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**JOURNAL
OF THE
ASIATIC SOCIETY OF MUMBAI**
(A UGC - CARE Listed Journal)

Editors
Parineeta Deshpande
Ambarish Khare

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A STUDY ON LEVERAGING FINTECH INNOVATION – STUDENTS' PREFERENCE TOWARDS AN OUTCOME-ORIENTED EDUCATION FINANCING

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ABSTRACT

“The investment in knowledge pays the best interest” – Benjamin Franklin. Evolving education sector has tremendously increased the cost of education, and this call for greater financing needs for the students who struggle to afford quality education. Financing industry has come up with variety of solutions to cater to the financing needs of the education sector. Fintech is a new age innovation to offer automated delivery of financial services. This research paper made an attempt to determine the preferences of students from Bschools in Madurai district towards the five popular Fintech Platforms. The descriptive study also attempted to analyse the impact of features of Fintech platforms on the preferences of students. The major findings of the study were that Vidya Lakshmi, a Fintech Platform for students, developed by MHRD was the most preferred fintech platform, and the students prefer fintech platforms for its improved access. The study made recommendations to Fintech finance providers to emphasize the accessibility of their platforms to the untapped market segments, and to design appropriate marketing strategies to attract the potential student community to expand their customer base. The research also suggested students of Bschools to avail the benefits of no-cost instalments offered by the various platforms.

KEY WORDS: Fintech Platform, Education sector, and Students

INTRODUCTION

“The investment in knowledge pays the best interest” – Benjamin Franklin. Knowledge cannot be taken away from the learner. Education is an ongoing process during this dynamic and ever-changing environment. The expenditure on education is to be considered as an investment in one's life. Evolving education sector has tremendously increased the cost of education, and this calls for a greater financing needs for the students who struggle to afford quality education. Financing industry has come up with variety of solutions to cater to the financing needs of the education sector. Continuous innovations in education fintech sector is highly welcoming feature that serves the needy students to complete their education.

CONCEPT OF FINTECH

‘Fintech’ is a word representing the combination of “Financial Technology” and it attempts to improve and automate the delivery and use of financial services. At its core, fintech is utilized to help companies, business owners, and consumers better manage their financial operations, processes, and lives. It is composed of specialized software and algorithms that are used on computers and smartphones. When fintech emerged in the 21st century, the term was initially applied to the technology employed at the backend systems of established financial institutions, such as banks. From

2018 or so to 2022, there was a shift to consumer-oriented services. Fintech now includes different sectors and industries such as education, retail banking, fundraising and nonprofit, and investment management, to name a few. Fintech entails new technology like Big data analytics, Artificial Intelligence, Machine learning, Virtual Memory, and Robotics. Fintech applications embrace robo-advisors, payment apps, peer-to-peer lending apps, investment apps, and crypto apps, etc.

FINTECH IN EDUCATION

Education sector is going through sea-change. The education debt to undergo premium education is overwhelming. This is where fintech platforms entered in to make credit to young student community at affordable / interest-free loans. In recent years, there has been an ever-increasing number of startup-fintechs offering various services to parents to make payment of student's fees as convenient as possible. Though most of the traditional banks provide education loans to the students, they don't provide attractive offers like fintech players. Fintech platforms are flexible payment systems that help repayment at flexible terms through no-cost EMIs.

In the article titled "Five popular fintech platforms for hassle-free education loan" published in Business Standard, dated November 18, 2017, there are five popular fintech players giving a push to the education dreams of students in India:

HDFC Credila

HDFC Credila funds students for higher education in India and abroad. With HDFC Credila, students can get their education loan pre-approved even before they start applying to Universities. HDFC Credila has enabled numerous students to pursue higher education in their dream institute, with education loan approval even before the admission process.

InCred

InCred is a new-age financial services group founded with an aim to provide credit in a hassle-free manner, thereby furthering financial inclusion in the country. The education loans provided by the company seek to enable young Indians to meet their aspirations of higher education in India and abroad. These loans are designed to bridge the gap between personal potential and financial feasibility for students seeking education beyond K-12.

