

A Study on Challenges Faced by Students While Availing and Repaying Education Loans in Tamil Nadu.

Dr. Princy A S¹, Jefrisha J S², Kavitha M³, Jain Antro V⁴, Gobi Krishnan R⁵

¹Assistant Professor, School of Management Studies, Sathyabama Institute of Science and Technology, Jeppair Nagar, Chennai- 600119

²Master of Business Administration, School of Management Studies, Sathyabama Institute of Science and Technology, Jeppair Nagar, Chennai- 600119

³Master of Business Administration, School of Management Studies, Sathyabama Institute of Science and Technology, Jeppair Nagar, Chennai- 600119

⁴Master of Business Administration, School of Management Studies, Sathyabama Institute of Science and Technology, Jeppair Nagar, Chennai- 600119

⁵Master of Business Administration, School of Management Studies, Sathyabama Institute of Science and Technology, Jeppair Nagar, Chennai- 600119

Abstract:

Higher Education in Tamil Nadu was really expensive; to afford the expenses the students seek support financially in terms of education loans in terms of educational loans. Banks and financial institutions in India play a major role in supporting students by providing education loans for their higher education. However, multiple challenges were faced by students while availing and repaying education loans. This study aims to analyse and examine the difficulties of the students in accessing and repaying education loans in Tamil Nadu. For this study primary data was collected from 108 respondents using a structured questionnaire. For this study statistical tool such as percentage analysis, mean score analysis, correlation analysis was used with the help of IBM SPSS Statistics. In findings we can know that factors such as low family income, lack of awareness about schemes, collateral requirements for loans and delay in processing mainly affects the students in accessibility of education loans. In addition, repayment challenges rise due to unemployment, financial stress and high interest rates. In Suggestion the study suggests awareness programs, simple loan procedures and government support schemes will reduce the challenges faced by students in availing and repaying education loans.

Key words: *Education Loan, Higher Education, Loan Repayment, Financial Challenges, Students.*

Introduction:

Education is one of the key factors of economic and social development of our nation. But, the cost of higher education was a barrier for many students to pursue academic opportunities without financial support. The students were supported financially by banks and financial institutions in terms of education loans for their higher education. Many public and private bank in India offers education loans under government support schemes. Even though having these facilities, students face several problems in availing loans including documentation, collateral requirements and lack of awareness.

Due to unemployment low initial salaries and interest accumulation during the study period the repayment of loans has become challenging. Therefore, it is important to analyse the challenges faced by students while availing and repaying education loans.

This study straightly focuses on students in Tamil Nadu and analyses the major problems which are affecting education loan availability and repayment ability.

Objectives of The Study:

1. To analyze the key challenges faced by the students while accessing education loans in Tamil Nadu.
2. To analyse the difficulties encountered by students during the repayment of education loans.
3. To study the level of awareness among students regarding education loan schemes, interest rates and repayment terms.
4. To explore socio-economic and demographic factors influencing education loans and accessibility and repayment ability.
5. To evaluate the effectiveness of government education loan policies.

