



IMPACT OF UNCONVENTIONAL FACTORS ON EDUCATION LOAN WILFUL DEFAULT-A VITAL ANALYSIS

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Abstract

In order to help students at higher education institutions pay for their academic and extracurricular expenses, one financial aid option is education loans. Most students leave college with debt, and that debt is growing so quickly that it is hard for graduates to repay it within the allotted time. During the past several years, there has been a large rise in student loan borrowing by nursing students as well as default rates. Wilful defaulting is the growing concern among education loan borrowers. Wilful defaulters, as defined under the act, are borrowers who have the financial capacity to pay back loans but choose not to, or who have acquired loans for one reason but misappropriated the funds, incurred losses, and have no intention of repaying. The rising nursing student debt levels of young borrowers eventually had an impact on the Indian economy, crowding out other investments, postponing economic progress, and altering young families' standard of life. This research, which analyses data from 315 nursing college students who received educational loans from Madurai district of Tamil Nadu, reveals unconventional reasons for wilful default.

Keywords: Education loan, Wilful Default, Non-Performing Assets, Reserve Bank of India, State Level Bankers Committee, Rural students.

1. Introduction

The expansion of colleges throughout India, in both semi-urban and urban areas, has dramatically altered young people's perspectives and career preferences. Today's youngsters pursue higher education regardless of their economic background, in contrast to a few decades earlier when only teenagers from wealthy families would

typically choose to attend prestigious universities in major cities. Students considered education loans to be substantial financial advantages since they could use them to pay for both academic and non-academic expenses. Increased demand for education has led to the fast expansion of educational institutions with subpar infrastructures, incompetent and undeserving academic members, and exorbitant tuition costs. They in turn lead to the higher proportion of unskilled graduates who eventually become loan defaulters. Even so, there has lately been a rapid rise in non-performing assets for student loans throughout all of India, forcing the immediate attention of authorities. This has led to severe worries about the hazards that loan defaults presently pose to the public's budget as well as the financial challenges that many students confront. As a result, the significant implications of student loan debt should be carefully considered by policymakers. Resolving the NPA problem requires addressing the reasons for repayment and default. According to the RBI and SLBC surveys, NPAs are allegedly more prevalent in the nursing stream, while little in-depth research has been done in this area. Wilful defaulting is a serious problem that has long plagued the Indian banking industry. Non-performing assets (NPAs) have increased as a result, costing banks and taxpayers money. The primary issue for wilful defaulting is that several unusual factors restrict student nurses from repaying loans after being hired. The purpose of this study is to identify unconventional factors for wilful default among 315 nursing students in the Madurai district.

2. Literature reviews

Employers are less likely to hire due to the proliferation of low-quality educational institutions with substandard infrastructure and incompetent professors, which has led to a rise in student loan defaults. (Unnikrishnan, 2012)

Citing a study from India that found that 80% of students really should not have enough disposable income to pay back their debts and run the threat of defaulting payments. (Aswathi, 2013)

The author cites a common error made by many recent graduates as a key contributing factor to loan default. After finishing the school, recent graduates typically wait for their ideal careers. While the early job offers made by college placement cells are not particularly lucrative, young graduates sometimes pass them up in the process of waiting for the big fish. Nonetheless, this is far preferable to staying idle in the hope of finding the ideal job. He concludes that taking a low-paying job in risky circumstances will keep the loan amount within the initial boundaries, meaning that interest won't be due and repayment won't ever be difficult. Wilful defaulters are a serious issue for many banks nowadays due to the economic slowdown and the lack of work opportunities, which are the main causes of educational loan defaulters. Wilful defaulters are those who, despite having a job and a consistent income, decide not to pay back the loans they signed out to finance their education. (Sethi, 2013)

The article informs the background of a young guy who graduated from college with a student debt of less than 4 lakh rupees and went on to work for one of the greatest MNCs in the region, earning an annual salary of 14 lakh rupees. He conveniently claimed that he had forgotten to pay back his student loan. As most banks provide loans up to Rs. 4 lakhs without requiring the pledge of security, these defaulters are on the rise and frequently on the run, making it difficult for the banks to collect the educational loans from these customers, which results

in more bad loans. Banks have developed cutting-edge methods of locating wilful defaulters since bad loans from this industry are on the rise. (Bhattacharya, 2011)

Although loans up to Rs. 4 lakhs do not require collateral pledge, banks are now requiring asset mortgage and third-party guarantee due to the clear increase in non-performing assets (NPAs) that educational loan defaulters cause. (Sridhar, 2012)

