

UNIVERSITY FOR DEVELOPMENT STUDIES, TAMALE

SUSTAINING HIGHER EDUCATION IN GHANA: THE  
ROLE OF THE STUDENTS LOAN SCHEME

ELIJAH AYINBILA AZENDONGO

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**UNIVERSITY FOR DEVELOPMENT STUDIES, TAMALE**

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OF THE STUDENTS LOAN SCHEME**

**BY**

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PHILOSOPHY DEGREE IN DEVELOPMENT STUDIES**

**MAY, 2016**



## DECLARATION

### Student

I hereby declare that this thesis is the result of my own original work and that no part of it has been presented for another degree in this University or elsewhere.

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### Supervisor

I hereby declare that the preparation and presentation of the thesis was supervised in accordance with the guidelines on supervision of thesis laid down by the University for Development Studies.

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## ABSTRACT

Higher education plays an important role in reducing poverty, inequality and facilitating sustainable economic growth and development. However, despite its relevance to national development, it comes with an enormous expenditure and challenges that most governments in both developed and developing countries continuously attempt to resolve. Students loan as a form of cost sharing element and funding mechanism has been introduced in most countries such as Australia, Kenya, Uganda and Ghana to address the various challenges such as increasing demand and financing for higher education. Monetary barriers, such as low family income, that impede access to higher education is now being removed by these students' loan schemes. The main objective of this study is to examine the extent to which students' loan scheme in Ghana has enabled tertiary students meet their financial needs in the course of their studies and the financial sustainability of the scheme. A multi sampling technique was used to select 382 respondents from UDS and Wa Polytechnic in the Wa Municipality. Logistic regression, descriptive statistics and Kendall's coefficient of concordance test were the methods used for the analysis. Findings from the study revealed that duration of study, programme of study, fee status and fee payment status are the factors influencing students' awareness of financial assistance. Besides, age, type of institution, fee payment status, ease of access to financial assistance and timely disbursement of loans were identified as determinants of access to financial assistance. Increasing educational expenses was the most motivational factor influencing students to enrol on the student loan scheme. One of the main challenges that respondents identified with accessing the students loan is the complex loan application requirements such as the difficulty in obtaining an eligible guarantor to guarantee the loan. The study recommends, among others, that stakeholders and management of the Trust Fund interested in improving students' awareness and access to financial assistance should consider the identified factors in its decision making and also resolve identified challenges associated with the loan application processes in order for the scheme to be relevant to the needs of the tertiary students. It was also suggested that, managers of the scheme should explore alternative sources of funding to cater for its administrative costs as well as meet the financial needs of borrowers. A call has also been made that effective recovery systems



should be put in place to reduce loan default and recover the loans in time in order for the scheme to be self-financing and sustainable.



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I dedicate this work to my dear parents Mr. Frank Azendongo Adakurah and Mrs. Gladys Adamba for their love and guidance. To my siblings Dennis Adakurah, Jennifer Adakurah and Willian Clinton Adakurah for their moral support.



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## LIST OF ABBREVIATIONS/ACRONYMS

AFUF	Academic Facility User Fees
CVCPs	Committee of Principals and Vice Chancellors
CoE	Colleges of Education
GETFund	Ghana Education Trust Fund
GNA	Ghana News Agency
GSS	Ghana Statistical Service
HND	Higher National Diploma
IGF	Internally Generated Funds
IMF	International Monetary Fund
JHS	Junior High School
KNUST	Kwame Nkrumah University of Science and Technology
MMDA	Metropolitan, Municipal and District Assemblies
MoE	Ministry of Education
NAB	National Accreditation Board
NCTE	National Commission on Tertiary Education
NUGS	National Union of Ghana Students
PNDC	Provisional National Defence Council
SLPS	Students Loan Protection Scheme
SHS	Senior High School
SLTF	Students Loan Trust Fund
SPSS	Statistical Package for Social Scientists
SSNIT	Social Security and National Investment Trust
US	United States
UDS	University for Development Studies



UK	United Kingdom
UNESCO	United Nations Educational, Scientific and Cultural Organization
USAG	University Students Association of Ghana
WB	World Bank





## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background

Governments all over the world have acknowledged the role of tertiary education in the acquisition of critical skills such as teaching, engineering, medicine and accounting among others needed for socio-economic development. There is also a significant increase in demand for higher education worldwide. However, a major challenge faced by most governments throughout the world, in both industrialized and developing countries is the response to the twin pressures of rising demand for admission to higher education on one hand and a heavy constraint on public budget to support the same on the other (Woodhall, 2007).