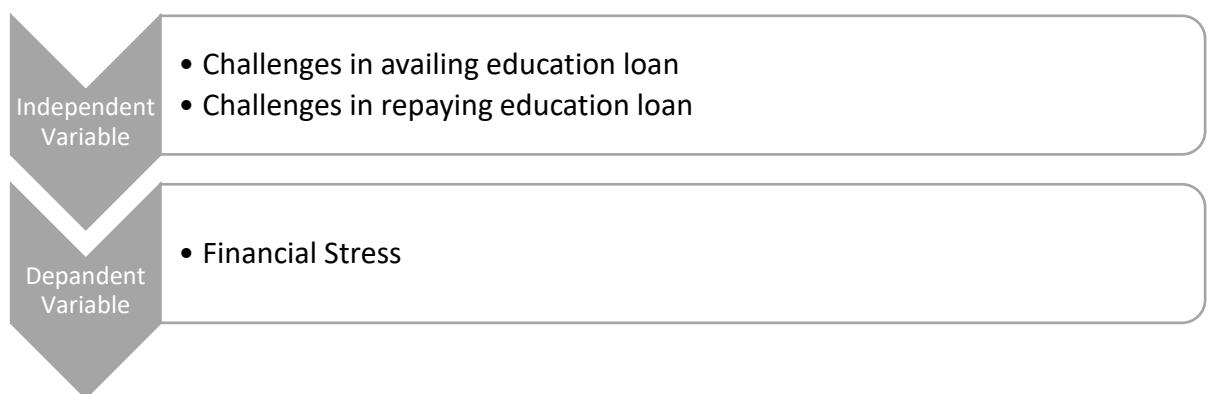
Conceptual Framework

The conceptual framework of this study examines the relationship between the challenges associated with accessing and repaying education loans and the financial stress experienced by students in Tamil Nadu. Education loans play a crucial role in enabling students to pursue higher education; however, several barriers affect their accessibility and repayment.

Students often encounter multiple challenges while availing education loans, including high interest rates, stringent collateral requirements, lack of awareness about loan schemes, and delays in the approval process. These factors can significantly limit students' ability to obtain financial support for their education.

Furthermore, after completing their studies, students may face difficulties in repaying loans due to unemployment, low initial salaries, or unstable income. These repayment challenges can increase the financial burden on students and their families.

As a result, the combined effect of loan accessibility issues and repayment difficulties contributes to heightened financial stress among students. This stress may manifest as anxiety about repayment obligations, difficulty in managing personal finances, and pressure to secure employment immediately after graduation.



Explanation

The framework shows that difficulties faced by students during the process of obtaining education loans and repaying them may lead to increased financial stress. By analyzing this relationship through statistical tool v+

Correlation analysis using **IBM SPSS Statistics**, the study aims to determine whether these factors importantly influence students' financial well-being.

Review of Literature

Education loans have emerged as a vital financial instrument that enables students to pursue higher education despite financial constraints. Several studies and institutional reports have examined key aspects such as accessibility, cost, awareness, and repayment challenges associated with education loans in India.

According to the **State Bank of India (2023)**, education loans are provided through various schemes, including the Scholar Loan Scheme and the Vidya Lakshmi Scheme. These loans generally carry floating interest rates, which vary depending on loan amount, collateral requirements, and institutional category. While such schemes improve access to higher education, the burden of interest accumulation during the study period remains a significant concern for students.

Similarly, **HDFC Credila (2023)** highlights the role of private financial institutions in supporting higher education financing, particularly for students studying abroad. These loans typically cover tuition fees, living expenses, travel costs, and other academic expenditures. However, higher interest rates compared to public sector banks often increase the financial burden on borrowers. Flexible repayment options and moratorium periods are therefore essential to reduce financial stress during the early stages of employment.

A report by **Punjab National Bank (2023)** identifies collateral requirements as a major barrier in accessing education loans. Students from economically weaker backgrounds often lack eligible security, leading to delays or rejection of loan applications, which in turn affects their access to higher education opportunities.

The Reserve Bank of India (2022), in its report *Trend and Progress of Banking in India*, emphasizes the growing importance of education loans within the retail lending sector. While such loans contribute to human capital development, banks face challenges related to repayment risks and borrower creditworthiness, necessitating careful evaluation processes.

The Survey on Education Loan Awareness conducted by the **Ministry of Education (2023)** reveals that many students lack adequate awareness of loan schemes, interest rates, and repayment conditions. This lack of awareness leads to underutilization of available financial assistance. The report suggests that awareness programs and institutional guidance can improve access and informed decision-making among students.

Furthermore, the **All-India Survey on Higher Education (AISHE, 2020)** highlights the rapid increase in higher education enrollment in India, which has significantly raised the demand for financial assistance, including education loans. With rising education costs, loans have become a primary funding source, particularly for students from middle- and lower-income families.

In addition, the **National Sample Survey Office (NSSO, 2022)** examines the relationship between education loans and employment outcomes. The findings indicate that while loans facilitate access to professional education, repayment challenges arise due to unemployment or low starting salaries. This often results in increased financial pressure on young graduates.

Overall, the literature indicates that although education loans play a crucial role in promoting access to higher education, several challenges persist. These include high interest rates, collateral requirements, limited awareness, and repayment difficulties caused by employment uncertainties. The existing studies highlight the need for further research, particularly in regional contexts such as Tamil Nadu, to better understand students' experiences in accessing and repaying education loans.

Research Methodology:

Research Design:

This study employed a descriptive research design.