The study's data sources for the batch years 1993, 1994, and 1995 were the National Student Loan Data System and a college's student data repository. (2000). The findings at one public two-year university contained descriptive data on 260 borrowers who had defaulted on their student loan obligations. According to the authors, who also offer a full description of the characteristics of loan defaulters, the interaction between institutional elements and student background characteristics has been proven to have a significant influence on loan default behaviour. (Christman, Dana, 2000)

According to the authors, student loans are the primary source of funding for financial help for higher education. Nonetheless, most students were unaware of the actual expenses linked to student loan debt. In this study, the crucial data collected in 1996 from 443 students at Midwestern University is assessed. The findings indicate that a significant portion of the survey respondents were allegedly unaware of their obligations to repay their student loans. Some of the students overestimated their student loan payback obligations, while others underestimated their debt from college. The students were unable to make realistic predictions about their future earnings and capacity to fulfil their repayment commitments. The results demonstrate that potential borrowers must be well informed on the requirements in order to reduce loan defaults. (Hira et al. 2000)

In their research from 2006, the authors addressed how Malaysian students heavily rely on funding from the National Higher Education Fund Company (PTPTN) to pay for their higher education. Although the total amount of student loans is solely based on loan repayment, there has been a marked increase in the number of defaults on post-graduate student loans, which might pose serious problems for the government. The purpose of this poll is to gauge how students feel about and comprehend loans. The three parts of this study look at students' knowledge, attitudes, and perspectives on paying back student loans. This study assesses the pupils' awareness of the loan terms. (Abu Bakar et al. 2006)

3. Objective and Hypotheses of the Study

The authors of this study assume that most students from rural backgrounds are likely to have unconventional causes that might trigger the non-payment of loans. This belief is supported by substantial literature studies that sought to identify what unconventional variables restrict students from repaying loans after being employed to map out the core cause of wilful loan default. The following hypotheses has been developed to accomplish the objectives.

H0: Unconventional factors do not have a considerably effect repayment following employment.

H1: Unconventional factors have a considerable impact on repayment following employment.

H0: Most students from rural backgrounds are not likely to have unconventional reasons to avoid payments.

H2: Most students from rural backgrounds are likely to have unconventional reasons to avoid payments.

4. Research Methodologies

4.1 Construction of a schedule and a research plan

Based on a survey research approach, this study's goal is to better understand the unusual factors prompting respondents to commit default in repaying student loans by highlighting their rural upbringing. Since then, a schedule of interviews with loan beneficiaries in nursing institutions has been devised with the intention of gathering information.

In order to find the pertinent articles for evaluation, the researchers first conducted keyword searches for terms like SLBC and NPA in the digital library of Madurai Kamaraj University. They also visited the websites of the Central Bank of India, the State Level Bankers Committee, and e-journals from reputable publishers. Relevant articles are reviewed to figure out what unusual conditions can cause students to wilfully default on their student obligations.

4.2. Sampling Design and Sample Size

The students who are loan recipients were surveyed to collect primary data using convenient sampling approach. The sample size for the study was 315 respondents. The respondents, who all hailed from entirely rural and urban backgrounds, were loan beneficiaries enrolled in various nursing institutions in and around Madurai district.

4.3 Tools and Techniques

IBM SPSS Statistics Version 23 is utilized in data analysis. Regression analysis and descriptive statistics are employed to analyse the components with a 5% level of significance in order to test the hypothesis.

5. Data Evaluation and Interpretation

The descriptive statistics of unconventional elements that significantly influence the chance of wilful default are shown in Table 1. Unconventional variables that cause students to make wilful default result in a mean score of 4.222 (SD = 0.279). Since the mean value from 0.01 to 1.00 is regarded as strongly disagree, the mean value from 1.01 to 2.00 is regarded as disagree, the mean value from 2.01 to 3.00 is regarded as neutral, the mean value from 3.01 to 4.00 is regarded as agree, and finally the mean value from 4.01 to 5.00 is regarded as strongly agree, this demonstrates how unusual circumstances have a significant impact on loan repayment and cause an increase in student loan NPAs after graduation. Unconventional factors like political leaders' declarations of educational debt forgiveness and the expectation of a high starting salary for loan repayment had the highest mean values of Mean 4.88 and 4.73, respectively, showing that nursing students firmly believed that these two factors severely restricted them from repaying loans after finding employment.