For many countries both rich and poor, a large proportion of the cost of higher education has been borne by the Government (Woodhall, 2007). This is however challenged by the constraint of public resources for financing higher education (Ishengoma, 2004; Johnstone, 2004; and Woodhall, 2002). A number of empirical studies (e.g. Atuahene, 2007; Marcucci & Johnstone, 2010) maintain that higher education in both developed and developing countries is faced with serious challenges such as fast growing demand, accessibility, affordability and associated decline in government spending on tertiary education.

Methods of funding education may differ all over the world depending on a country's philosophy on education and resources available to meet its education demands. Every country, either developed or developing, finances her educational system. Factors such as the nature of the economy, the ideological perception of the country, the philosophy



behind the educational system and the values a particular society attaches to education vis-à-vis national development are often cited as determinants of funding of higher education.

In most countries around the world, public resources are insufficient for financing tertiary education. Thus, the sharing of costs between governments and students has increasingly become the norm in both developed and developing countries (Woodhall, 2007; Marcucci & Johnstone, 2010). Consequently, many countries have introduced cost sharing elements such as food subsidies, tuition fees, grants and students loans, in order to finance access to higher education. According to Marcucci and Johnstone (2010), in most countries, such as UK, Mexico, China and Kenya financing of higher education using students loans has existed for over two decades.

A student loan is intended to assist students pay for tertiary education, meet cost of books, and living expenses. It differs from other types of loans, such as home loans, in a sense that, the interest rate is considerably lower as compared to bank loans and other financial offers. Besides, the loan repayment is deferred to a later date while the student is still in school (Atuahene, 2007). These subsidized loans given by government to students come along with lower interest rates relative to commercial loans offered at the banks.

There may exist easy access but expensive funds to pursue higher education in developed countries due to well laid down structures in their educational systems. Countries such as the United Kingdom, Canada, USA, Sweden and France are a perfect example. In spite of the fact that, such funds are expensive, governments in these



developed countries have made it possible for the private sector to handle the management of students' loan to needy students in pursuit of Higher Education (Marcucci & Johnstone, 2010).

Governments of various African countries such as Kenya, Botswana, Tanzania and Ghana have come up with several pro-poor financial interventions including students loan to support the poor and marginalized in society to develop their intellectual capabilities by having access to higher education (Marcucci & Johnstone, 2010). It is as a result of this that attempts have been made by past governments through the institution of Students Loan Schemes to offer support to students financially so that they can go through tertiary education without much problem.

### **1.2 Research Problem**

The increasing and huge cost of tertiary education has been a source of worry to all in recent times. For instance, rough estimates of the average academic fees (excluding other expenses such as feeding, accommodation, cost of textbooks, transport cost) is GH¢989.67 and GH¢1,879.18 for the Polytechnics and Public Institutions respectively in the 2012/13 academic year.

A huge cut in government budgetary support for public tertiary education gave the administration of the tertiary institutions no option than to push cost on students. The concept of cost-sharing, which became an issue in the country, has been unwillingly accepted and students are being charged academic facility user fees to complement government budget. Internally generated funds (IGF) became an alternative source to



generate funds internally by Public tertiary institutions to meet their recurrent administrative cost (Acheampong, 2010; Atuahene, 2007).

Governments in the past had to introduce student loan schemes to enable students have access to funds for their studies at the tertiary level. However, inadequate government's budgetary allocation to the scheme coupled with other operational lapses by the scheme operators had posed serious challenges to the sustainability of the Students Loan Schemes over the years. Students' loan programmes in many countries especially low income or developing countries have not been financially sustainable, at least not at the levels required to promote widespread participation. The financial sustainability of a student loan requires that the subsidy costs of student lending be held to levels that governments can afford and that the loans be made available mainly from the private capital market rather than, like the subsidies, coming entirely from hard-pressed government budgets (Johnstone and Marcucci, 2007).

