# Education Loan (EL) Scenario In India:
# A Canonical Correlation Approach

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## Abstract

The present study examines the relationship between dimensions of Branch Managers' Challenges (MC) as independent variable viz-a-viz dimensions of outcome variable. The research aims at finding out the dimensions which strongly affect the managers` lending decisions. A model proposed in the current study has been validated through the use of statistical techniques like correlation, canonical correlation and hierarchical regression. Two hypotheses; H1 and H2 have been formulated to validate the model. Independent variables for the study are the three dimensions of MC like Student Loan (SL) Scheme challenge, Credit Risk, and Central Subsidy Scheme. Growth of Education Loan (EL) and Change in Managers` Attitudes are the two prospects which have been taken as the dependent (outcome) variables. The sample constituted of 150 branch managers of public and private sector banks operating in the Punjab state of India. Significant relationship was found between Managerial Challenges (MC) dimensions and the outcome variables with correlation RC =0.523, p < 0.001. Collectively the full model was found to be statistically significant for canonical function, using the wilks $\lambda$ = 0.718, F (6,290) = 8.702, p<0.001. The paper further explores the factors which show up as challenges for branch managers while sanctioning an education/student loan.

**Keywords:** Education Loan (EL), Student Loan (SL), Managerial Challenges (MC), Higher Education (HE), Canonical Correlation Analysis (CCA), Hierarchical Regression Analysis, India.

## 1       INTRODUCTION

Most countries have their own student loan schemes for their citizens. Today, most of the countries around the globe have implemented Education loan Schemes (ELSs) for the benefits of students. National Student Loan Programs were initially established in the mid of twentieth century in many countries of the world like USA, Japan. Then in the late twentieth century, demand for education loan suddenly increased in several other parts of the globe, with new plans launched in the UK, Australia, and New Zealand. With these developments, other nations too began to consider the introduction of student loans for the first time for their citizens. Besides this, many progressing countries took initiatives to establish or expand their existing SL programs. Hence, such loans are in more use throughout the world so as to provide fiscal aid to students in attaining higher education, in both industrialised and progressing countries, Kaulinge (2011).

It is mostly argued that in numerous progressing nation governments couldn't proceed with abundantly required spending on HE. While teachers opine that the Government ought not to forsake its obligation of liberal spending on Higher Education (Kaul, 2006). The purpose of this presumption is that the poor but meritorious students won't have the capacity to arrange the cost of Higher Education (HE) without public financing. Monetary aid empowers students belonging to low-income families, particularly, to meet direct and indirect expenses of education as tuition fee, books, and living costs. Subsequently, with a specific end goal to

protect poor students from the rising expenses of HE, numerous progressing and developed nations have implemented SL programs to monetarily help students (Salmi, 1992; Tilak, 1997).

Johnstone and Marcucci, in the World Bank draft report (2010) stated about different models which progressing nations can implement to have an efficient student loan system. The study analysed that less developed nations three intertwined problems. The first problem is related to EL scheme design. The low income nation as have not been able to generate good loan repayments. The other big problem is SL default caused by poor collections. The report further indicates that default rates are unexpectedly high and in such nations there exists no legal or regulatory support system to aid collections. The third issue is the failure to tap private markets for attracting funds for education finance. This is something very challenging because it forces the loans to come from repayments of past lending only and if repayments are not adequate, then there will be a dearth of funds for fresh finance. Many other research studies also focused on loan repayment issues and student defaults.

The existing literature stated that financing Higher Education (HE) is a complicated problem due to theoretical and practical issues. The study insists that the needs of the HE system have developed quickly, yet its financing has been insufficient. It also throws some light on the declining role of public budgets in higher education and the need for more financial resources for education in developing countries. Woodhall (1992) assesses that student loans are practicable and can encourage extensive cost-sharing and help to generate supplementary resources for higher education. All such challenges expressed by the researchers in other countries along with India have been taken in considertaion.

Branch managers in Punjab state are also expected to face the similar set of challenges as are supported by the existing literature rview. In addition to the available literature, discussions held with bank managers, academicians and other private financial consultants helped to identify and compile major challenges of financing higher professional education in the state.

