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Impact of educational debt on students and their career choices

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ABSTRACT

Nearly all the developed and developing economies worldwide are experiencing an all-time in educationally related debts. College debt is taken for undergraduate and postgraduate courses. The problem at hand was the impact of the educational debt of a graduate on his/her career options. There existed a gap between why and should students be forced to work halfway through education to repay the debt acquired for the previous course. As per the analysis students scoring 75%-90% marks in school as it is believed that students who score exceptionally well get scholarships as to attract them to a particular university, thus reducing the need to finance a college education. Three types of courses were considered under the boundary of research that are management courses, technical/engineering courses, Medical/doctorate courses This is a big problem in America, 44 million American students hold nearly \$1.5 trillion education debt that amounts to \$37157 per student while on the contrary a total of Rs. 48416 Crore is what Indian students hold over a spread of 2481000 accounts and due to this ever-increasing figure the repayments are also getting affected.

Keywords— Education, Educational debt, Student finance, Loan, Education fund

1. INTRODUCTION

Owing thousands of dollars in understudy credits is an obvious reality. Truth be told, this budgetary weight may constrain the desires of administration and graduate school one develops through the span of his/her school/college profession. Calling for a change of the Indian/American arrangement of advanced education, I intend to reveal insight into the characteristic threat of student loans.

Every parent wants their child to get the best education and in the same way, the child aspires and aims to get himself selected in the best of the top-notch ivy league colleges. However, now a good education comes with a good price. Therefore, it should be no surprise that qualified students across the country seek to attend these private institutions each year. Whenever acknowledged, in any case, many face the challenging assignment of thinking of the funds important to pay for this inexorably costly college experience.

Over the most recent five years, college costs have seen an increment of about 40% (Capps). This expansion incorporates four-year tuition based schools, yet in addition four-year state-funded schools and two-year government-funded schools, for example, junior colleges. In the ten-year time frame from 2008 to 2017-18, the normally distributed expense of educational cost and charges for private not-revenue driven four-year schools expanded from about \$20,000 to generally \$27,000. However, the expense of training at one of America's tip-top schools isn't just the single one increasing. The normal distributed yearly expense of educational cost and charges at four-year open universities rose six and a half percent from a year ago. With not a single stop to be found, schools the nation over are winding up progressively costly to visit.

One of the stages of President Barack Obama's appointive battle was advanced education change. He guaranteed to make an expense credit for undergrads that would pay for they're first \$4,000 per year in educational cost, gave that they led one hundred hours of network administration (Wolf). When chosen, be that as it may, his upgrade plan just raised the current school charge credit from \$1,800 to \$2,500. In spite of the fact that positive development, this figure is just a gouge at the expense of training at a private college. Likewise, Congress, through the House of Representatives, passed the Student Aid and Fiscal Responsibility Act (SAFRA). SAFRA expects to altogether expand government allow and credit help for schools/colleges by expanding Pell Grants. These awards will be extended to nine and a half million understudies and increment to \$6,900 by 2019.

As of now, this type of government concedes and credit help is granted to five million understudies at a measure of \$5,350. While this might be the biggest ever interest in advanced education, it does little to decrease the heap of the normal sticker educational cost for a four-year private college - \$26,273. (Leonhardt) Moreover, if the present pattern of expanding school educational cost proceeds, this measure of giving help will demonstrate bleak in nine years.

I can't assault these arrangements because of the thinking behind them. All things considered, the bafflement with the American arrangement of advanced education is intensified after discovering that consistently 200,000 potential understudies don't go to school since they can't bear the cost of it. I only point to a particular issue in that framework – one which requires consideration as the conditions of our economy and occupation advertise exacerbate amid the present retreat.

