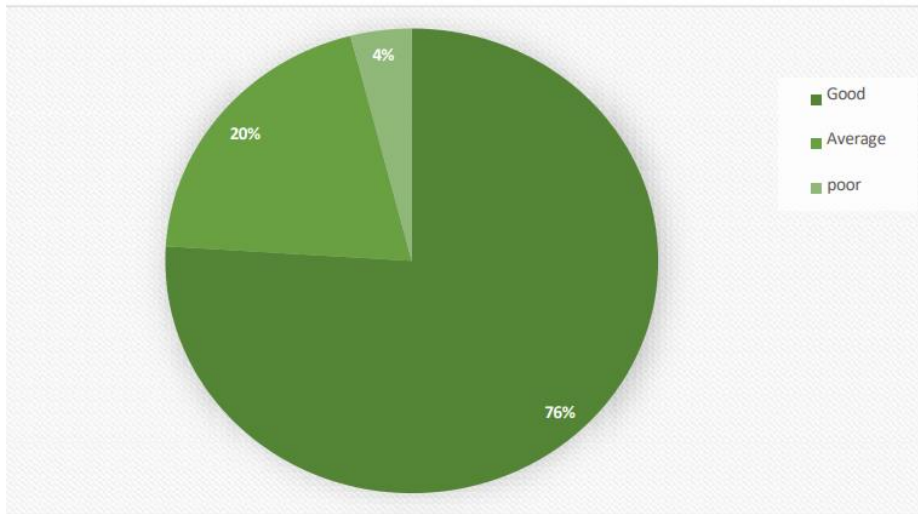
Form the above pia diagram 64% of the respondents came to know about the education loan through advertisement, 20% came to know through word mouth & 16% came to know friend /family.

**What made you select this bank?**

Services Quality	56%
Simple Procedure	18%
Interest Rate	14%
Advertisement	12%

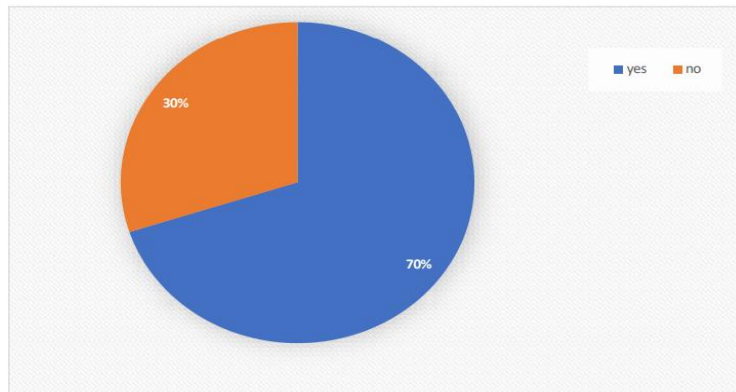
**Interpretation-** From the above pie diagram, it is clear that 56% of respondents selected this bank because of its services quality, 18% selected this bank because of the simple procedure, 14% selected due to low interest rate and 12% through advertisement.

**Do you like the marketing strategy of bank?**



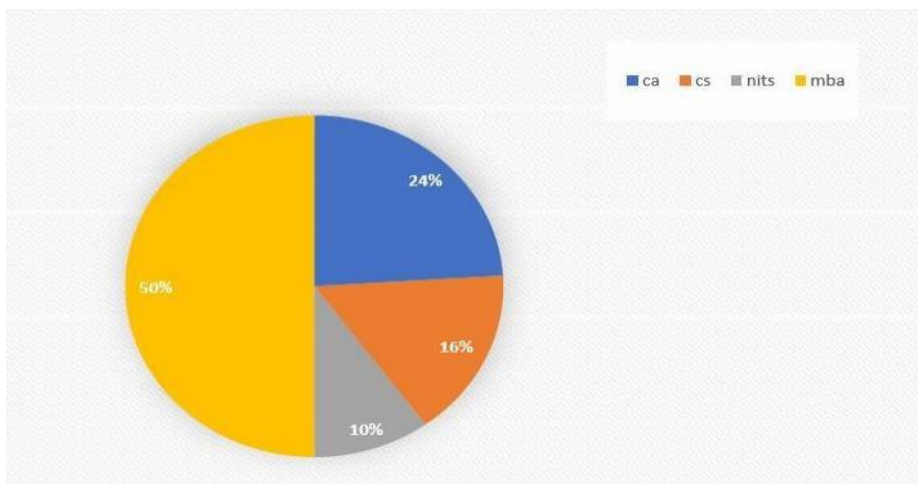
**Interpretation-** From the above pie diagram, it is clear that 76% of good because of its marketing strategy, 20% selected this bank because of the average marketing strategy, 4% selected due to poor marketing strategy.