**1.2.1 EL SCHEME ISSUES:** IBA`s Model education loan scheme serves as reference for scheduled commercial banks' student loan schemes throughout the country. This basic model has got certain inherent weaknesses. The model education loan scheme is not backed by government guarantee. There is no 'centralised education development bank' in the country to refinance to the commercial banks in case of lack of funds. Meanwhile, presently Indian banks do not have a sound system to fix the loan quantum for various courses keeping in mind the different fee structures applicable to these courses. The model lacks in terms of precise and transparent eligibility criteria for ensuring subsidy to the most eligible students only (academically and socially). The conversations with the branch managers, academicians and private lenders revealed that they conduct entry & exit interviews of the student borrowers, consider the credit worthiness of the borrowers/parents, look for the rating of the institute and financial viability of the study course in terms of potential job prospects prior to the loan approval. Branch managers also find it quite unsafe to give loans without suitable collateral. At present, banks do not seek security for education loans of up to 40000 million due to adherence to the norms set by Reserve Bank of India (RBI) and the government of India (GOI).

**1.2.2 CREDIT WORTHINESS ISSUES:** Usually EL schemes do not consider loans as assets. But ELs are mostly seen as expenditure. Moreover tapping of Private Capital for financing HE is very rare in India. Student loans too frequently turn into bad credit and hence Non Performing Assets (NPAs). Costs of default and even administrative costs of recovery are also very high. Sometimes, students with low annual income

(family) background are less expected to support education through EL due to debt aversion. There is no reimbursement by the GOI for the defaults in case of subsidised/unsubsidised student loans in India. In the absence of surety of students' employment and adequate income after passing out from college, the situation becomes worse. All such queries put pressure on the bankers to judge the credit worthiness of students very carefully. The discussion with the branch managers points out that they approve EL for professional courses after monitoring; credit worthiness of the borrower/parents, expected default risk, the grade/ranking of the college/university, residential proof, course of study, and past academic record, credit track (if any) of the student and collateral value where applicable. Despite taking into account all these factors, some of the branch managers, especially in the private sector, yet remain reluctant to approve an education loan. Loan requests in case of education abroad are delayed and sometimes denied by banks. Branch managers further affirms that students take a huge amount of loan for attaining degrees abroad and with an aim to finally settle down there only. Thus loan recovery in such cases becomes very challenging one for banks. Tracking such students becomes a problem for the banks. Creditworthiness issues may appear suddenly when unstable economic and political environment at the national and international level causes unemployment and overall gloomy situation. In this scenario, banks find it quite difficult to forecast about the potential salary from future job acquired by students after completing his/her studies. Hence, credit worthiness or credit rating in the context of education loans is a major issue for banks.

**1.2.3 EL SUBSIDY:** Indian banking sector provides subsidies on student loans under the Central Scheme to provide Interest Subsidy (CSIS) This scheme is strictly applicable to the students belonging to economically weaker sections (EWS) only. The family with annual gross income equal to or less than 45000 millions (from all sources) is eligible to get benefits under this CSIS. Research shows that of HE subsidies make EL scheme less attractive for private and foreign banks. The banking sector feels that the central subsidy leads to unnecessary interference on the part of the government. On the contrary, if loans are not subsidised then it makes such loans less effective for needy & deserving students. As the private and foreign banks are generally unwilling to lend without appropriate security, thus subsidies by the government are inevitably needed to help the financially weak students. However, there is a fear that these subsidies can also decrease the educational efficiency, if the government subsidises students based upon their financial background only, without making it contingent on their ability. The discussions held with the branch managers, revealed that subsidies benefit the students in need to complete their education. However, some of the managers favour that EL should be assumed similar to other consumer loan by making it unsubsidised and private. They also added that HE loan should be restricted to some highly technical/professional/management courses only in order to ensure better recovery of such loans. Students pursuing such courses are expected to be placed on some good paying jobs in future. The basic ideas have been taken from the studies conducted by the authors like Kaul, 2006; Garcia and Walde 2000; Chapman, 1997; and Johnson 1984. On the basis of insights gained from these studies, questionnaire items were designed to collect relevant data from respondents.