Public tertiary education enrolments both in public and private institutions in the country in recent times have been decreasing resulting from limited infrastructure facilities and hence have led to a denial of admissions to qualified students seeking opportunities to higher education. *It is as a result of the increasing total cost incurred by students, the inability of existing tertiary institutions to absorb majority of qualified students from the second cycle level who pass their examinations among others and the failure of past loan schemes to recover in full loans disbursed to beneficiaries in order to ensure the continuity and future existence of the Trust Fund that the research is carried out to examine the availability and sustainability of the students loan scheme in Ghana.*



Students Loan Scheme may be considered to have succeeded in offering partially the financial support necessary for students at; the tertiary level, as well as, extended opportunities to the less privileged in society without which they would have seen access to higher education as a mirage.

Students in the tertiary institutions are confronted with huge expenditure before completing their respective courses. This is due to the inadequacy of the students' loans which are supposed to provide the needed financial support for beneficiaries to complete their programmes of study (Acheampong, 2010).

The era where access to education was a privilege is gradually resurfacing as students, parents and other sponsors of education are saddled with rising fees and other educational related expenses. Given the generally low socio-economic conditions in Ghana, it has become evident that, only a few nowadays can afford tertiary education especially for the full-fee-paying programmes such as medicine, law and other programmes of study.

Consequently, a call was made to government by the National Union of Ghana Students (NUGS) in 2010 for a review of the loans scheme to reflect the current economic conditions in the country and also a timely disbursement of funds to make it relevant to the needy students (GNA, Feb, 2010).

It is important to note the important role being played by private tertiary institutions in absorbing the difference (students who could not enroll in public tertiary institutions) but affordability comes to the fore as students pay for full cost of education which is



very expensive (Acheampong, 2010). In the light of the foregoing discussion, it has been realized that students' loan schemes are cost sharing mechanisms employed by Governments the entire world over, to finance tertiary education. Therefore, there is the need to examine students' loan in Ghana and the role it plays in providing access to tertiary education.

### **1.3 Research Questions**

#### ***Main Research Question***

Has the Students Loan Scheme enabled eligible tertiary students to meet their educational needs?

#### ***Sub Research Questions***

1. What motivates students to access the Students Loan Scheme?
2. Does the students' loan meet the borrower's educational needs in the course of their studies?
3. Are there any challenges that tertiary students face in accessing the Students' Loan Scheme?
4. What measures are instituted by Management of the Fund to ensure the continuity and sustainability of the Students Loan Scheme for future generations?



#### **1.4 Research Objectives**

The main research objective is to examine the extent to which the Students Loan Scheme has enabled eligible tertiary students to meet their financial needs in the course of their study and the financial sustainability of the Scheme.

##### **The specific research objectives are to:**

1. Identify factors more likely to motivate students to access the students loan scheme.
2. Assess whether the loans meet the educational needs of the borrowers.
3. Identify major challenges tertiary students face in accessing the Students Loan Scheme.
4. Identify measures instituted to ensure the sustainability of the Students Loan Scheme by Management of the Fund.

#### **1.5 Significance of the Study**

The Students Loan Scheme in Ghana is a form of cost-sharing mechanism purported to provide alternative source of funding to tertiary education. The question that quickly comes to mind is how accessible is the scheme and to what extent are they able to provide realistic loan amounts to supplement students' other income sources?. The study will outline the effect of the loan scheme on students' financial needs, especially at a time when there is increasing demand for higher education and the cost of attending school has been soaring.



The core mandate of the students' loan scheme is to provide equal access to tertiary education. The results of the study will assist to achieve the objective of the student loan scheme providing useful recommendations for stakeholders. This will be in the form of outlining drivers for access to financial assistance and the challenges faced by students.

Little seems to be known of the current students loan scheme in respect to the extent to which it has made higher education accessible, much less the mechanisms it has in place to ensure its sustainability. Therefore, this research seeks to examine the extent to which the students' loan scheme has enabled eligible students to meet their educational needs as well as the financial sustainability of the scheme.

The analysis of this study would draw out the factors likely to motivate the tertiary students to apply for the students' loan; the loan application criteria and requirements and its associated challenges, as well as the adequacy of the loan to the educational needs of the students. It also presents the constraints management of the students' loan scheme faces in providing access to the tertiary education.

Findings from the study may serve as the basis for comparison with similar loan schemes elsewhere by the Management of the Students Loan Trust Fund in order to improve their service delivery. Results of this research will also add to existing knowledge and serve as a basis for further research in this area.

