

INNOVATIVE FINANCING MODEL FOR FLYING SCHOOL STUDENTS

RANDY CONCEPCION GONZALES

Philippine State College of Aeronautics
Piccio Garden, Villamor, Pasay City, Philippines

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Abstract: The exorbitant costs of aviation education in the Philippines poses a big challenge for students dreaming of becoming a pilot. Filipino parents would do anything in their capacity to make such dream possible. In this study, the researcher investigated the integration of property collateral as an innovative financing model for students' pilots and parents to avail. This quantitative-descriptive research was used to examine the demographic profiles of respondents, the perceptions of parents and guardians as to property-collateralized loans, its accessibility and affordability. A structured survey was conducted to 32 respondents from major pilot schools in Luzon. Results showed that majority students belonged to the age group of 25-34. These students earned than ₱50,000 per month and possess bachelor's degrees.

Keywords: Innovative Financing Model, Flying School Students, major pilot schools.

I. THE PROBLEM AND ITS BACKGROUND

This chapter introduces the research problem and provides the background necessary to understand the context and significance of the study. In this chapter, the underlying issues that motivated the research are discussed, setting the stage for a comprehensive exploration of the topic. The chapter outlines the rationale behind the study, highlights gaps in existing knowledge, and explains the relevance of addressing these gaps. Through an overview of related concepts and key factors influencing the issue, this chapter establishes a foundation for the research objectives and questions that guide the investigation.

Introduction

Aviation is one of the fastest growing industry in the global scale, with the growing demand for skilled pilots. Data from Airbus showed that the global airline industry is forecasted to hire approximately 600,000 new pilots by 2040 to accommodate the orders of around 3,800 new passengers' aircraft (Airbus.com). This substantial demand entails a serious analysis by training providers worldwide on how to catch up in producing pilots for the industry. This study explores an innovative financing model to pilot training and education in the Philippines such as providing educational loans thru property collateral.

Background of the Study

Student financing schemes or loans to finance higher education marks its origins to the mid-20th century. One of the earliest and most significant examples of such schemes is the G.I. Bill (Servicemen's Readjustment Act of 1944) in the United States, which provided veterans with funding for higher education. This program was pivotal in giving more access to higher education and laid the groundwork for the development of student loan programs.

Statement of the Problem

This study sought to quantitatively analyze the impact of an innovative financing model that leverages property as collateral on the ability of flying school students to secure educational loans. Specifically, it aimed to determine how demographic factors, loan approval rates, and the perceptions of parents/guardians influence the effectiveness of this financing model.

Relative thereto, this study sought to answer the following specific problems:

1. What is the demographic profile of the participants as to:

1.1 Age;

1.2 Income Level;

Hypothesis

H₀. There is no significant difference in perception of parents/guardian as to risk and benefits in using property as collateral for education loans in terms of loan approval rates, loan amounts, and repayment terms.

Conceptual Framework

The conceptual framework of this study focused on analyzing the relationship between various factors and their influence on the effectiveness of an innovative financing model that leverages property as collateral to secure educational loans for flying school students. The independent variables included demographic factors such as age, income level, educational background, and property ownership. Such factors have an effect on the prospect of students and parents to access loans. Determining the possibility of using real properties as collateral depends on the ownership of property and the income of the borrowers. Students whose parents have higher income levels and property ownership have greater access to property-collateralized loans. On the other hand, those with lower income or no property may face difficulties.

Scope and Limitation of the Study

This study focused on analyzing the impact of an innovative financing model that leverages property as collateral on the ability of flying school students to secure educational loans. It examined demographic factors, such as age, income level, educational background, and property ownership, to determine their influence on loan accessibility and approval rates. Additionally, the study evaluated the perceptions of parents and guardians regarding the risks and benefits of using property as collateral, particularly in terms of loan approval rates, loan amounts, and repayment terms. Alternative financing options, such as non-property-based loans, were also explored to provide a comprehensive understanding of the current financing landscape for flying school students. The research culminated in the development of a proposed financing model tailored to improve the accessibility and affordability of loans for aspiring pilots.

Significance of the Study

This study focused on the acceptability of a new financing model that leverages property as collateral for educational loans. It includes demographic factors, such as age, income level, educational background, and property ownership. Additionally, the study examined the views of parents and guardians about the risks and benefits of using property as collateral.

Significance of the Study

This study is significant to the following entities:

Student Pilots and Their Families. This research offers an alternative for families to source out additional funds to enable aspiring pilots pursue their dreams. It provides student pilots and their families to innovative on financing options that is more accessible and affordable.

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Financial Institutions. The research opens opportunities for banks and lenders to create a new loan product that cater to this niche market. Such will foster a stronger customer relationships and potential business growth. Financial institutions can enlarge its loan portfolio by tapping the needs and concerns of flying school students and their families.

Aviation Schools. This research will give schools an opportunity to inter-act with financing institutions and guide students on how to avail a financing scheme that will help in their training requirements.