## 1.3 PROSPECTS RELATED TO ELs FOR INDIAN BANKS

Based on the input information provided by the branch managers, it is concluded that if challenges related to education loans are well addressed by government by taking appropriate initiatives then banks can create better earning opportunities for themselves in the field of education finance. Branch managers apprehend that if the government introduces some stringent recourse norms in the Model scheme then definitely there would be attitudinal changes amongst banking staff to render better education loan service to the deserving and

needy students. Furthermore, it came up during discussion that it is better if the government implements its decision of setting up of a centralised education loan agency which could refinance banks for sanctioning fresh ELs in the absence of timely repayments by old borrowers. This move shall be a welcoming and relieving one for all the commercial banks in the country, added many branch managers. Banks these days are not very enthusiastic with respect to their EL portfolio because of mounting defaults and lackadaisical attitude of the government towards it.

Branch mangers hold the opinion that if the government takes appropriate initiatives then the banking sector in India and Punjab state will catch on the opportunities in the field of education finance by delivering better, quick and valued services. There will also be noticeable positive changes in the attitudes of the banking fraternity towards education loans for professional courses. In return education loan portfolio of scheduled banks will also grow over time.

The prospects relating to education loans have been divided into two categories. One is the change in branch managers` attitude towards ELs. Second prospect is in the form of an enhanced education loan portfolio of banks via increased opportunities of earning a better rate of return on education credit extended towards education finance, especially when defaults are minimal and some legal recourse is available to banks in the event of defaults. Branch managers also reported the increasing cases of wilful defaults.

## 1.4    DATABASE AND METHODOLOGY

The current study uses primary data collected from branch managers through a survey instrument. This instrument was framed by taking insights from the existing literature. Moreover, branch managers, academicians and private lenders in the field of HE finance were consulted before finalising the questionnaire. The unit of analysis was the branch managers of public and private sector banks operating in Chandigarh and three other cities (Amritsar, Jalandhar and Bathinda) of Punjab state. Chandigarh city being the capital of the

**Table 1: Gender wise responses from banks**

| Respondents | Frequency | Percentage |
|---|---|---|
| Male | 117 | 78.0 |
| Female | 33 | 22.0 |
| Total | 150 | 100.0 |

*Source: Primary Data*

state also formed an important part of the selected sample. Pre-pilot and Pilot survey was done in Chandigarh only to improve the questionnaire. Later on, large scale survey was conducted in selected Scheduled Commercial Banks in three selected cities along with Chandigarh. SCBs included various public and private sector banks. Banks were selected randomly for each city. Survey of branch managers or officials was done by randomly selecting respondents from four cities based on banks' official addresses. The questionnaires were distributed among managers or officials by personally visiting them and later on, followed for response. The filled-in questionnaires were collected in the next three-four days. A total of 230 questionnaires was distributed with receipt back of 150 responses, yielding a response rate of 65%. 90 responses were received from the public sector and 60 from private sector banks. Responses received from Chandigarh city and three cities were: 45 from Chandigarh; and 35 each from all the other three cities.  After collecting the responses from managers,

data was tabulated in the SPSS data sheet; reliability & validity analysis, correlation analysis, canonical correlation analysis, and hierarchical regression analysis were carried out to observe the associations. SPSS version 18 was appied on data for the statistical analysis. To analyse the association between the dimensions of MC and outcome variables, regression analysis was carried out for each of the criterion variables separately. The regression model comprised two steps and control variables were entered in the first step followed by the second step in which model variables were entered. MANOVA with Discrim command was applied to assess canonical correlation between data sets. This research proposes to demonstrate the model (Fig. 1) by developing and testing hypotheses as follows:

## 1.5    HYPOTHESES

The primary aim of the current study is to analyse the relationship between three dimensions of MC viz-a-viz two dimensions of MC Impact. This study proposes to investigate the relationship amongst the stated variables and tries to find out the dimensions which strongly affect the managers` lending decisions. Figure 1 illustrates the proposed model structured for the study, to be validated through correlation, canonical correlation and hierarchical regression analysis. Independent variables for the study are the three dimensions of MC viz. EL Scheme challenge, Credit Risk, and Central Subsidy.  Growth of EL and Manager`s Attitude is the two prospects which have been taken as the dependent variables and included as outcome variables. The gender of bank managers surveyed was controlled for conducting hierarchical regression analysis. Based on the objective of the present study, following hypotheses have been formulated:

**H1:** There is a positive relationship between Managerial Challenges (MC) and outcome variables (Prospects)

**H2:** Dimensions of MC are the predictor variable for dimensions of MC Impact (Prospects) after controlling for gender of managers