Also, findings from this study would inform all stakeholders including the government, students and other non-governmental organizations to explore innovative ways in





addressing the challenges in funding and providing access to tertiary education in Ghana.

Finally policy makers, educationists, and administrators may find useful lessons in the study to help implement other policy programmes all geared towards increasing access to tertiary education.

### **1.6 Scope of the Study**

The study is particularly restricted to access to the Fund by eligible students and the sustainability of the scheme. The unit of analysis is limited to respondents selected from the University for Development Studies-Wa Campus and Wa Polytechnic in the Wa Municipal Assembly of the Upper West Region of Ghana.

### **1.7 Limitation of Study**

Though there are over 100 tertiary institutions in Ghana, this study is limited by the few number of tertiary institutions covered. And this may not allow for a strong generalization of the findings to the entire country. However, given that the units of analysis were systematically selected as a proportion of the total students' population of University for Development Studies, Wa Campus and Wa Polytechnic within the Wa Municipality, it gives a fair representation.

It is difficult sometimes to have free access to data and information from trusted authorities such as the Education Ministry, Students Loan Trust Fund (SLTF) and Social Security and National Investment Trust (SSNIT) due to its confidentiality nature, information security and the need to protect its customers. So, extra efforts and a high

sense of diplomacy were employed in contacting key informants on their operations in relation to funding higher education in Ghana.

For some students who are not close to the graduating level filling of questionnaires looks like a waste of time to them and thus they are not cooperative enough when it comes to the answering of questionnaires. Extra efforts had to be employed in educating students on the need to complete the questionnaires as the end results of their responses might influence further research and policy decisions at SLTF, Ministry of Education and other sponsors of education in the country as well as the Municipal Assembly.

### **1.8 Organization of Study**

The organization of the research is in five (5) chapters. Chapter one is the introduction and consists of the background to the study, the problem statement, research questions, the objectives (main and specific objectives), significance of the study, scope, limitations and organization of the study.

Chapter two entails an overview of the review of relevant literature. Here, related literature on funding higher education and possible alternatives are reviewed and gaps are identified. Literature was also reviewed in relation to the concepts of students loan to financing higher education in general, history of Students Loan Scheme in Ghana, overview of students loan performance in Ghana, financial sustainability of the students loan scheme, organizational profile of the students' loan scheme in Ghana and the conceptual framework linking the relationship between access to students loan in financing higher education and its outcome to the individual and society. This was all geared towards answering the research questions of this study.



Chapter three outlines the research methodology employed to achieve the set objectives of the study. It provides a description of the procedures used in the collection and analysis of the data. The categories of data used and how they were chosen, research instruments chosen and the reasons behind that, data collection procedure, strengths and limitations of the methods applied. It also presents an overview of the profile of the study area.

Chapter four is the presentation and discussion of the findings of the research. It includes graphs and charts emerging from the analysis of data using SPSS and STATA.

Chapter five contains the summary of major findings of the research, conclusions and possible recommendations of the research. Here, the findings are compared with the research questions.



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

Accessing higher education worldwide at the turn of the century, has witnessed numerous challenges arising from financial austerity, availability and affordability as well as means and ways in improving the physical facilities. Whereas these challenges pose a serious threat to effective higher educational systems, the challenge of financial stringency remains a peril at the pinnacle of educational development. Whilst different cost sharing mechanisms have been advanced to address these problems in most advanced countries, the situation is quite different in sub-Saharan African countries, where the introduction of cost sharing has generated serious agitations from students.

In light of this, government, policy makers, educators and many more interested in the development and promotion of higher education have developed pragmatic policies to address problems faced by higher educational institutions in the country. The impact of this problem has been addressed in a report issued by the World Bank/UNESCO (2000), which posits, “the lack of sustainable financing therefore continues to limit enrolment growth and to skew higher education toward low-cost, low-quality programs” (p. 55).

In the past, students studying at the tertiary levels in Ghana were pampered and were provided with almost everything including pocket money, free textbooks, accommodation and feeding and many others by the government, just to ensure that the needed psychological and physiological comfort was obtained for smooth scholarly work. However, the above situation is totally different in present times since access to tertiary education has become a thing for the elites (Atuahene, 2007).