Data Sources:

Primary data was utilized for conducting this research. The data used in this study was fully collected through questionnaires distributed among students in various education institutions.

Sample Size:

Overall, of 108 students were participated in the survey.

Tools Used for Analysis:

With the help of Statistical Software IBM SPSS Statistics, statistical techniques such as percentage analysis, mean score analysis, correlation analysis was done.

Analysis and Discussion of Results

Data collected from 108 respondents were analyzed using statistical tool including percentage analysis, mean score analysis and correlation analysis with support of IBM SPSS Statistics Software. The aim of the analysis is to identify the major challenges faced by students while availing and repaying education loans and to examine their relationship with financial stress.

Demographic Analysis

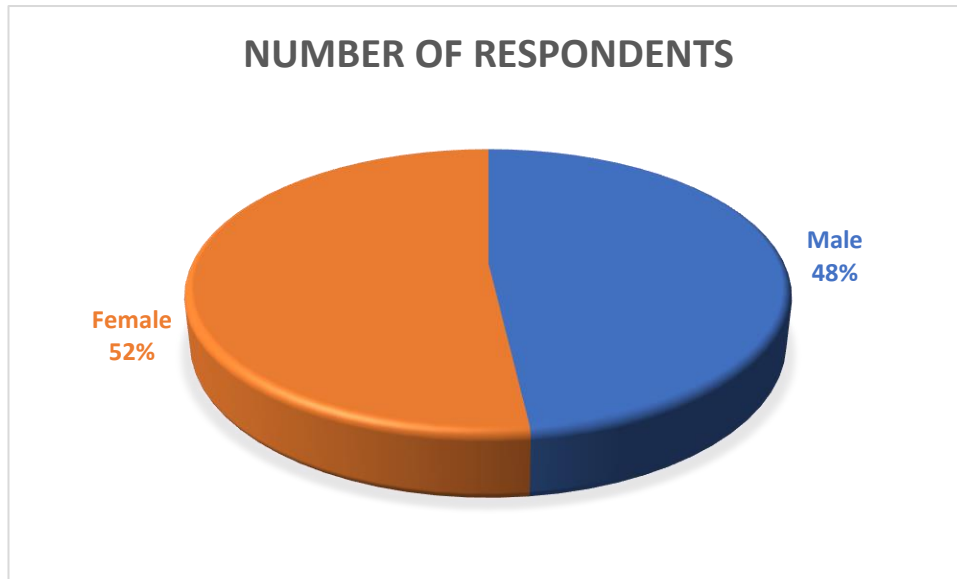
The demographic analysis shows that the respondents consist of both male and female students pursuing higher education. Compared to male respondents, females actively participated in the survey.

The results also reveal that a important proportion of students depend on education loans to pay fees for their studies. This shows the growing importance of education loans in supporting access to higher education in India, particularly for students from middle-income and lower-income families.

Table 1: Gender Distribution of Respondents

Gender	Number of Respondents	Percentage
Male	52	48%
Female	56	52%
Total	108	100%

Interpretation



The table indicates that female respondents constitute the majority of the sample at 52%, whereas male respondents account 48%.