2. LITERATURE REVIEW

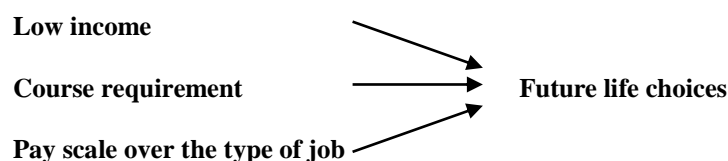
Nearly 67% of students who attend a four-year graduating program either from a public or a private college or university take on student loans while they are a school (Boushey, 2005). Mr Boushey's through his analysis found that students from lower income group who attend public colleges are 40% more likely to take on debt than are students belonging from the high-income group. The recent downturn in the economy has provided people with numerous insights as to how the lack of financial capability of a person impact family life (Savla, 2010). Current literature on the overall youth development describes 18-25-year-olds as transitioning or emerging and the ready to go adults because they are in the between of the two very crucial phases of their lives which are adolescence and adulthood (Arnet, 2004). Students nowadays, in the current environment emerging adults are faced with challenges arising from the various reasons which are: economic and financial instability, the decision to become financially independent, inter and intrapersonal relationships, and emotional and cognitive development. Financial literacy is highly influenced by the societal environment, particularly focused on parental behavior, financial understanding and personal experience with dealing with finance (H.Endo, 2012). In addition, financial knowledge has been proved to be strongly correlated to socio-economic demographic traits and family financial sophistication. Credit card loans have also increased significantly among youth while the early adults currently represent the fastest growing group of those filing for bankruptcy (Silva, 2004)

Furman S. McDonald says that as the debt level increased graduates were more inclined to choose general medicine careers and hospital careers in place of careers that have a subspecialty in internal medicine because of the high debts.

Brazzoli and Smith say that due to high indebtedness, medical students would be led to pursue careers of medical practitioners that were highly remunerative rather than that of medical research which would lead to a slowdown in economic growth. Economic growth affected by technological progress and decreasing the health condition of the population.

Yeseul Choi says that students that come from underprivileged backgrounds have a higher educational debt compared to others so policymakers should be mindful in their interactions with them. They should have grants, hold counselling sessions or provide income driven loan payment options to them.

3. HYPOTHESIS



4. RESEARCH OBJECTIVE

4.1 Research Method

The main purpose of this research is to analyze the factors and the impact of educational debt on the future life choices of the students.

1. To know the background of the students going for educational debt.
2. To understand the emotions that the students feel regarding educational debt.
3. To study whether particular students take risks in their career choices
4. To understand the stress that the students go through.

4.2 Sample Selection

In order to conduct this study, i.e. the impact of educational debt on future life choices of students, a sample size of 24 was taken. The sample was circulated to colleges where the fee structure is relatively high. It was circulated with the help of WhatsApp messenger. The primary group on whom the research was conducted were college students.

4.3 Data Collection

To understand the research objective and answer the research question, this study uses both primary as well as secondary research. The form of primary research used for collecting the data was surveyed. The information collected from the college students was through a questionnaire. The questionnaire was made the help of google forms. The results from the questionnaire were evaluated with a quantitative approach. Secondary research was also conducted by going through research papers supporting the related research and to correlate the finding from the primary research.

5. RESEARCH FINDINGS AND DISCUSSIONS

Analysis conducted by various survey institutes found out that students from lower-income families are more likely to acquire debt for funding their education than are students from higher income families (O'Malley). Students graduating from public and private three and four-year courses, from families in the bottom quartile of family incomes constituted three times more likely to take on student loans during their college career than are students from families in the top quartile.

Getting a college degree is a good investment if the student can find a well-paid job after graduation. This investment has paid off for many graduates. Recent college graduates currently receive about 80 percent more in pay than recent high-school graduates (Mishel, 2004 - 05).

To accomplish the research objective, we made use of both primary and secondary data for this topic. For primary data, we conducted a small survey consisting of nine questions asking the candidate initially, which course is he studying in, followed by the type of institution, whether it is a private institute, a public institute or an autonomous institute. This question gave us clarity about the number of people with the loan because students studying in private and autonomous institutes had loans greater than public institutes because in India fees of public institutes are subsidized (e.g. IIT's). We used a quantitative approach to evaluate the result of the survey. For this study, we chose the form of a survey called questionnaire and it was developed using Google form. It's a more efficient way to collect data from a large sample and each respondent is asked to answer the same set of questions.