**Figure 1 Model for Banking Sector`s Challenges and Prospects**
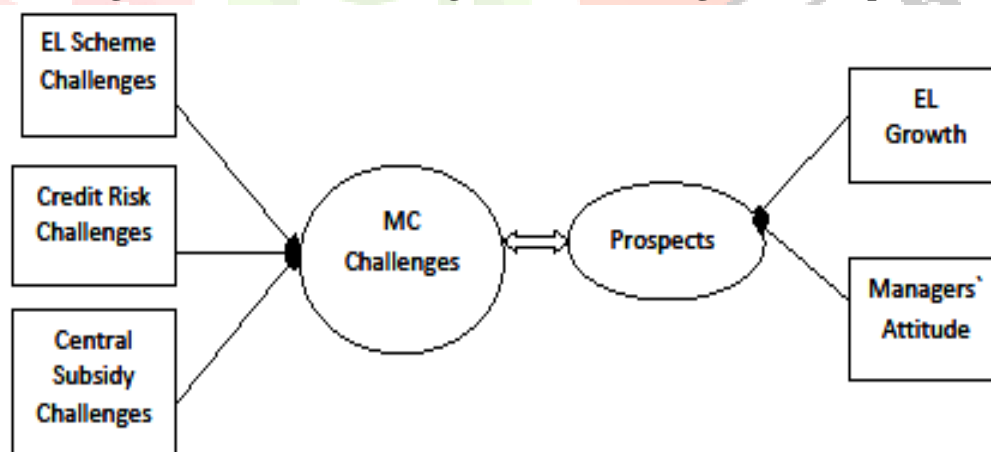


Source: primary data

## 1.6    DATA ANALYSIS

Table 2 represents correlation coefficients of the independent and dependent variables viz. five variables in total. Table 2 indicates no problems of multicollinearity as all the coefficients have value below four or around it. Hence, table 2 lays down a preliminary foundation for the significant relationships between dimensions of MC and its impact. This implies that hypothesis H1 stands proved for the dataset in use. The

reliability analysis was conducted to determine the internal consistency of items of the scale. The value of Cronbach's Alpha is 0.830 for 22 items which is more than the 0.70 of the threshold limit considered adequate for the reliability of the instrument (Cronbach, 1951; Nunnally, 1978). Its value for five variables of dependent and independent sets comes out to be 0.701 which is again above 0.70. Hence, data is fit for further complex analysis. The EL Scheme challenge has the highest mean of 5.88 among independent variables, while

**Table 2 Correlation among challenges and prospects of EL**

| Correlations | S.D. | Mean | EL Growth | EL Scheme | Cr. Risk | C. Subsidy | M. Attitude |
|---|---|---|---|---|---|---|---|
| EL Growth | .840 | 5.61 | 1 | | | | |
| EL Scheme | .620 | 5.88 | .250** | 1 | | | |
| Cr. Risk | .763 | 5.46 | .350** | .159 | 1 | | |
| C. Subsidy | .953 | 5.40 | .324** | .393** | .347** | 1 | |
| M. Attitude | .518 | 5.81 | .406** | .276** | .396** | .253** | 1 |

*significant at the 0.05 level (2-tailed), **significant at the 0.01 level (2-tailed)*
*Source: primary data*

Managers` Attitude had the highest mean of 5.81 among the dependent variables. The central Subsidy challenge has the lowest mean of 5.40 among independent variables, while Growth of EL had the lowest mean of 5.61 among the dependent variables.

Before conducting the analysis, the variables were tested to ensure that they are free from the problem of multicollinearity andhomoscedasticity . The purpose of the study was to determine the relationship between two data sets as shown in figure 1. As the number of variables in dependent and independent sets is more than two, thus canonical correlation analysis was applied to assess the relationship. Initially the hypothesed model in figure 1 was analysed through three predict variables and two dependent variables. A canonical correlation analysis was conducted using MC dimensions (3) as predictors of the outcome variables (2) to evaluate the multivariate shared relationship between the two sets of variables. The analysis yielded two significant functions. All the two functions were significant at p<0.001. First function has been selected with greatest Rc= 0.523. Collectively the full model was statistically significant for canonical function, using the wilks λ = 0.718, F (6,290) = 8.702, p<0.001. Multivariate tests of Hotelling's trace, Pillai's criterion, Wilks λ and Roy's greatest characteristic root showed that canonical analysis is significant in the present analysis. As per the dimension reduction table, two pairs of canonical variates were reliable at p ≤ 0.001. All the two pairs were significant as their value corresponding to significance of F was less than 0.001. The correlations between dependent and canonical variates were found to be statistically significant as the loadings were above 0.40. First function with greatest R$_C$=0.523 has been selected for further multivariate analysis. Above table 3 indicates significant positive canonical correlation R$_C$=0.523, p< 0.001.Therefore, hypothesis H1 is supported that there is positive relationship between the predictor and criterion variables. For dependent set Managers` Attitude has the highest canonical loadings of 0.861 followed by EL Growth with loadings of 0.814. Credit Risk and Central