**Do you know about the education loan offered by the bank?**



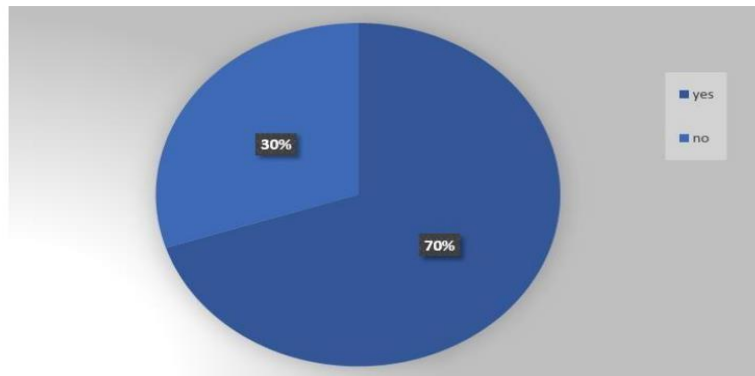
**Interpretation-** From the above pie diagram it is clear that 70% of respondents know about the education loan whereas 30% of them are not aware about it.

**For which course you have taken education loan?**



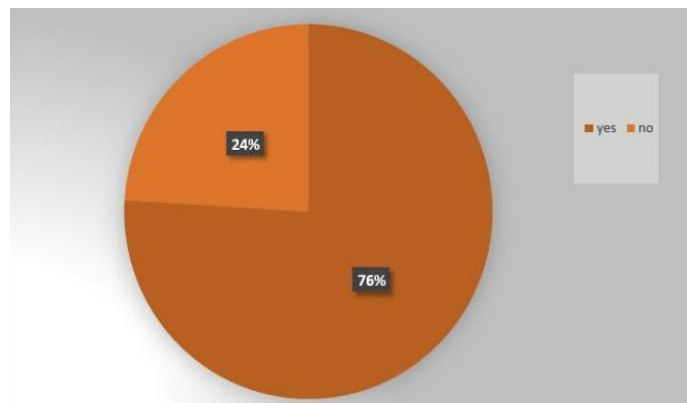
**Interpretation-** From the above pie diagram, it is clear that 24% of respondent have taken education loan for chartered accountant, 16% for company secretary, and 10% for NITs (National Institutes of Technology) course and 50% of MBA (MASTER OF BUSSINES ADDMINISTRATION).

### Are you satisfied by the services of bank?



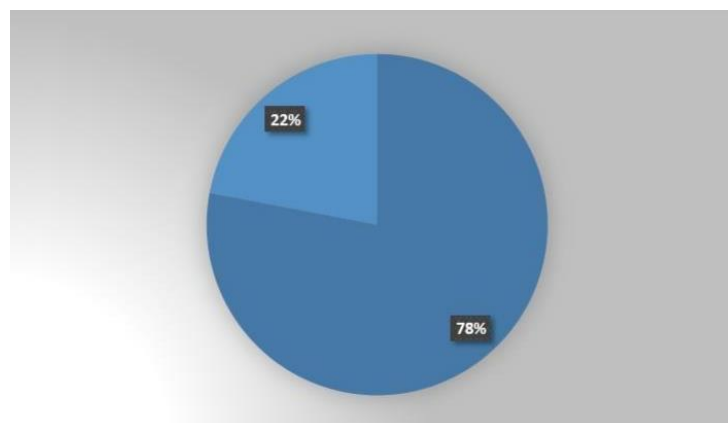
**Interpretation-** From the above pie diagram 70% are satisfied with banks services whereas 30% are not satisfied.