Following questions give us a fair idea about the educational loan and its effects on career:

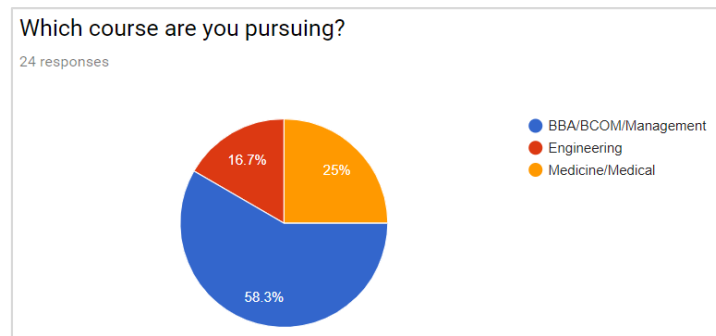


Fig. 1: Response of question

In this question, we tried to enquire about the course, the candidate is pursuing. Reason for this question was to know about educational loan holders because each course has a different amount of fees and different requirements like boarding fees, tuition fees, cost of living fees. So, to analyze further this was our basic question which helped us to dig deep into our research. Our sample size is 24 respondents and out of those 14 respondents (58.3%) belonged to BBA/B.com/Management course, 6 respondents (25%) belonged to Medical line, and remaining 4 respondents (16.70) belonged to engineering background.

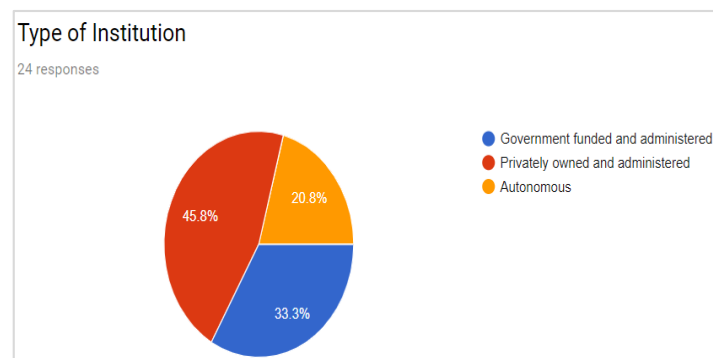


Fig. 2: Response of question

Our second question asked about the type of institution. Through this, we wanted to know about the approximate fee structure on an institute because usually public institutes have very less fee when compared to private and autonomous institutes. As we can see through an example of IIT's which is a public institute whose normal four-year engineering course fee is Rs. 1,15,100 whereas if we compare it with a private institution like Amity, its fees are Rs 8,12,000. In our survey, 11 respondents were from a private institution (45.8%), 8 respondents were from government-funded institution (33.34%), and 5 were from the autonomous institution (20.8%).

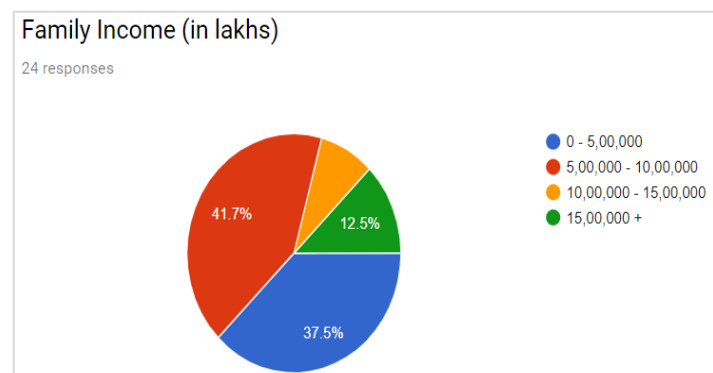


Fig. 3: Response of question

Our next question focused on the family income denominated in Rs. Lakhs. Through this question, we aimed to acquire the knowledge of various family income groups opting for an educational loan. About 9 respondents (37.5%) belonged to the 0 – 5,00,000 range of income with the highest number of people opting for loans. Followed by 10 respondents (41.7%) lying in the range of 5,00,000 – 10,00,000, 70% of candidates in this range opted for educational loans. There were 2 respondents (8.3%) in the range of 10,00,000 – 15,00,000, and 3 respondents (12.5%) lying in the range of 15,00,000+. A noticeable conclusion drawn from this question was even people in the higher income bracket also took an educational loan.

