

EFFECTIVENESS OF EDUCATION LOAN IN EMPOWERING RURAL AREA STUDENTS WITH SPECIAL REFERENCE TO KANCHIPURAM AND THIRUVALLUR DISTRICTS.

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ABSTRACT

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. Loans for education should be seen 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 in India and abroad. No deserving student is denied an opportunity to pursue higher education for want of financial support Education loan system has enhanced the opportunity for meritorious and poor students to pursue their higher education.

From the study it is found that majority of students from technical background have Availed the loan and they belong to the low income group families. It is also found that education loan is effective in empowering the students socially and psychologically but it has not contributed positively towards the increase in socio economic status of the students. Therefore it is concluded that the education loan system will become more effective if the loophole in the system is rectified and 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 a great initiative which can foster the nation's Human Resource Development.

INTRODUCTION

Education can be a powerful drive in effecting cultural and economic change in any society. Education today is a strategic need to the Human Resources Development and empowerment in any country. Higher education system of a country plays a significant role in the creation of skilled human resources. In India, the importance of Higher education spread at a faster pace after independence. National and state level policies are framed to ensure that this basic need is met through appropriate public and private sector initiatives. In the emerging scenario of knowledge based society across the globe, India is well placed with potential brains needed for the revolutionary changes.

With the growing privatization of education sector, the motive of revenue generation seems to have overtaken the social cause. This has probably led to a significant increase in the cost of pursuing higher education— resulting in resources getting out of reach of the masses. This has further led to the students looking for funding their higher education from external sources; like government and private sector banks, to meet their educational expenses. Not all the students are fortunate to get the benefit of educational loans from banks. Knowledge and information would be the driving force for economic growth and prosperity in forth coming years. The educational loan scheme, aims at providing financial support from the banking system to deserving and meritorious students— though poor, with an opportunity to pursue higher education— in India and abroad.

Empowerment through education is the key to deliver a more equitable society. Therefore an attempt is made to studying the effectiveness of education loan in empowering students at rural areas.

REVIEW OF LITERATURE:

Nyborg (2003), is of the view that public responsibilities must remain a pillar of European Higher Education Policies as Europe faces the challenges of the global marketplace and threat to higher education as a public good. He opines that the public authorities should have substantial financial responsibility for higher education. Public funds must be supplemented by private money, but should never be a pretext for the public authorities not to provide substantial public resources. The public authorities should bear the main

responsibility for ensuring equal opportunities in higher education, including access policies and student finance. These responsibilities are crucial for making higher education as much of a public good as possible. While there should be no monopoly on higher education provision, the public authorities must contribute to the provision of good educational opportunities in reasonable conditions to ensure that higher education encompasses a wide variety of disciplines.

Hilman (2003), rightly comments that the alternative to free/subsidized access to publicly financed education is private payment. Student may, however, lack the means to pay for their education and may wish to borrow to finance their education costs. The private lenders may be unwilling to lend for studies. The impediment to lending, according to him, is asymmetric information that results in moral hazard. A moral hazard problem arises because, according to him, it is the non-observable behavior of the student that determines whether education will provide an income or not which, in turn, will anticipate the repayment of loan. He opines that this moral hazard introduces government involvement into student loans. Government can provide loans directly through a government agency or security to the private lender by guaranteeing repayment of loans. Accordingly, he advocates government-supported student loans on the following grounds: resource potential equity in sharing the costs of higher education; and efficiency by making students more serious with respect to their education and careers. .

RESEARCH OBJECTIVES

- ✓ To analyze and evaluate the effectiveness of education loan in empowering rural area students.
- ✓ To identify the level of awareness among the students regarding the procedures of availing education loans.
- ✓ To analyze the influence of demographic variables in availing loans.

RESEARCH METHODOLOGY:

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). The conceptual model was validated using Structured Equation Modeling (SEM). The analysis was done using AMOS 21.0 and SPSS software. A Structured questionnaire with 18 variables was administered among the simple random sample of 110 students who have availed education loan in Kanchipuram and Thiruvallur districts. 127 responses were collected from the students who have availed education loan from different colleges across Kanchipuram and Thiruvallur districts who have completed the course for which the loan was taken. Out of 127 responses, 17 were incomplete and the final sample size of 110 was arrived at.