Vidya Lakshmi

Vidya Lakshmi is a first of its kind portal for students seeking education loan. This portal has been developed under the guidance of the Ministry of Finance, Ministry of Human Resource Development, and Indian Banks Association with a view to enable all poor and middle class students to pursue higher education of their choice without any constraint of funds.

Avanse

A new age education finance company, Avanse through its customized solutions and flexible repayment plans aims to provide a hassle-free and 100 percent education finance to Indians, to study in India and abroad. The platform wants to encourage and mentor students through underwriting innovation, accessibility, and trustworthiness, enabling holistic development.

Faircent

Faircent's semi-secure student loan product helps students avail fast and easy personal loans at a reasonable cost. Under this product, college students can fund purchase of items such as laptops, books,

mobile phones, etc. by registering their loan requirements on the platform at a reasonable rate with a flexible loan period ranging between six to thirty-six months.

AN OUTCOME-ORIENTED EDUCATION FINANCING

With the expanding job profiles across different sectors, education is gradually becoming more outcome-oriented. More students give attention to the skills they will gain throughout the course and how that will help them climb the ladder in their careers. As a result, there is a rise in income-share agreements (ISA) by financing institutes. An ISA provider finances the student's education and aligns the repayment in smaller portions from the salary. This form of financing gives more focus to the outcomes of the skills upgraded after an educational course.

Fintech is one avenue, a strong one that connects the educational institutes and students with financial institutions. For education financing, the financial institutions fulfill the need for cash flow management and working capital. The ongoing alteration in the education system has given rise to more outcome-oriented financing that empowers the students to receive education to attain their far-fetched career goals.

REVIEW OF LITERATURE

There is scarcity of literature concerning the application of fin-tech in education sector. However there exists a wide range of literature on fin-tech revealing its importance in financial ecosystem. A recent global survey conducted by **Ernst & Young LLP** ranks India 1st with highest Fintech Adoption at 87% in the Fintech Adoption index 2019 study conducted across 23 markets. **Vijai (2019)** is of the opinion that 'Financial technology' innovation in India is advantageous for the Indian economy. The fin-tech services are more secure, user-friendly and reduce the costs for financial services. **Dr. Mukesh & Dr. Rajesh (2021)** conducted a study on 'Transformation of education sector in India using Fin-tech' and presented insights with secondary data on higher education system.

STATEMENT OF THE PROBLEM

Present **RBI Governor, Shaktikant Das (2019)** also insisted that FinTech has the potential to reshape the financial services and financial inclusion landscape in India. It can reduce costs and improve access and quality of financial services. India is transitioning into a dynamic ecosystem offering fin-tech start-ups a platform to potentially grow into billion dollar unicorns. From tapping new segments to exploring foreign markets, fin-tech start-ups in India are pursuing multiple aspirations. The Indian fin-tech software market is expected to increase to USD 2.4 billion by 2025 from a current USD 1.2 billion, as per *NASSCOM*. Thus there is a strong need to study the preference of students for fintech education loans, in the context of manifold growth of the fintech market. This present study attempts to determine the preference of students in Madurai towards the fintech platforms providing education loans.

NEED FOR THE STUDY

As per a survey on 'Household Social Consumption: Education' conducted in the National Sample Survey 75th round (July 2021-June 2022), average expenditure per student incurred by a household for basic course was nearly Rs 8,331 for general courses, and Rs 50,307 for technical/professional

courses. (The Hindu, dated April 24, 2022). Due to surmounting education investment, increasing number of students is exploring the options of fintech platforms for their finance needs. As per AISHE report 2018 – 2019, the Gross Enrolment Ratio (GER) calculated for the students age 18 – 23 years revealed that it has increased from 24.3% in 2014 – 15 to 26.3% in 2018 – 19. As per the New Education Policy (NEP), India is aiming to reach a GER of 50 per cent by 2030 from 27 per cent currently. This would require significant investments in education financing (Steve Hardgrave, Co-Founder & CEO, Varthana) (Article published in Banking & Finance, dated December 9, 2022). This clearly shows that fintech platforms play a major role in achieving the targeted GER. In order to expand the fintech markets in education sector, it is the need of the hour to study the preferences of students towards the various fintech platforms. Thus this study is an attempt to determine the students' preferences towards fintech platforms.