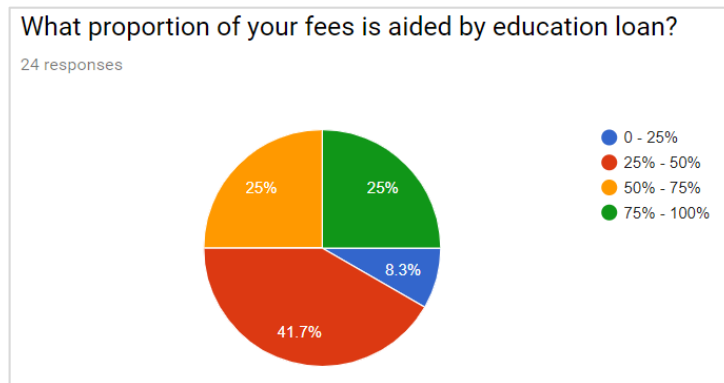


Fig. 4: Response of question

Next, we enquired about the proportion of college fees which is financed by the educational loan. Only 2 respondents (8.3%) had their fees financed up-to 25% of the total college fees. 10 respondents (41.7%) respondents had their fees financed up-to 50%. And then there were 6 – 6 respondents each in the category up-to 75% and 100% respectively. This gave us a fair amount of idea about what proportion of their loan would be in comparison with the fees and income.

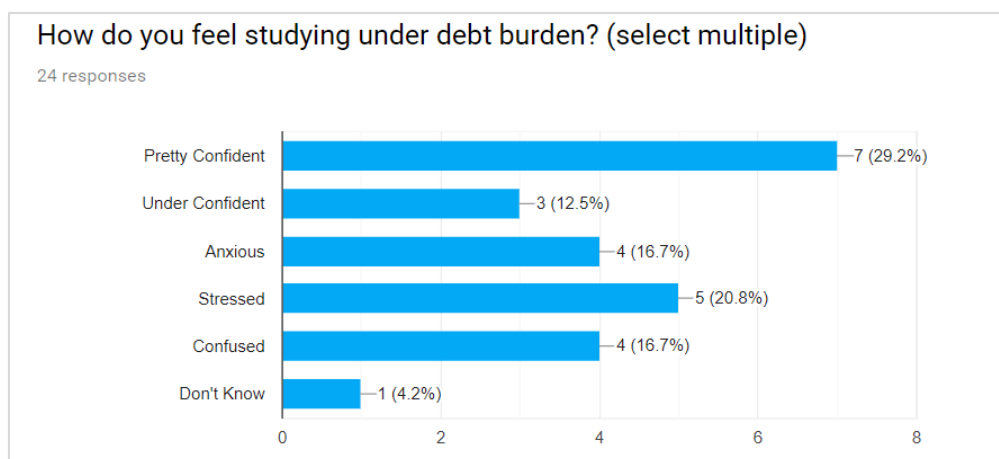


Fig. 5: Response of question

Through this question we as researchers tried to read the psychological aspect of the candidate. Education loan always poses some mental pressure on the lower income group watered down to the candidate which further affects its decision on the career ahead. In the question, we listed some psychological traits which are highly associated with the debt burden. About 29.2% of the candidates were pretty confident that they'll repay their loan, 12.5% candidates felt under-confident under the debt burden, 16.7% of the candidates were anxious and confused with a debt burden which heavily impacted their career growth, and 20.8% of candidates were under severe stress.