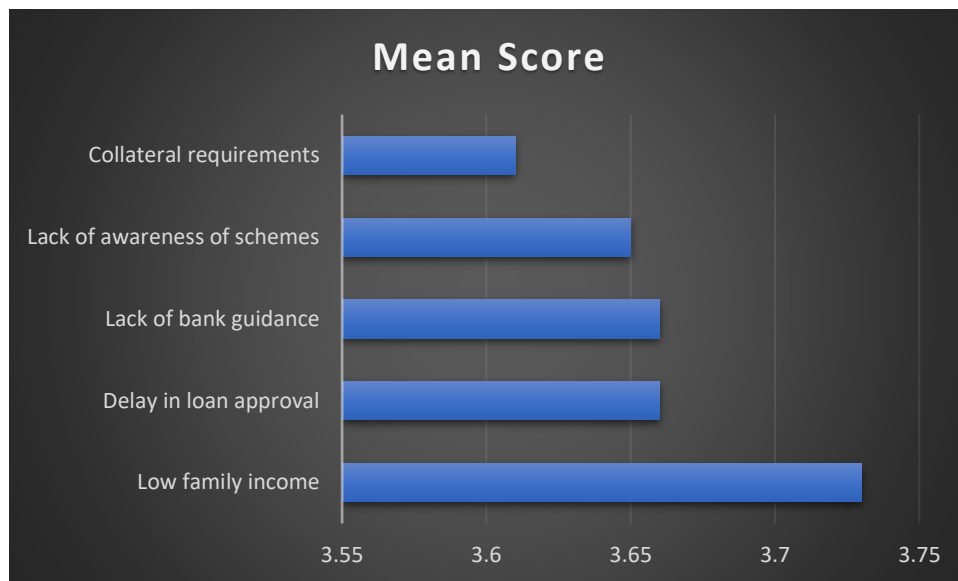
Challenges in Availing Education Loans

The analysis tells that students face several difficulties while applying for education loans. The mean score results show that low family income, delay in loan approval, lack of guidance from banks, and collateral requirements are among the most important barriers in availing education loans.

Among these factors, family income has the highest mean score, suggesting that students from economically weaker backgrounds face greater challenges in securing loan approval. In addition, the requirement of collateral creates further barriers for students who do not possess adequate assets to provide as security.

Table 2: Major Challenges in Availing Education Loans

Challenge	Mean Score
Low family income	3.73
Delay in loan approval	3.66
Lack of bank guidance	3.66
Lack of awareness of schemes	3.65
Collateral requirements	3.61



Interpretation

The findings indicate that family income significantly influences the approval of education loans. Additionally, procedural delays and insufficient guidance from banks are identified as major challenges.

Challenges in Repaying Education Loans

The study also analyses the difficulties faced by students during the repayment phase. The results shows that students experience financial pressure due to the burden of monthly instalments (EMIs) and accumulated interest during the study period.

One of the major issues identified is the difficulty in securing stable employment immediately after completing higher education. Students who are unable to obtain jobs quickly face challenges in managing loan repayments, which increases their financial stress.

Table 3: Repayment Challenges

Factor	Mean Score
Difficulty in getting job	High
Financial stress due to EMI	High
Interest accumulation	High
Short moratorium period	Moderate

Interpretation

Students face difficulty in repaying education loans due to employment uncertainties and financial stress caused by monthly instalments.

Correlation between Loan Challenges and Financial Stress

The correlation analysis shows a positive relationship between challenges in availing and repaying education loans and student's financial stress. The correlation coefficient shows that as the difficulties associated with obtaining and repaying education loans increase, the level of financial stress among students also increases.

The significance value obtained from the analysis is lower than the standard significance level of 0.05, indicating that the relationship between the variables is statistically important. Hence, the null hypothesis that states there is no significant relationship between education loan challenges and financial stress is rejected, and the alternative hypothesis is accepted.

The findings indicate that challenges related to education loans significantly influence the financial well-being of students.

Hypothesis:

H0: There is no important relationship between challenges in availing and repaying education loans and students financial stress in Tamil Nadu.

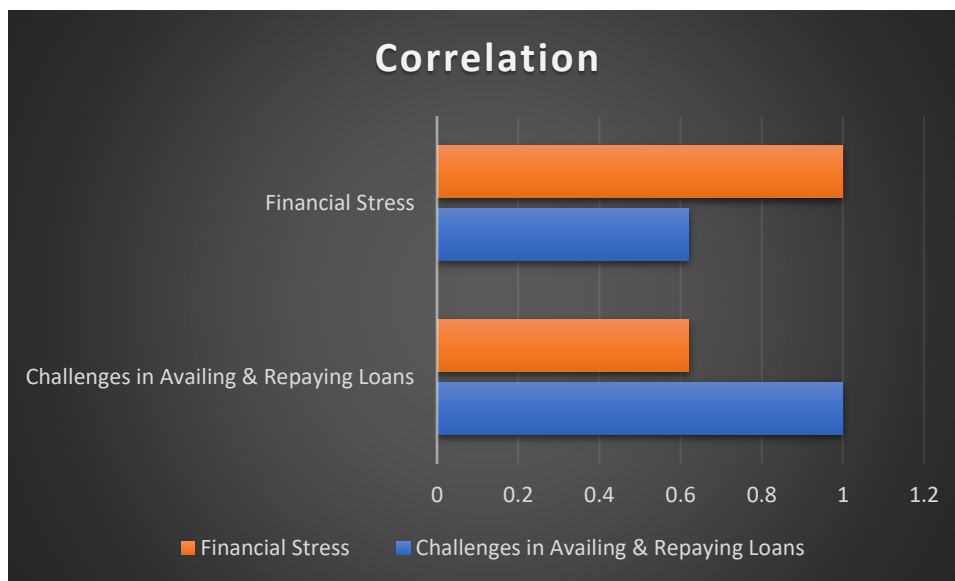
H1: There is important relationship between challenges in availing and repaying education loans and students financial stress in Tamil Nadu.