**Table 3   Results of canonical Correlation for Banking Sector**

| | Results with all variables | | Sensitivity analysis after removal/deletion of | | |
|---|---|---|---|---|---|
| | | | Policy Issues | Credit Risk | Central Subsidy |
| Canonical Correlation ($R_c$) | .523 | | .489 | .396 | .511 |
| Explained Variance ($R_c$)$^2$ | .274 | | .239 | .157 | .261 |
| Eigen Value | .377 | | .314 | .186 | .353 |
| Wilks | .718 | | .754 | .838 | .739 |
| F static | 8.702 | | 11.063 | 6.749 | 11.902 |
| P value | 0.000 | | 0.000 | 0.000 | 0.000 |
| *Dependent Variables* | *Canonical Loadings* | *Canonical Cross Loadings* | *Canonical Loadings* | | |
| EL Growth | .814 | .426 | .835 | .879 | .787 |
| Managers` Attitude | .861 | .450 | .842 | .792 | .883 |
| Shared Variance | .702 | | | | |
| Redundancy Index | .192 | | | | |
| *Independent Variables* | *Canonical Loadings* | *Canonical Cross Loadings* | *Canonical Loadings* | | |
| Policy Issues | .601 | .314 | NA | .785 | .616 |
| Credit Risk | .854 | .447 | .911 | NA | .876 |
| Central Subsidy | .651 | .341 | .702 | .879 | NA |
| Shared Variance | .505 | | | | |
| **Redundancy Index** | .138 | | | | |

*Source: Primary data*

Subsidy challenge emerged with the largest canonical loadings of 0.854 and 0.651 respectively. The third independent canonical variate viz. The EL Scheme Challenge had the lowest canonical loadings (0.601). Thus, the canonical loadings revealed that predictor and criterion variables are well correlated statistically as listed in Table 3.

Additionally, to evaluate the stability of the canonical loadings and for the confirmation of the outcomes sensitivity analysis was performed by removing individual variable of criterion set from the analysis. As per table 3, the sensitivity analysis illustrates that canonical loadings for the present study are fairly stable and consistent in each of two cases out of total three. Rc (.489) drops when EL Scheme challenge is deleted from the predictor set. Similarly Rc (.511) slightly falls when another independent variable nemely Central subsidy challenge gets deleted. The overall canonical correlation also remained reasonably stable ranging from 0.523 to

0.489. These values were fairly stable, except when Credit Risk challenge had been dropped from the analysis, canonical correlation plummeted 0.396.

　　　The cross loadings calculated for the model also harmonise with the overall canonical loadings. For instance, among independent variables Credit Risk challenge has the highest canonical (.854) and cross loading (.447). Similarly, among dependent variables Managers` Attitude has the highest canonical (.861) and cross loadings (.450). The same is true for other variables in the model. Hence, hypothesis H1 is better supported.

　　　For the two canonical variates, shared variance has been calculated separately, which indicates the amount of variance in each of the dependent variables explained by the dependent canonical variate and vice-versa. Shared variance for the dependent canonical variate and independent canonical variate are 0.702 and 0.505 respectively. The redundancy index listed in the Table 3 is 0.192 and 0.138 for the dependent and independent canonical variates respectively, which shows the amount of average variance of the variable of one set that is explained by the other set.

　　　The relationship between these variables is also explored through hierarchical regression model shown in table 4. In the first step, control variable has entered and in the second step, predictor variables have been entered.