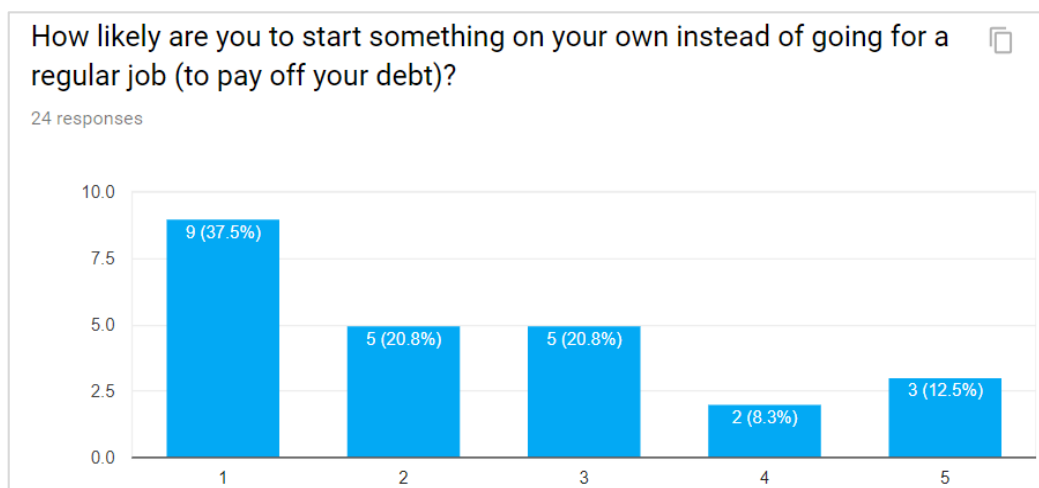


Fig. 6: Response of question (1-5; least likely - most likely)

By using the above question, we tried to analyze how avid students studying on educational loans could take risks. We have seen an upcoming favourable trend in startups and it is being promoted by the governments of various countries but starting up a new venture requires a further more investment and the returns are not guaranteed. It could be understood that **70.8%** of the sample are neutral or not likely to take up a venture and preferred to be hired by an employer. 9 respondents were not even thinking to consider a new venture as an option.

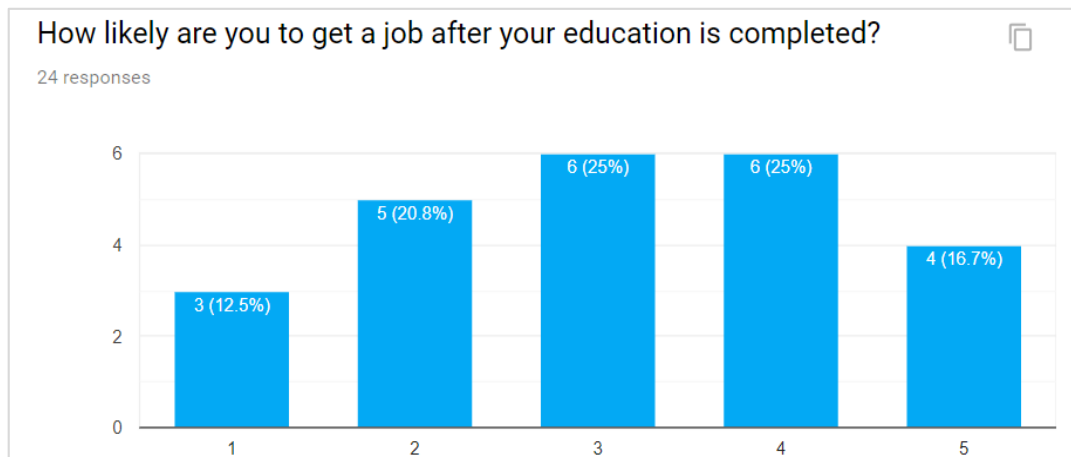


Fig. 7: Response of question (1-5; least likely - most likely)

The above-mentioned question was used to analyze the mindset of the student regarding one's aspiration when he enters into an institution after taking financial aid from a bank or financial institution. The about mentioned enquiry included both campus placed jobs and self-searched opportunities. The responses depict that 66.7% of the considered sample is either neutral or they think they are more likely to be offered a job after a particular course, while 16% (4 respondents out of 24) feel that it is very likely for them to be hired on completion of education.