Table 4: Correlation between Loan Challenges and Financial Stress

Variables	Challenges in Availing & Repaying Loans	Financial Stress
Challenges in Availing & Repaying Loans	1	0.62
Financial Stress	0.62	1

Significance Level (p-value) = **0.000**
 Sample Size (N) = 108

(Correlation is important at 0.01 level)



Interpretation

The table above presents the Pearson correlation analysis examining the relationship between challenges in obtaining and repaying education loans and student's financial stress. The correlation coefficient ($r = 0.62$) indicates a moderate positive relationship between the two variables. This means that as the challenges in availing and repaying education loans increase, the level of financial stress among students also increases. Since the p-value (0.000) is lower than the significance level of 0.05, the relationship between the variables is considered statistically significant. Therefore, the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1) is accepted.

This finding confirms that difficulties in obtaining and repaying education loans significantly contribute to financial stress among students in Tamil Nadu.

Discussion

The findings of this study reveal the growing financial burden associated with higher education. While education loans provide essential support for students, the process of obtaining and repaying these loans involves several challenges that can affect student's financial stability.

The study confirms that limited financial resources, lack of awareness about loan schemes, and strict collateral requirements remain important barriers in accessing education loans. Also, repayment difficulties arise due to employment uncertainty and the pressure of monthly loan instalments.

Findings of the Study

The analysis of the data collected from 108 respondents using statistical methods such as percentage analysis, mean score analysis and correlation analysis with the support of **IBM SPSS Statistics** provides valuable insights into the challenges faced by students in obtaining and repaying education loans in Tamil Nadu.

1. A Significant number of students rely on education loans to finance their higher education because of the rising cost of tuition fees and other academic expenses.

2. Both male and female students rely on education loans, with female respondents forming a slightly higher proportion in the sample.
3. The family income plays a major role in education loan approval. Students from lower-income families often find it more difficult to obtain loans compared to others.
4. Many students reported that delays in loan approval and complex documentation procedures make the loan application process challenging.
5. The requirement of collateral by banks was identified as another major difficulty, especially for students who do not have sufficient assets to provide as security.
6. Several students have limited awareness of government education loan schemes, which prevents them from fully benefiting from available financial support.
7. The students experience financial pressure while repaying education loans, mainly because of the burden of monthly instalments (EMIs).
8. Difficulty in securing employment immediately after completing their studies was also identified as an important factor affecting loan repayment.
9. The accumulation of interest during the study period increases the total repayment amount and contributes to financial stress among students.
10. The correlation analysis shows a significant positive relationship between the challenges in availing and repaying education loans and the financial stress experienced by students.
11. The education loan challenges have a significant impact on student's financial stress levels.

Conclusion

Education loans have become an important source of financial assistance for students who wish to pursue higher education but do not have sufficient financial resources. With the increasing cost of education, many students depend on loans provided by banks and financial institutions to continue their studies.

The findings of this study show that students face several difficulties both while availing and repaying education loans. Factors such as low family income, lack of awareness about loan schemes, collateral requirements, and delays in loan approval create significant obstacles during the loan application process. In addition, many students experience challenges in repaying loans due to unemployment, low starting salaries, and the financial burden of monthly instalments.

The statistical analysis performed using **IBM SPSS Statistics** reveals there is a significant relationship between education loans challenges and the financial stress experienced by students. This suggests that as the difficulties in obtaining and repaying education loans increase, the financial pressure on students also becomes greater.

Overall, the study highlights the need for greater awareness of education loan schemes, simplified application procedures, and more flexible repayment options. Improving these aspects can help reduce financial stress among students and ensure that education loans continue to serve as an effective support system for higher education.

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