Table 1

Descriptive statistics of independent and dependent variables

Place of Living		I will not begin making payments until my income increases.	I would rather spend my money for postgraduate courses than to pay back student loan	waiting for the implementation of the loan waiver scheme in order to avoid payments	I began to pay other debts over my educational loan	As the education loan was received for less than Rs. 4 lakhs, there is no concern about losing the collateral.
Madurai Rural	Mean	4.64	3.71	5.00	3.65	3.78
	N	169	169	169	169	169
	Std. Deviation	.538	.658	.000	1.264	.615
Madurai Urban	Mean	4.82	3.12	4.73	4.82	4.00
	N	146	146	146	146	146
	Std. Deviation	.572	.891	.857	.572	.000
Total	Mean	4.73	3.43	4.88	4.19	3.88
	N	315	315	315	315	315
	Std. Deviation	.560	.828	.598	1.161	.463

A summary of the correlation's investigation is provided in Table 2. The research's hypothesis, which claim that unconventional factors have a significant impact on repayment after employment and are the main predictors of the likelihood of wilful education loan default, were combined with the findings of the various literature sources that were examined. In order to test the first hypothesis, a correlation analysis was done to determine the strength and direction of the relationship between the dependent variables. According to Table 2, the unconventional components had a strong correlation and were positively associated as all variables having $p < 0.05$. Therefore, alternate hypothesis of student's decision to repay was greatly influenced by the unconventional reasons has been accepted.

Table 2
Correlations

		I will not begin making payments until my income increases	I would rather spend my money for postgraduate courses than to pay back student loan	Waiting for the implementation of the loan waiver scheme in order to avoid payments	I began to pay other debts over my educational loan	As the education loan was received for less than Rs. 4 lakh, there is no concern about losing the collateral
I will not begin making payments until my income increases.	Pearson Correlation	1	-.677**	.641**	.493**	-.127*
	Sig. (2-tailed)		.000	.000	.000	.024
	N	315	315	315	315	315
I would rather spend my money for postgraduate courses than to pay back student loan	Pearson Correlation	-.677**	1	-.393**	-.290**	.137*
	Sig. (2-tailed)	.000		.000	.000	.015
	N	315	315	315	315	315
Waiting for the implementation of the loan waiver scheme in order to avoid payments	Pearson Correlation	.641**	-.393**	1	.214**	-.054
	Sig. (2-tailed)	.000	.000		.000	.339
	N	315	315	315	315	315
I began to pay other debts over my educational loan	Pearson Correlation	.493**	-.290**	.214**	1	-.110
	Sig. (2-tailed)	.000	.000	.000		.050
	N	315	315	315	315	315
As the education loan was received for less than Rs. 4 lakhs,	Pearson Correlation	-.127*	.137*	-.054	-.110	1
	Sig. (2-tailed)	.024	.015	.339	.050	

there is no concern about losing the collateral.	N	315	315	315	315	315
**. Correlation is significant at the 0.01 level (2-tailed).						
*. Correlation is significant at the 0.05 level (2-tailed).						

The results of the ANOVA analysis are displayed in Table 3, along with a determination of whether there is a statistically significant difference between the group means. According to this ANOVA study, the significant value of the dependent and independent variables is ($p=0.005,0.000,0.000,0.000,0.000$), which is less than 0.05. and as a result, the alternative hypothesis has been accepted and the null hypothesis has been rejected. This outcome, which was statistically significant, supported the positive influence. This shows that the second hypothesis-that students from rural backgrounds are more prone to utilize unconventional justifications for dodging payments has been supported.

Table 3
ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
I will not begin making payments until my income increases. * Place of Living	Between Groups	(Combined) 2.453	1	2.453	7.991	.005
	Within Groups	96.068	313	.307		
	Total	98.521	314			
I would rather spend my money for postgraduate courses than to pay back student loan * Place of Living	Between Groups	(Combined) 27.602	1	27.602	46.001	.000
	Within Groups	187.813	313	.600		
	Total	215.416	314			
Waiting for the implementation of the loan waiver scheme in order to avoid payments * Place of Living	Between Groups	(Combined) 5.589	1	5.589	16.414	.000
	Within Groups	106.582	313	.341		
	Total	112.171	314			
I began to pay other debts over my educational loan * Place of Living	Between Groups	(Combined) 107.415	1	107.415	106.472	.000
	Within Groups	315.772	313	1.009		
	Total	423.187	314			
As the education loan was received for less than Rs. 4	Between Groups	(Combined) 3.960	1	3.960	19.534	.000
	Within Groups	63.456	313	.203		

lakhs, there is no concern about losing the collateral. * Place of Living	Total	67.416	314			
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6. Findings and conclusions

This study was carried out among nursing students in the Madurai district of Tamil Nadu, who hail from both urban and rural locations, to determine the unconventional causes of education loan non-payment that can result in wilful default. This study's research proved that the unconventional reasons had a significant impact on the nursing student's decision to repay, and students from rural backgrounds are more likely to use these excuses. Two of the study's hypotheses were therefore accepted. The study concludes that political parties' loan-waiver plans and expectations of high salaries after employment make rural residents irresponsible and should be limited on multiple levels.

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