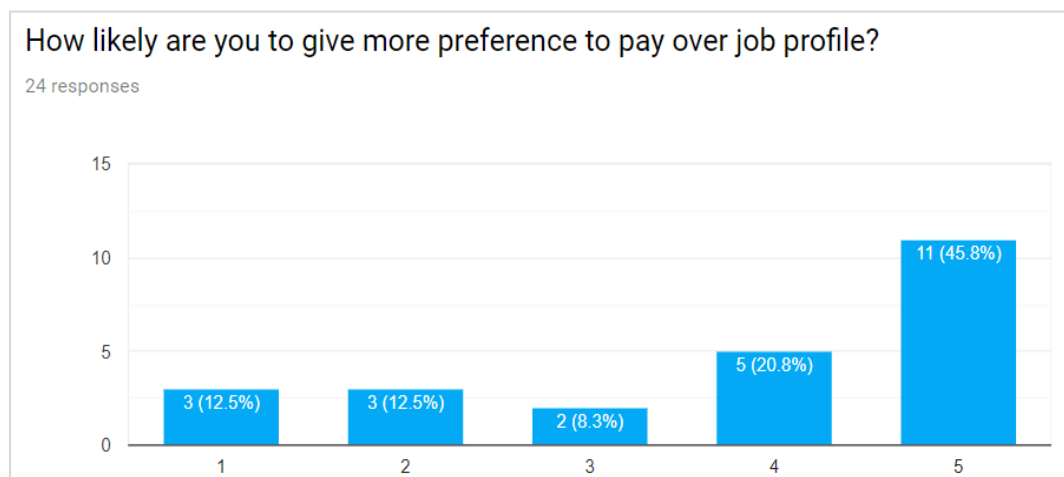


Fig. 8: Response of question (1-5; least likely - most likely)

This was used to bifurcate the pay scale and job profile. The repayments of the loan are supposed to start as soon as a student gets a job, in turn, making the pay scale more important than job role for a certain set of students but again it totally depends upon the mindset. It is found that **55.8%** will ignore the type of job and will accept a proposal based entirely upon the pay scale.

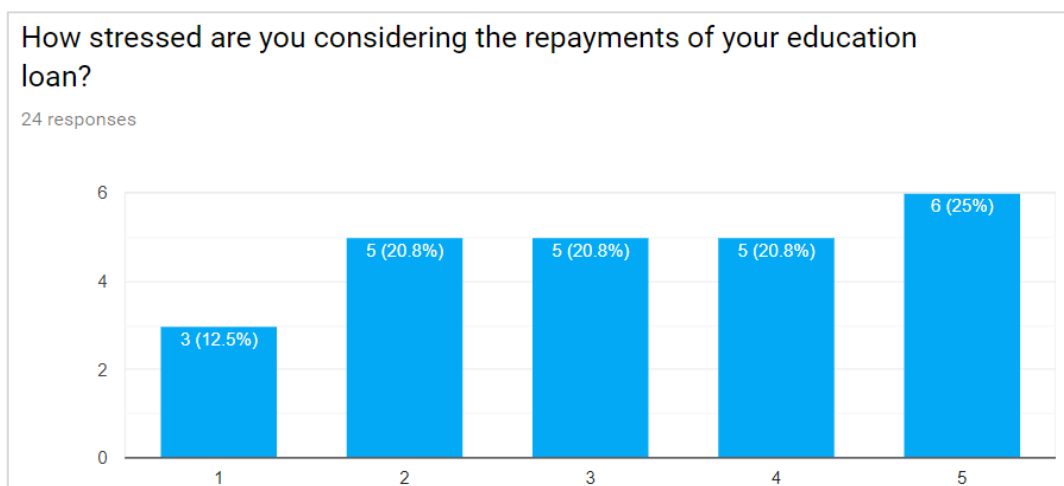


Fig. 9: Response of question

This question was used to analyze how stressful or how stressed a student feels about repayment/ loan instalments. It was measured on a scale 1-5; ignorant- much stressed. It was found about 6 respondents that form only 12.5% of the sample are ignorant rest 87.5 % (18 respondents out of 24) of the students had repayments running back of their minds, on the contrary, 45%(11 respondents) of the students are moderately or highly stressed for the payment of instalments.