OBJECTIVES OF THE STUDY

Based on the research gap identified, the researcher attempted to fulfil the following objectives of the study:

- ❖ To analyze the preferences of students towards the five popular fintech platforms viz. HDFC Credila, InCred, Vidya Lakshmi, Avanse, and Faircent
- ❖ To identify the impact of contributing profile variables (features of fintech financing) viz. infrastructure, core structure, focus, improved access, documentation process, collaterals, and product customisation, on the preference of students towards fintech platforms

METHODOLOGY

The present study entitled “A Study on Leveraging Fintech Innovation – Students’ Preference towards an Outcome-Oriented Education Financing” is a descriptive research undertaken in five different Bschools in Madurai district. The study attempted to determine the preference of students towards the five popular fintech platforms. A structured questionnaire was designed and was circulated among 150 students, i.e. 30 from each Bschool were chosen using a simple random sampling. The study made an attempt to evaluate the impact of contributing profile variables (infrastructure, core structure, focus, improved access, documentation process, collaterals, and customisation) on the preferences of the respondents towards the five popular fintech platforms. Appropriate statistical tools were used to test the collected data.

DATA ANALYSIS & DISCUSSION

Table 1
Preference towards Fintech Platforms

Fintech Platforms	Very low	Low	Moderate	High	Very high	Total
HDFC Credila	27	28	25	39	31	150
InCred	22	28	31	34	35	150
Vidya Lakshmi	30	24	28	56	52	150
Avanse	62	31	26	27	44	150
Faircent	33	21	32	24	40	150

Source: Primary data

The above table portrays that Vidya Lakshmi is preferred very high (52) by the student respondents, and Avanse is preferred very low (62).

Table 2
Impact of Fintech financing features on students' preference towards Fintech Platforms

Features of fintech financing	Very Low	Low	Moderate	High	Very High	Total
Infrastructure	62	10	33	25	20	150
Core structure	28	15	24	52	31	150
Focus	5	6	44	52	43	150
Improved access	7	21	25	17	86	150
Documentation process	12	21	10	72	35	150
Collaterals	20	15	15	18	82	150
Product customisation	18	18	4	54	56	150

Source: Primary data

The above table clearly indicates that improved access has very impact on students' preference towards fintech platforms, while infrastructure has least impact.

Relationship between Demographic Profile of Student Respondents and their Preference towards Fintech Platforms:

Hypothesis 1: There is no significant relationship between the demographic profile of student respondents and their preference towards Fintech Platforms

Table 3
Chi-square test between demographics and preference towards Fintech Platforms

Demographic factors	d.f	Chi-square value	P value	Inference (5% significance level)
Gender	4	6.668	0.155	Insignificant
Age	16	47.388	0.012	Significant
Place of Residence	12	48.073	0.006	Significant
Family Income	16	77.307	0.000	Significant
Career Choice	20	100.942	0.014	Significant

Source: Computed data

It could be inferred that other than gender, all the other demographic variables have significant relationship with the students' preference towards Fintech Platforms.

RECOMMENDATIONS & CONCLUSION

This study which made every effort to bring out the preferences of student respondents towards five popular Fintech Platforms and the impact of various features of Fintech Platforms on student preference has been an original attempt by the researchers. Based on the above analysis, the researchers would like to make recommendations to both the students and to the Fintech Platforms. Vidya Lakshmi, developed by MHRD is highly preferred among other platforms, to get education finance. Improved access to the platforms has greater impact on the preferences of students for Fintech Platforms. Fintech finance providers need to emphasize the accessibility of their platforms to the

untapped market segments. Fintech service providers can design appropriate marketing strategies to attract the potential student community to expand their customer base. Students of Bschools can avail the benefits of no-cost instalments offered by the various platforms.

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