ANALYSIS

S.NO	DEMOGRAPHIC VARIABLES	OPTIONS	FREQUENCY
1	Gender	Male Female	56 54
2	Educational background	Non Technical Technical	44 66
3	Monthly Income of Family	below 10000 10001-20000 20001-30000 30001-40000 above 40000	56 23 15 6 10
4	Occupation of Father	Daily Labour Private Employee Govt Employee Business	57 15 15 23
5	Economic status of family	Lower Class Middle Class Upper Middle Class	64 29 17
6	No of brothers and sisters	0 1 2 More than 3	10 36 46 18
7	Education Loan Availed	below 100000 100001-200000 200001-300000 300001-400000 above 400001	30 50 19 6 5
8	Type of Bank	Public Sector Bank Private Sector Bank	66 44
9	Reason for availing loan	For pursuing U.G For pursuing PG & Professional For pursuing education abroad	61 36 4

		For pursuing research studies	9
10	Necessity to avail loan	Economic status of family More no of brothers and sisters Increased cost of education	47 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 24 64
12	Percent of marks in higher secondary	Below 60% 60-70% 70-80% Above 80	42 37 13 18
13	No of arrears	Nil 1 2 3	46 32 19 13

STRUCTURAL EQUATION MODEL

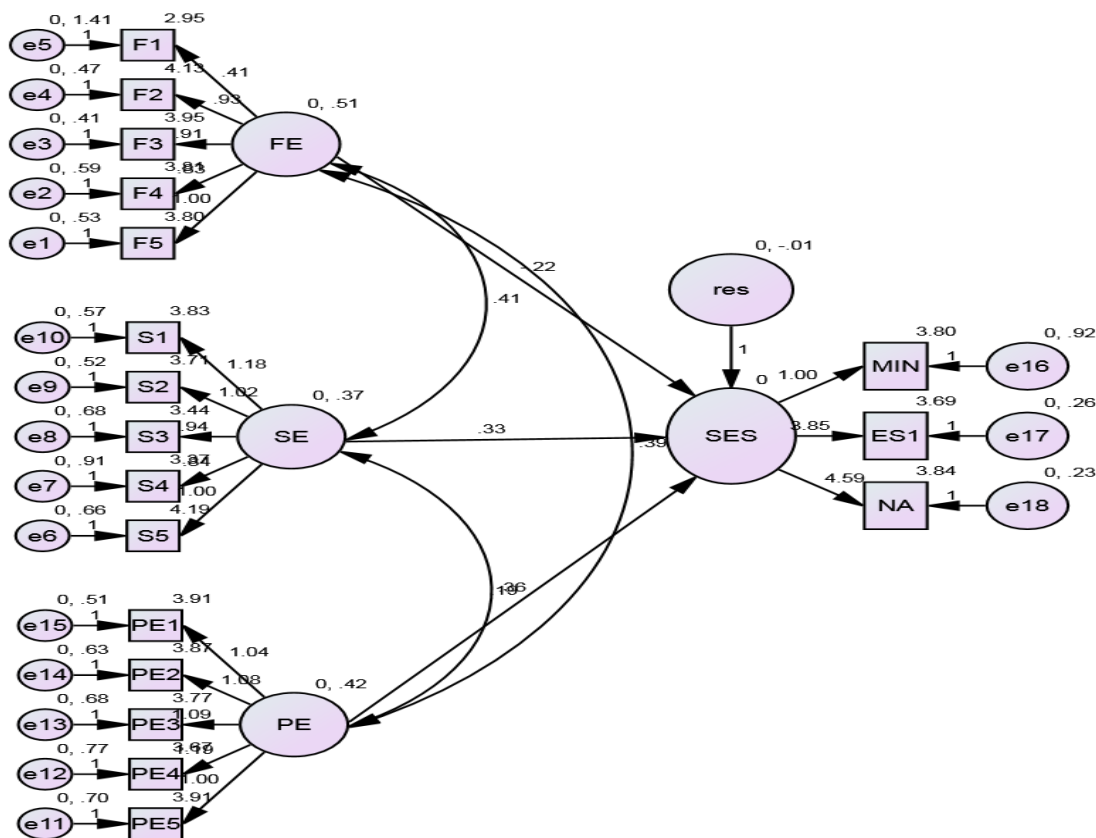
The structural equation model specifies that all three constructs reflect the outcome variable, Socio Economic Status of the students, who avail educational loan. There are three latent constructs which are, Financial Empowerment, Social Empowerment and Psychological Empowerment explaining the outcome variable Socio Economic Status.