The Aviation Industry. Producing more pilots through this scheme will address the manpower shortage of the industry. This research supports the industry's growth to meet the increasing demand for skilled pilots globally.

Definition of Terms

The following important terms will be used operationally in this study:

Aviation Industry. The global industry involved in the design, production, operation, and maintenance of aircraft, as well as the transportation of passengers and goods by air.

Bank Financing. The process through which banks provide funds to individuals or businesses, typically through loans, credit lines, or other financial products.

Collateral. Any property that an individual offers to a lending institution as loan guarantee.

Commercial Pilot License (CPL). A license granted to a student pilot who finished a course authorized by the Civil Aviation Authority of the Philippines

Debt-to-Income Ratio (DTI). A system used by lending institution to compare an individual's monthly debt payments to their monthly gross income.

Demographic Profile. The statistical characteristics of a population which includes different factors used by researcher.

Educational Loan. A type of loan which financing institution provide for parents to avail for the sole purpose of children's education.

Financial Accessibility. The ease with which individuals can obtain financial services, such as loans or credit, based on their financial situation, credit history, and collateral.

Financial Institution. An organization that provides financial services, such as banking, loans, investment management, and insurance.

II. REVIEW OF RELATED LITERATURE AND STUDIES

This chapter presents the literature and studies that were selected to support the purpose of this study. They provide the foundation and direction in the conduct of this research. Discussion includes literature and studies from foreign and local sources which provides bases for the uniqueness of this study. The gaps identified in these literature and studies serve as the core foundation of conducting this research.

Synthesis

The reviewed literature highlights significant gaps in financial support for student pilots, particularly the lack of accessible and specialized loan programs tailored to their unique training needs. Both local and international studies indicate a growing global demand for pilots, exacerbated by an aging workforce and a shortage of new entrants into the profession. This shortage is especially pronounced in regions such as the Asia-Pacific, where countries like the Philippines have the potential to play a crucial role in pilot production. However, the persistent financial constraints faced by student pilots hinder the country's ability to meet this global demand.

III. RESEARCH DESIGN AND METHODOLOGY

In this chapter, the research methodology, respondents, data collection instruments, validation and the data analysis technique used in the study were presented.

Methods of Research

The study used a quantitative design with a description and inferential statistics seeking to investigate the nature of financing of flying school students and parent/guardian perceptions on use of immovable property as security for educational loans. More specifically, using questionnaires, the research collected data from a representative sample of respondents, including flying school students, parents and guardians, to profile demographic characteristics as well as access to, affordability of, and risk perceptions regarding the loan.

Respondents of the Study

The research subjects of this study were 30 selected individuals from stakeholders involved in the educational financing process of flying school students. These were such respondents whose sons were taking education in flying schools and had played their role in decision making towards the availability of loans for education. The students were particularly helpful in identifying their demographic characteristics (age, income, educational attainment, property ownership), which was important in identifying factors that influenced access to various forms of financing. Furthermore, the parents or guardians provided insight into the trade-offs inherent in using property as collateral for educational loans. It also included their views of likelihoods that loans would be approved and amounts and repayment terms for loans.

Validation of Instrument

To establish the reliability and validity of the survey instrument employed in this research, a content validation was made with the help of three expert validators, specifically Messrs Alvin Ricafort, Rhodaniel Valet, and Charles Banas. These professionals were considered expert in the areas of educational funding, aviation education, and quantitative research methods. Validators evaluated the survey questions in terms of their clarity, relevance and potential to address some of the study objectives for demographic profiles, financing packages, and the perception of risk and benefits of loans collateralized with property.

Data Gathering Instrument

The instrument used in this study is an online research survey instrument generated through google forms. Google Forms provided an easy and user-friendly interface to create and administer questionnaires without the need for the respondents to have any specific software installed on their devices. A questionnaire containing structured questions to elicit detailed information was used in the survey.

The Questions collected respondents' ages, incomes, education levels and property ownerships. The purpose of this section was to explore students' and their parents' or guardians' personal and financial backgrounds.

IV. PRESENTATION, ANALYSIS, AND INTERPRETATION OF DATA

This chapter comprehensively summarizes the data collected from the researcher's survey. The data underwent rigorous statistical analysis to ensure accuracy and relevance to the research objectives. The results are organized in tabular format for clarity and are analyzed based on the research goals and the specific questions outlined in the problem statement. A detailed interpretation and analysis accompany each table to understand the findings better.

1. Demographic profile of the respondents in terms of:

Table 2 presents the demographic profile of the study's 32 respondents which provides insights into age, income level, educational background, and property ownership, all factors that may influence financing needs and preferences for students in flying schools.

The majority of respondents with 29 or 90.63% are between 25 and 34 years old, indicating that flying school students predominantly fall within this younger adult age range. A smaller portion 2 or 6.25% is in the 35-44 age group, and a single respondent of 1 or 3.13% is 55 years or older. This indicates that flying school attendees are mainly early- to mid-career individuals, likely pursuing aviation as a first or second career. The younger age group has the potential of entering the airline industry, making innovative financing models essential to their success.