### Do you interest rate charged by bank on loan reasonable?



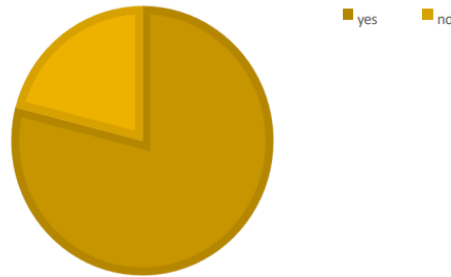
**Interpretation-** From the above pie diagram, it is clear that around 76% of respondent think that the interest rate charged by bank is reasonable and 24% think that it is not reasonable.

### Do you get any tax benefits?



**Interpretation-** From the above pie diagram, we came to know that 78% of respondent said that they got the tax benefits and 22% said they didn't get tax benefits yet.

### Over All Satisfaction Education Loan Schemes of Bank of Baroda?



**Interpretation-** The above pie diagrams shown by the 79% of peoples are satisfied in bank of Baroda loan schemes and 21% of peoples are not satisfied in bank of Baroda loan schemes.

### Finding of Study-

The study was aimed the identifying student's education loan schemes in bank of Baroda and satisfaction of the students who have taken educational loan.

- The maximum number of students need the education loan for their graduation, post- graduation.
- The maximum numbers are peoples/students are prefer in bank of Baroda education loan the bank of Baroda disburses the education loan amount faster
- The above pie diagram explain the how you came to know about the education loan of bank of Baroda of different ways like advertisement, word to mouth, referred by family and friends etc. advertisement is biggest publicity of bank of Baroda education loan schemes.
- The above pie diagram shown by the why are select this bank. The select is services quality is the best 100% peoples out of 56% respondent peoples are satisfied this bank for services is the best and another one is the simple procedure low interest rate in bank of Baroda
- Shown by the pie diagram Is the do you like the marketing strategy is very good 100% peoples and 76% of respondent peoples and averages is 20%
- Above the pie diagram is the know about education loan offered by the bank of Baroda There are 100% peoples out of 70% peoples are positive respondents i.e., yes and remaining is 30% is no.
- The above pie diagram is study of which students taken by loan in what degree or course ,C.A, M.B.A, C.S and different professional course like M.B.B.S and etc.
- Pie diagram is identifying the percent of peoples/students satisfied of the service of this bank. There are satisfied peoples/students is 70% the more peoples are satisfied by the bank of Baroda services and non-satisfied are 30%.
- The reasonable interest rate by this bank. The interest rate think is peoples /student's respondents is 76% and non-reasonable are the 24%.
- The above pie diagram is the education loan immediately passed is very fast respondent peoples are the 68% other no thinker are 32% peoples.
- The overall satisfied peoples in bank of Baroda 79% of education loan schemes and other are 21% of non-satisfied peoples.

There are maximum peoples are attracted because of the bank being government and other documentation procedure is very faster different types of schemes are bank of Baroda provide any one can easily borrowers the education loan in bank of Baroda.

### SUGGESTION

- Banks should go for advertisement campaign from scratch.
- Banks should try to cash its brand image.
- Strong branch network should be made and staff personnel's incentives should be increased.
- Banks should increase its product line in educational loans.
- Special scheme for non-professional student as well as for professional student should be increased.
- Banks should introduce some new model keeping in mind the loan suitable for the medium income group customer.
- In this age of information, the customer before taking loans collected all the information about various brands. The banks should a combined booklet of the product range in order to upgrade the knowledge of future taking of loans.
- Presence of some famous personality in Advertisement or in Pamphlet's insuring better retention in the mind of customers.

### CONCLUSION

The study throws light on the efforts of the Government for economic development through human resource development. Educational loans provide education accessible even to the less privileged classes of the society and to uplift them to a better standard of living. Educational loans volume increased

5.58 times for the period 2018 to 2021 and is projected for growth into 12 times in the year 2017. It calls for necessary increase in the facilities available for higher studies and participation of more banks into this service. The guidelines for providing and managing educational loans issued by the Indian Banks Association and the rising momentum loan issue project definite answer to the development of the country through education of the people. Regarding the question of NPAs, it is better to write off genuine cases by banks as much as they can and this should be supplemented by the realization of the floatation of the Credit Guarantee Fund for writing of unsecured assets from educational loans. Further it is evident from the growth in NPAs that it is better to issue education loans to job-oriented courses and to that extent empirical studies can be conducted on the composition of the borrowers and their choice of various courses for study during the past few years.

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