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### A Study on Bajaj Finserv (NBFC) and ICICI Bank (Bank), with special reference to “Educational Loans”

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**Abstract :** *Career Forms an important part of every student's life and in this era, it is not possible for every student to afford the increasing expenses of higher education. Due to the increasing educational expenses, most of the parents opt for education loans to fulfill their child's dream.*

*Education Loans are provided by two key financial intermediaries of our economy, i.e., Banks and Non-Banking Financial Companies (NBFCs). The parents are generally in dilemma that from where they should take education loan, what factors they must look into and which Bank or NBFC would be beneficial for them.*

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*Here, through this project, an attempt has been made to collect, analyze and present all related data and findings, regarding Education Loans.*

*Taking forward this vital study, with special reference to ICICI Bank and Bajaj Finserv we have made an attempt to figure out and understand various types of Education Loans being provided and to know the variances and minutes of loan procurement procedure, documentation and security collateral required, interest rates charged and repayment policies of these loans. After analyzing the data, it was found that the knowledge and various details and minutes of the NBFCs and it's educational loan policies is very low amongst people and the banks have proved to be the all-time trusted and reliable lenders. The years of trusted services, concessions and tax relaxations provided by banks are the key factors of this preferable choice of the borrowers.*

*NBFCs, in the present scenario, still lack popularity and trust amongst the people, due to it's non-governmental background, higher rates and lesser assistance provided by the government. Hence, Banks are still preferred over NBFCs in taking Education Loans.*

**Key Words:** *Banks, Non-Banking Financial Companies, Education loans, Documentation Required.*

## Introduction:

Banks and Non-Banking Financial Companies (NBFC) both are key financial intermediaries, that offer almost similar services to the customers.

A NBFC is incorporated under the Indian Companies Act, 1956 whereas a Bank is registered under Banking Regulation Act, 1949. NBFC'S undertake shadow banking and are comparatively less regulated than the banks. These institutions are not allowed to take deposits from the public which keeps them outside the scope of traditional oversight required under banking regulations. They offer various banking services but do not have a banking license.

The parents are generally in a dilemma that from where they should take the loan, what are the things required and taking loans from which bank or institution will be beneficial for them. In this project, we have made an attempt to collect and present all related data about taking an education loan from a bank or a NBFC, and also a comparative study has been done to see what is more beneficial and preferable for students and their parents.

An education loan is money borrowed to finance higher education or related expenses of a student. Education loans are loans issued for the purpose of attending university for the purpose of pursuing an academic degree. Education loans can be obtained from the government or through private sector lending sources often offer lower interest rates. Some also offer subsidized interest rates. Private sector loans generally follow more of a traditional lending process for application with rates typically higher than federal government loans.

Education loans can be taken by means of funding, scholarships, financing and rewards and are granted in cash, which has to be repaid to the lender along with a rate of interest. Education loans are unsecured loans that can be used to cover expenses related to education such as tuition fees, books, living expenses and transport costs etc. The repayment of the loan can be done once the student has completed his/her studies.

Government of India also promotes this financial tool in its budget from year to year. The limit for section

80C deductions is presently Rs.1,50,000 which is woefully inadequate in today's circumstances where cost of education has gone up exponentially. This limit should at least be doubled from Rs.1,50,000 to Rs.3,00,000 in India Budget 2019, as retrieved on 27 September, 2018; <https://www.financialexpress.com/budget/budget-2018>.

In this research, we'll take a look at both, ICICI Bank (Banking Sector) and Bajaj Finserv (NBFC) their differences, detailed procedures and what to consider while approaching them for loans with specific reference to "Educational Loans".

## Objectives:

- To study about the features and benefits of Educational Loans.
- To assess the role of Banks and NBFCs in providing Education Loans.
- To study monetary facilities, customer assistance and types of loans provided by Banks and NBFCs.
- To study in detail various types Education Loans provided by ICICI Bank and Bajaj Finserv.
- To study and compare the interest charged, documentation required and procedural difference between ICICI Bank and Bajaj Finserv.
- To study and analyze the choice and preference of students and their parents in taking Education Loans from these systems.
- To promote and encourage the awareness amongst the students about education loans and financial assistance provided by these entities.

## Hypotheses :

Quite often a research hypothesis is a predictive statement capable of being tested by scientific methods that relates an independent variable to some dependent variables. The following hypotheses are framed and tested in the study:

1. The rising costs of higher education have forced students and their parents to take education loans.
2. Students prefer to borrow from a bank rather than NBFCs due to factors like, higher interest rates, differences in processing fees and complexities of required documents.

### **Research Methodology:**

Data has been collected on the basis of objectives of the study.

- **Primary Data** : Primary data collection method was chosen because the nature of the study does not permit to apply observations method.

The data, here analyzed, has been collected through Questionnaire Method, sample of 130 people (including students, parents and professionals) was selected for the survey. The project aims at finding out and analyzing the awareness and choice level of the customers taking Education Loans.