India's higher education system rests on the pillars of accessibility, affordability and quality. We now have over 650-degree awarding institutions and over 33,000 colleges in the country. Despite this, there is a gap in quantity as well as quality.

For a nation, the span of India, availability of education, especially post-school, is a noteworthy test. For many youthful Indians, managing this fantasy is a greater hindrance. It's normal for low and middle pay families to vow their whole savings funds or even pitch resources to sending a son or little girl to college. A month ago, for example, India spend showed how a higher education from Lucknow would be as costly as one from Harvard.

Having said that, how are we getting along on education funding? The wide numbers first. Information discharged by Reserve Bank of India (RBI) as of late demonstrates that extraordinary instructive advances have zoomed from Rs 2,986 crore in 2003 to over Rs 48,400 crore in 2012. Public part banks represent over 90% of the credits dispensed in 2012: Rs 46,740 crore.

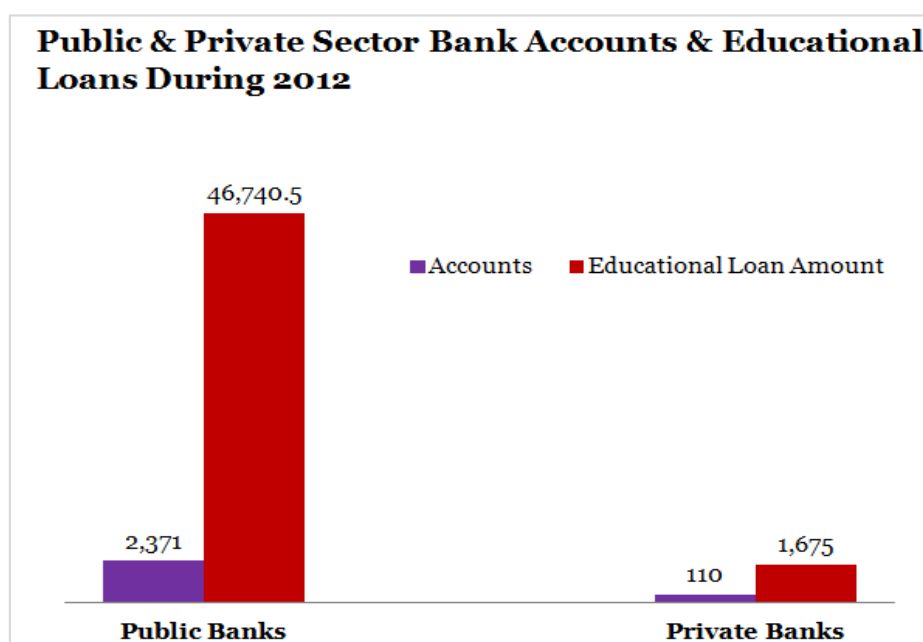


Fig. 10: Public and private sector bank accounts and educational loan during 2012. (Figures in Rs Cr., Accounts in thousand) Source: RBI