### 1.6.1 PREDICATION OF EL GROWTH

　In order to support the hypothesis H2, hierarchical regression analysis was applied to the dataset. Gender of respondents was assumed as a fixed factor not having any impact on the regression analysis results. The hierarchical regression analysis results have been shown in the table 4.

**Table 4: Hierarchical Regression Analysis for Banking Sector**

| Predictor Variables | EL Growth Prospects ($\beta$)　　　(t) | Attitudinal Prospects ($\beta$)　　　(t) |
|---|---|---|
| Step 1 Control Variable Gender | -.178 (-2.196★★) | -.053 (-.649) |
| $R^2$ | .032★★ | .003 |
| Step 2  Policy Issues | .154 (1.929★) | .207 (2.578★★) |
| Credit Risk | .297 (3.752 ★★★★) | .359 (4.524★★★★) |
| Central Subsidy | .137 (1.606) | .036 (.417) |
| $\Delta R^2$ | .190★★★★ | .210★★★★ |
| F for $\Delta R^2$ | 11.764★★★★ | 12.930★★★★ |
| $R^2$ for total equation | .222★★★★ | .213★★★★ |

*Notes: ★p ≤ 0.10,　★★p ≤ 0.05,　★★★p ≤ 0.01,　★★★★p ≤ 0.00,　Source: Primary Data*

　　　In step 1 control variable (gender) was entered and in step 2 predictor variables namely three dimensions of MC were entered to predict the outcome variables. Table 4 displays the result of the hierarchical regression analysis used to test hypothesis H2. In this analysis, the control variable gender is entered in step 1. Gender, in the 1st step, has the negative but significant beta ($\beta$ = -.178, p < .05) with t-value of -2.196. In step 2,

results indicate that for the prediction of EL Growth, model explains incremental variance of 19% beyond that is explained by the control variable. However, Credit Risk challenge is the strongest, positive and significant predictor of EL Growth ($\beta$ =.297, p < .001), with t-value of 3.752 followed by EL Scheme challenge ($\beta$ =.154, p < .10), with t-value of 1.929. However, Central Subsidy challenge is not found to be a statistically significant predictor of EL Growth ($\beta$ =.137, t = 1.606). Variable entered in step 1, explained 3.2% of the variance in growth of EL portfolio. After step 2, independent variables have been included, the model as a whole explained 22% of variance in growth of EL portfolio. Hence, in the model independent variables explained additional 19% of the variance in growth of EL portfolio. The results indicate that the model is significant for $F_{(4, 145)}$ = 10.292, p < .001.

### 1.6.2 PREDICATION OF MANAGERS` ATTITUDE

Table 4 displays the result of the hierarchical regression analysis used to test hypothesis H2. In the table, the first model is meant for control variable gender. This control model in step 1 is not statistically significant ($\beta$ = -.053, t= -.649). Afterwards, in the second stage of regression analysis, independent variables (EL Scheme, Credit Risk & Central Subsidy) were entered in step 2. According to the results, for the prediction of Managers` Attitude, the model explains incremental variance of 21% beyond that is explained by the control variable. The Credit Risk challenge emerged as the highest positive and statistically significant predictor of Managers` Attitude ($\beta$ =.359, p < .001), with t-value of 4.524 followed by EL Scheme challenge ($\beta$ =.207, p < .05), with t-value of 2.587. However, the Central Subsidy challenge is not found to be a statistically significant predictor of Managers` Attitude ($\beta$ =.036, t = .417). The control variable entered in step 1, explained only 0.3% of the variance in Managers` Attitude. After step 2, independent variables have been included, the model as a whole explained 21.3% of variance in growth of Managers` Attitude. Hence, in the model independent variables explained additional 21% of the variance in Managers` Attitude. The results indicate that the model is significant for $F_{(4, 145)}$ = 9.828, p < .001.