Table 2: FREQUENCY AND PERCENTAGE DISTRIBUTION OF RESPONDENTS DEMOGRAPHIC PROFILE

N = 32

Demographic Factor	Frequency	Percentage
1.1. Age		
25-34 years	29	90.63
35-44 years	2	6.25
45-54 years	-	-
55 years and above	1	3.13
1.2. Income Level		
Less than ₱50,000 per month	26	81.25
₱50,000 - ₱59,999 per month	2	6.25
₱60,000 - ₱69,999 per month	2	6.25
₱80,000 and above per month	2	6.25
1.3. Educational Background		
College Level (Undergraduate)	11	34.38
Bachelor's Degree	21	65.63
Master's Degree	-	-
Doctoral Degree	-	-
1.4. Property Ownership		
Own a House and Lot	12	37.50
Own a Condominium	1	3.13
Own Agricultural Land	2	6.25
Own Commercial Property	-	-
Does not own property	17	53.13

Most respondents with 29 or 81.25% report a monthly income of less than ₱50,000, while a minority of 6 or 18.75% earn higher incomes within ranges from ₱50,000 to above ₱80,000. The predominance of lower-income levels points to a significant need for accessible financing options, as most students may struggle to afford high tuition costs without financial support. This trend indicates a market gap where financing models catering to low- to moderate-income individuals could substantially impact flying school enrollment and retention.

As to educational background, a significant portion of respondents with 21 or 65.63% hold a bachelor's degree, while 11 or 34.38% are at the college undergraduate level. No respondents reported holding advanced degrees, such as a master's or doctoral degree, reflecting that most flying school students have completed tertiary education but opted to choose a second career in the airline industry. This demographic indicates a potential preference for skill-based learning and vocational training over academic progression, suggesting that financing models might focus on bridging the gap between academic qualifications and aviation-specific skills.

V. SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents a concise summary of the findings, the conclusions drawn from the study, and recommendations based on the significant insights obtained.

Summary of Findings

Based on the comprehensive data analysis of the findings from the preceding chapter of this study, below is the summary of findings, conclusions and recommendations:

1. Demographic profile of the respondents in terms of:

1.1. Age

Majority of respondents with 29 or 90.63% were aged 25-34 years, with only a small percentage of respondents in the older age brackets of 2 or 6.25% in the 35-44 years' category with 1 or 3.13% aged 55 years and above. This indicates that flying school students are predominantly younger adults, likely in the early stages of their careers or transitioning into aviation.

Conclusions

Considering the findings of the study, the following conclusions were drawn:

1. The demographic profile of flying school students reveals that most are in the younger age bracket, have moderate income, possess a bachelor's degree, and generally lack property ownership.
2. Both property-collateralized and non-property-based loans are perceived as accessible and moderately affordable, but property-collateralized options offer slightly more favorable approval rates and terms.
3. Parents and guardians view property-collateralized loans as beneficial for loan approval, higher loan amounts, and favorable repayment terms, making them a viable option for financing education.

Recommendations

Based on this study's significant findings and conclusions, the following recommendations are offered.

1. Loan providers may consider developing loan options that accommodate younger, income-limited students with minimal property ownership, possibly by reducing collateral requirements.
2. Financial institutions may offer diversified financing options that enhance non-property-based loan accessibility, ensuring flexibility and alignment with students' financial capacities.
3. Lenders may emphasize these favorable loan attributes in marketing strategies to encourage parents to consider property-collateralized loans for educational funding.

RESEARCH OUTPUT

Based on the findings of the study, an innovative financing model that optimally integrates the use of property as collateral to improve loan accessibility and affordability for flying school students could be designed as follows:

Educational Loan for Flying School Student as an Innovative Financing Model

1. Dual-Tiered Loan Structure

▪ Tier 1: Low-Interest Property-Collateralized Loans

- ➔ This tier offers lower interest rates and extended repayment terms for students who can provide property as collateral. The model could implement a sliding scale of interest rates based on the value of the collateral and the borrower's creditworthiness. This approach would ensure that students can access larger loan amounts at more favorable terms, reducing financial strain.

▪ Tier 2: Partial Collateralized Loans

- ➔ For students who may not have sufficient property to fully collateralize a loan, a partial collateralization option could be introduced. This model would allow students to use a portion of the collateral (e.g., a fraction of the property's value) to secure a loan. This could be complemented by a guarantee fund set up by financial institutions or government bodies to cover potential defaults.

2. Flexible Repayment Terms

▪ Income-Driven Repayment Plans

- ➔ Integrating income-driven repayment plans can make repayments more manageable for flying school students, who may have fluctuating income levels during training. This would involve adjusting monthly payments based on the borrower's income level.

VI. CONCLUSION

This integrated financing model aims to address the critical barriers of accessibility and affordability for flying school students by leveraging property as collateral. By providing flexible options and support mechanisms, this model can empower students to pursue their aviation careers without being hindered by financial constraints, thereby fostering a new generation of qualified aviation professionals.

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