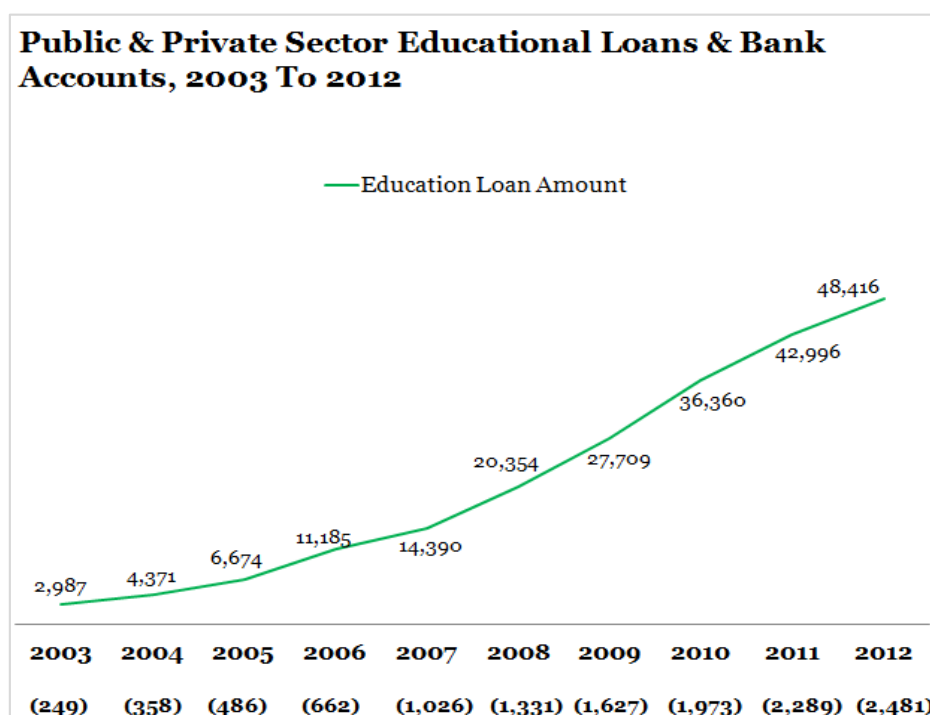


Fig. 10: Public and private sector educational loan and bank accounts, 2003 to 2012. (Figures in Rs Cr., Figures in brackets are accounts in thousands) Source: RBI

The data also shows that the number of accounts has been increasing in ascending order at a rapid rate. The number of educational loan accounts has largely shoot up from just 249,000 accounts in 2003 to 2,481,000 accounts in 2012.

But the gap is still huge. About, 20 million students were registered in various streams of higher education – arts, science, engineering/technology and medicine – during the academic year 2011.

Moreover, there are 315 million, the youth of India in the age group of 10-24 years, representing 30% of the population. Some 10 million young Indians are likely to join the job market every year for the next five years.

6. CONCLUSION

Our main research and findings are that educational debt is associated with differences in reported career plans among the internal sample we surveyed. The information gathered from my respondents left a lasting impression on us. A time of turmoil is brewing within the Indian system of education higher studies. Private universities, despite their numerous benefits, act as tools in the growing class divide seen throughout our country. Education always has been a tool for economic and social mobility. The most powerful resource we can provide to people will be concentrated in the hands of an upper-class already in possession of immense sources of power. More needs to be done in order to combat this growing trend. In a capitalist society, supply and demand will always conquer.

Hypothesis 1. Low-income group

This was one of our major assumptions when we started our field work that the people belonging to lower income segments form the majority of the students that acquire a loan for educational courses. The income brackets considered during the fieldwork were INR (0-5,00,000/ 5,00,000-10,00,000/ 10,00,000-15,00,000/ 15,00,000 and above. It was analysed that the majority of the loans were taken by people (37.5%) falling in the first income bracket i.e. (0-5,00,000) and then followed by the second income bracket. It was concluded that the number of educational loans and income are inversely proportional

Hypothesis 2: Specialization in courses results in students opting for education loan

This hypothesis was based on the fact that students that opt for specialization in courses like the engineering and the medical field opt for more educational loans as compared to the students not opting for the same.

We failed to accept this hypothesis as according to our research which consisted of a sample size of 24 respondents, 14 respondents (58.3%) belonged to BBA/B.com/Management course, 6 respondents (25%) belonged to Medical line, and remaining 4 respondents (16.70) belonged to engineering background. This data collected answered the question “Which course are you pursuing.”

Hypothesis 3: Students studying on the debt will prefer to pay scale over job profile

It was discovered that students were always worried about the repayments that are set to begin just after the end of a particular educational course. Nearly 50 % of the students were stressed about the debt they had acquired and therefore further enquiries proved that 65% of the students are ready to take up a job just considering the pay scale and acting blindfolded on the job roles and responsibilities.

We hope that you enjoyed the work we have presented. Overall, the experience was quite learning We truly believe that this issue is ever increasing considering developing and developed economies. The Indian system of higher education must be examined from multiple perspectives in order to effectively produce change. This is our attempt to initiate such a process of overhaul.

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