## 1.7    DISCUSSION OF RESULTS

The main aim of this study was to analyse the extent to which MC Dimensions add to their outcome variables like Prospects. Hypothesis H1 and H2 are validated by the results of canonical correlation analysis (Table 3) and hierarchical regression analysis (Table 4). All the variables in the dependent and the independent sets were found to be positively related as depicted in correlation table (Table 2), canonical correlation analysis (Table 3) and hierarchical regression (Table 4). The major outcome of this study was that the dimensions of MC were significant predictors of MC Impact dimensions. For the prediction of EL Growth, the independent variables explain only 19% (p ≤ 0.001) of the incremental variance which is lower than the other dimensions of MC Impact viz. Managers` attitude for which variance explained is 21%. These findings are also validated by the results as per Table 4, showing lower canonical loadings for EL growth (.814) as compared to loadings for Managers` Attitude (.861) in the dependent set. Managers` Attitude had consistently highest canonical loading and in the dependent canonical variate during the sensitivity analysis conducted by dropping independent variables. Overall canonical correlation ($R_C$) is extremely sensitive to the Credit Risk challenge. In case where Credit Risk challenge is removed from analysis, $R_c$ plunges to .792 from .861. This implies that Credit Risk challenge have greater bearing on the intensity of association between predictor set and the criterion set. Dependent set variables viz. EL portfolio Growth and Managers` Attitude are more sensitive to the Credit Risk challenge. Credit Risk could be considered as a strong constraint which limits the drive of Managers` attitude towards education loan for professional courses, thereby even containing the potential growth of banks` EL portfolio.

Table 4 shows that both the EL Scheme and Credit Risk are the statistically significant predictor of EL Growth and Managers` Attitude. However, Credit Risk emerged as the highest positive predictor followed by EL Scheme challenge. It means managers` attitude and the resultant growth in a EL portfolio of commercial banks in Punjab is also affected by existing EL Scheme challenges.

This study forwards the literature relating to EL Challenges by empirically illustrating the impact of MC dimensions on EL Growth and Managers` Attitude. In relation to the scenario in Punjab state, it is found that Managers` Attitude appeared as the highly significant dimension during the canonical correlation analysis and this outcome was further sustained by the results of the hierarchical regression analysis. In context of Managers` Attitude, the results imply that challenges (independent variables) are seen as opportunities by commercial banks to expand their business. Further with a change in managerial attitude towards EL, banks can assist borrowers not in just continuing education but also in attaining higher degrees. HE enhances their professional credibility, employment prospects and income potential. Moreover, the study shows that managers also feel that with improved circumstances, the banks` EL portfolio will grow over time. Hence, participants in the present study showed second largest canonical loading for Growth of EL portfolio. Same finding is validated by the regression results and sensitivity analysis.

Taken as a whole, it can be well concluded that MC dimensions share a statistically significant relationship with MC Impact dimensions. Besides sharing a positive relationship, the two sets also shared 27.4% (square of $R_c$) of the variance among the canonical variates. Therefore, two sets are positively and considerably associated or connected.

The most important predicator is found to be the Credit Risk dimension with largest canonical loading. This indicates that it had the greatest association with the canonical variate of the same set (MC) if taken as an individual variable. Again it had maximum association with the opposite canonical variate (outcome variables). The results revealed that Credit Risk and EL Scheme challenges are the dominant predictors for the outcome variables. Hence, managers` attitude and the growth of education loan portfolio of their respective banks/branches are more dependent on opportunities offered by their EL schemes/policy norms.

## 1.8    OPPORTUNITIES FOR BANKING SECTOR TO EXPAND ITS EDUCATION LOAN PORTFOLIO

The HRD's proposed Credit Guarantee Fund for higher ELs will have a corpus of 50000 millions. As the government has also given instructions to the banks that EL should not be denied to any student who meets the parameters, this fund would be a great relief for students and bankers as well. Moreover, to release the bankers from the pressure of default and credit risk, it is purposed to put up remarks on the final degree of defaulting students. The other method to recover the dues from students is to increase the loan duration, may be up to 15-20 years depending upon the quantum of the loan amountby taking a less rigid view and allow restructuring of loan deed's terms and conditions to help the student to repay without much stress.

## 1.9    CONCLUSION

As government funding is not sufficient enough to meet the HE sector's growing demands so Indian banking segment is essentially expected to explore further in the area of HE finance if the nation has to achieve the target of GER of 30% by 2020. The results of the canonical analysis and regress model show that banker`s decision to sanction or not to sanction a loan is mostly dependent on credit rating of students/parents, course of study and rating of the academic institute in which the borrower has got admission. Secondly, Model education loan scheme related issues also largely affect a managers` decisions which include non-guaranteed loans,

absence of legal recourse to banks in case of defaults, and non-existence of a centralised authority to refinance to the banks for issuing fresh loans in case of low liquidity.

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