- **Secondary Data** : Secondary data includes the information collected through the latest newspaper reports, books, journals, internet websites and from the secondary data of Bank and NBFC, based on the objectives of the research.
  - **Sample Size:** Large samples give more reliable results than the small ones, so as per the feasibility and reach to the different individuals, the sample size as 130 was taken.
- **Sampling Technique** : Random Sampling technique has been used in the survey conducted.
- **Tools of Analysis** : Data has been represented with the help of Line Graphs, Doughnut Charts, Pie Charts, Column Graphs and Bar graphs.

### **Data Interpretation:**

#### **Interpretation of Table 1.**

- In the Chart, the knowledge of the people about the existence of NBFCs has been showed.
- Here, we find that 77% of the total people have knowledge about the Education Loans provided by the Banks and NBFCs.
- 23% of people have very little knowledge of the same. They have never opted for education loans.

#### **Interpretation of Table 2.**

- In the Graph, the knowledge and awareness of the people about the Education Loans provided by NBFCs and it's procurement procedure, has been shown.
- Here, we find that, 56% of the people out of the total of 100 people who know about education loans and NBFCs, have this knowledge.
- And the rest of the chunk has no awareness about the same.

#### **Interpretation of Table 3.**

- In this chart, the opinion of the recipients regarding the rules and regulations and the procedure of loan procurement through banks has been shown.
- Here, we see that the major portion of 45% and 44%, find it tiring and stringent and only just manageable to an extent, respectively.
- Only 11% of the total samples, find it suitable and worthy.

#### **Interpretation of Table 4.**

- In the chart, the opinion of the recipients regarding the loan amount limit has been shown.
- Here, we see that the major portion of the respondents, that is 54%, find this limit adjustable, to a great extent.

- Then, of about 32% of them, feel that the limits should be raised because the expenditure and fees has been raised gradually over a period of time.
- The remaining 14% find it appropriate and suitable to a great extent.

#### **Interpretation of Table 5.**

- In this chart, the final opinion and choice of the respondents between Banks and NBFCs has been shown.
- Here, we find that due to various reasons, discussed in the above diagrams, the customers still prefer Banks over NBFCs.
- Of about 65% of the portion still prefer Banks and of about 35% trust NBFCs.

#### **Major Findings:**

- The knowledge of NBFCs providing loans is low. Banks have proved to be the all time trusted lenders and are still preferred by the 2/3 of people.
- The loan coverage schemes by both are equally suitable to which the recipients have a positive response and trust.
- The stringent rules and regulations imposed by banks to procure a loan, has led to NBFCs outperforming banks.
- In respect of the loan amount limit, 54% of the people found it adjustable, whereas 32% want the limit to increase because the expenditure and fee of higher education has raised gradually over a period of time.
- The ease in loan procurement, documentation required, customized services, loan coverage and loan amount, the NBFCs have improved their quality and are more customer friendly, than that of banks.

- 65% people who have the knowledge of both, banks and NBFCs, still prefer Banks and 35% trust NBFCs.

#### **Conclusion:**

With the cost of higher education soaring, majority of the parents today opt for education loan either from banks or a non- banking financial institution. Getting a loan is no more a tough task provided the borrower fulfills the desired eligibility criteria but the main concern is to choose between Banks or NBFCs.

In this project, we have tried to help the parents by making them aware of the pros and cons of taking education loans from a Bank or a NBFC (with special reference to ICICI Bank and Bajaj Finserv). After doing research on this topic, the conclusion was drawn that for some students, banks will be preferred, while NBFCs will be a better option for the others. Choosing an education loan depends on many factors like document availability, co-applicant's income, course opted for, college chosen and amount of loan required etc.

One of the fundamental criteria for choosing either banks or NBFCs is the rate of interest each of them charge. The average cost of borrowing money from banks is between 5.5% to 6%, whereas NBFCs' (Non-Banking Financial Companies) on average charge approximately 9.5% [as retrieved on 28 September, 2018 from <https://www.bankbazaar.com/education-loans-html>.]

Hence, on the basis of our findings we can say that on choosing an educational loan from an NBFC the rate of interest to be paid will be higher. The processing time of an NBFC for taking an education loan is more as compared to Banks. However, Private Banks are known to provide quick approval of loans. On the other hand, NBFCs have simpler terms and loan procurement is easier for offbeat courses chosen by students (B. Sujhata et. Al 2009). According to studies, it is proved that NBFCs are outperforming banks.