The Financial Empowerment consisting five variables 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 college fees (FE5) and the second latent construct Social Empowerment consisting five variables 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 consist five variables namely, Educational loan has improved my self confidence (PE1), It has increased mental peace in my family(PE2), Educational loan has relieved me from financial stress (PE3), It has motivated me to pursue higher education (PE4), It has positively motivated me to perform

better in my academics (PE5). The Output variable is Socio- economic status, where (MNI) is monthly income, (ES1) denotes the Economic status of the family and (NA) denotes no. of arrears had by the students.

Evaluation of Model Fit

The collected data was tested by Structural Equation Modeling using Amos 21. The SEM model shows the goodness of fit indices. The RMSEA value is 0.067 and Confirmatory Fit Indices (CFI) 0.901, the normed fit indices (NFI) is 0.907 all other indicators are satisfactory level. Since the validity of model can be accepted as the indicators are satisfactory. The detailed study may be required to have exact model fit to evaluate the effectiveness of educational loan in Kanchipuram and Thiruvallur districts. It is also found from the study that there are few more variables that have to be identified which influence the psychological empowerment of the students. So there is scope for further research in this area.



S.No	Measures of fit	Output	Acceptable level for good fit
1.	Chi-square (χ^2) at p 0.05	.000	Significant
2.	Degree of freedom (d.f)	129	-
3.	Comparative fit index (CFI)	0.901	>0.90
4.	Bentler – Bonett Index or Normed Fit Index (NFI)	0.86	>0.90
5.	Root mean squared error of approximation (RMSEA)	0.067	<0.08
6.	Non Centrality Parameter (NCP)	412.8	-
7.	Non Centrality Parameter, Lower boundary(NCPLO)	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 between Financial Empowerment, Social empowerment and Psychological empowerment are significantly related with outcome factor Socio Economic Status. Social empowerment is the most significant factor that influences socio economic status than the other variables. For measuring the effectiveness of educational loan construct and convergent validity are also tested. The construct validity reflects all the items are significant and it has explained the latent variables. So the identified latent construct are good enough to predict the Socio Economic Status.

Regression	Mean	S.E.	CR	P
SES<--FE	0.216	0.096	2.247	0.025
SES<--SE	0.332	0.152	2.185	0.029
SES<--PE	0.189	0.069	2.726	0.006
FE5<--FE	1			
FE4<--FE	0.834	0.068	12.28	***
FE3<--FE	0.906	0.065	14.02	***
FE2<--FE	0.926	0.067	13.79	***
FE1<--FE	0.407	0.083	4.886	***
SE5<--SE	1			
SE4<--SE	0.842	0.083	10.09	***
SE3<--SE	0.938	0.08	11.73	***
SE2<--SE	1.016	0.078	13.02	***
SE1<--SE	1.18	0.087	13.57	***
PE5<--PE	1			
PE4<--PE	1.194	0.088	13.55	***
PE3<--PE	1.087	0.081	13.37	***
PE2<--PE	1.082	0.08	13.58	***
PE1<--PE	1.043	0.075	13.96	***

SES1<--SES	1			
SES2<--SES	3.853	0.898	4.291	***
SES3<--SES	4.586	1.066	4.302	***

RECOMMENDATIONS:

From the study it was found that more students with technical background availed education loan. Therefore it is suggested that the banks can consider giving loans to students with non-technical background as well. It was also observed, that the cost of education has increased in recent times. Thus there is a need to revise the loan amount sanctioned. It was seen that students visit banks for more than three times a semester to avail loan. In this regard it is suggested that the banks can ease their procedures to benefit the student community at large. Though education loan has positively contributed towards social and psychological empowerment of the students, it is less effective in empowering them financially. Thus the banks can concentrate to ensure reducing financial burden of the parents, no interruption to their studies due to lack of funds and quick disbursement of loan. It is also suggested that the education loan must be sanctioned on merit cum means basis. The banks can also take necessary measures to create awareness among the students and parents about various schemes offered, as the rural area students may not be familiar with the procedures to avail education loans. It is also recommended that prompt repayment of loans by the students will induce banks to sanction more loans in future. Students must take it as a social responsibility and ensure prompt repayment of loan.

CONCLUSION:

Education loan is a novel scheme initiated by the Government of India. The 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. It can be more effective, if the loophole in the system is 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 a great initiative which can foster the nation's Human Resource Development.