**LIST OF TABLES**

**Table 1. Knowledge about educational loans provided by Banks and NBFCs**

Opinion	No. of Respondents
Yes	100
No	30
Total	130

**Table 2. Awareness of Education Loans and it's procurement procedure by NBFCs**

Opinion	No. of Respondents
Yes	56%
No	44%

**Table 3. Rules, Regulations and Procedure of loan procurement from Banks**

Opinion	No. of Respondents
Tiring & Stringent	44
Manageable to an extent	45
Suitable & Worthy	11

**Table 4. Loan Amount Limit- Based on course**

Opinion	No. of Respondents
Appropriate, to a great extent	14
Adjustable to an extent	54
The limits should be raised, keeping in view, the rise in course and expenditure	32

**Table 5. Preference in taking Education Loan**

Opinion	No. of Respondents
Banks	65
NBFCs	35

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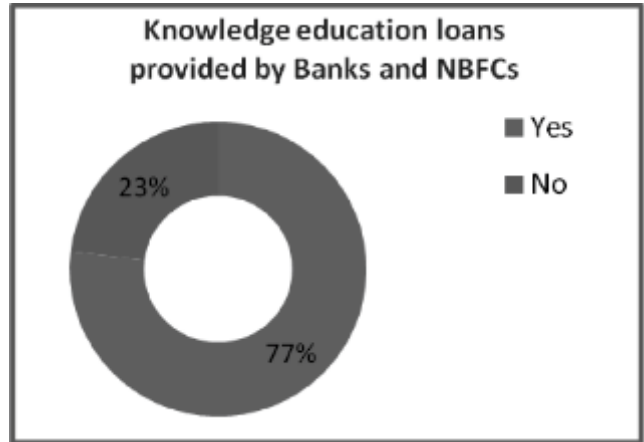


Fig. 1

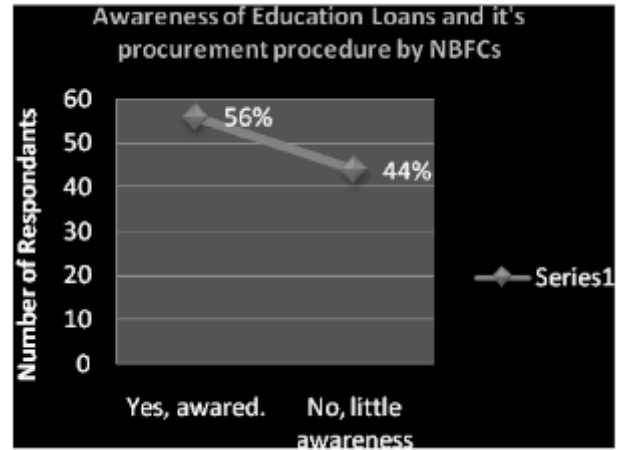


Fig. 2

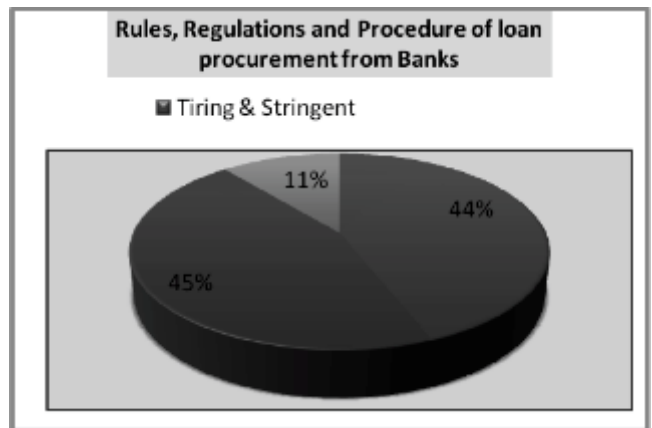


Fig. 3

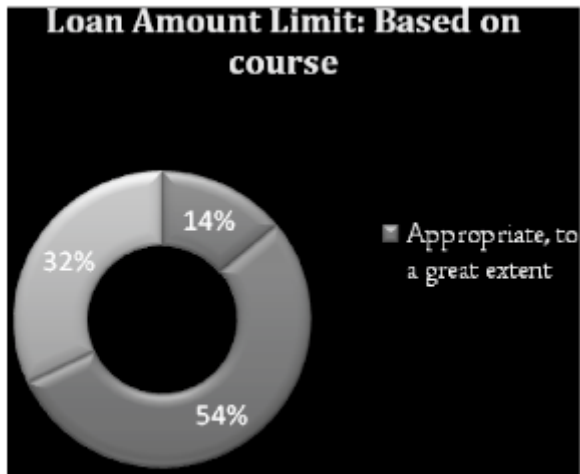


Fig. 4

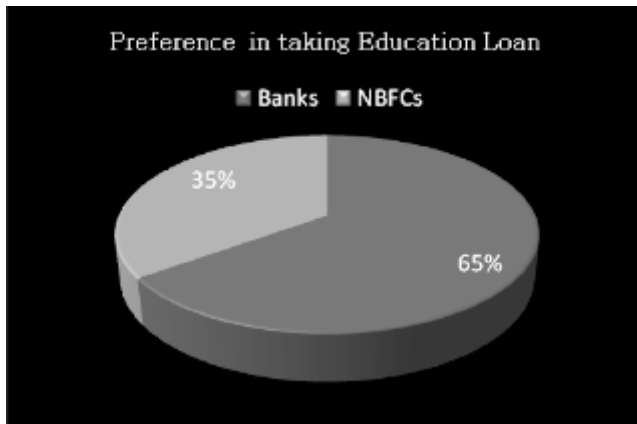


Fig. 5

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