## **2.2 The Need for Student Loans Programmes and Other Support Systems**

All over the world, particularly in developing countries such as Ghana, there is a continuous call that, governments should be made to bear full cost of tertiary education, however, some of these costs are shifted to the students such as the academic user fees and lodging, among others. For instance in Ghana, in the past few months and now, government is considering shifting the cost of electricity bills to students at the tertiary level as a result of its inability to pay for and off the accumulating debts it owes to the electricity company of Ghana for the past years, which leadership of tertiary students such as NUGS and USAG kicked against. Some of their reasons include the fact that, they were already overburdened with other financial commitments in their course of study and this new introduction would be unbearable for them.

Therefore the institution of students' loan scheme and students access to it, creates the need for ways to allow much or most of this student-borne share of costs to be deferred into the future in which the person might have entered the full-time workforce (presumably aided by his or her higher education) and is able to begin repaying a portion of the costs that were advanced by the government or the private capital market.

A good number of countries are looking to student loan programmes as a way to allow, or require, students to bear a portion of the cost of their higher education (Johnstone, 2005; Woodhall, 2002; Ziderman and Albrecht, 1995). This situation as identified has led most countries to rethink and hence search for non-governmental revenues to help support the ever-increasing costs of their higher educational enterprises. One of such non-governmental (private) revenue can come from the entrepreneurial activities of the



University (e.g. selling or leasing assets) or of a department, school, or faculty member (e.g. contract research or revenue-supported instruction). Also, it can come from philanthropy, either in the form of returns on past philanthropy (endowment) or current giving. But the form of private revenue that is most financially significant and sustainable, least disruptive to instruction (indeed, it probably enhances the quality of instruction), and supportable on grounds of both efficiency and equity are *cost-sharing* (Johnstone and Marcucci, 2007).

According to Johnstone (2006) cost-sharing is both a statement of fact that the costs of higher education are shared by governments (or taxpayers), parents, students and philanthropists, and a term that describes a worldwide policy shift of the cost of instruction and student living from a predominant or even exclusive reliance on government to parents (or extended families). This shift according to Johnstone (2006), may be in the form of tuition fees introduced where instruction was formerly free (as in many countries in Europe or in the post-communist world) or being raised at rates well above the increase in underlying costs in countries where tuition has long been accepted (as in case of the United States, Canada, and many Asian countries).

Additionally, the shift of costs from government to students can take the form of shifting financial assistance in the form of grants to loans, or from highly subsidized loans (that is, a combination of a *true loan* and an *effective grant* in the form of embedded interest subsidies) to less-subsidized or even unsubsidized loans (Johnstone, 2006). Unfortunately, student loan programme in many countries especially low income or developing countries have not been financially sustainable, at least not at the levels required to promote widespread participation in higher education and hence



much efforts and commitments is needed from government and operators of this schemes.

### **2.3 Overview of Students Loan Performance in General**

According to World Bank (1994), cost sharing cannot be implemented equitably without a functional students' loan programme to make funds available to all students who wish to borrow for their education. For instance, the existence of the students' loan scheme has enabled Austria- Europe, to introduce cost sharing in public higher education and this has enabled them to achieve about 40% expansion in enrolment without a significant increase in public subsidies. Similarly, Winkler (1990) has observed that loan to cover private University tuition helped to rapidly expand demand for and enrolment in private institutions in Latin America. Students' loan scheme, therefore, seems to be quite beneficial to three main stakeholders namely the students, society and governments. Loan granted to students are meant to be recovered to enable the students' loan scheme to be self-financing. Nyahende (2013) found related results in Tanzania. Their findings indicate that students' enrolment in tertiary institutions has increased following a successful implementation of students' loan scheme. Yusif and Yusof (2010) in Ghana also supports that the subsidize student loan scheme has a positive influence on enrolment.

Wood, (1983) noted that solutions adopted by many countries in the granting of loans was to defer payment for higher education until students graduate, enter the job market and earn a living. Unfortunately, a report cited by World Bank (1994), reveals that experience to date with loan scheme in some industrial and developing countries has been disappointing.



The World Bank report further states that due to the heavily subsidized interest rates, high default rates and high administrative cost, the repayment proportions to the loan recovery ratio have not been very significant. Also, it notes that, in some cases the financial performance of loans schemes have been so unsatisfactory that, it would be cheaper to substitute loan with outright grant. The World Bank observed that even those loan schemes that have functioned reasonably well are quite small in scale covering less than ten percent (10%) of the student population. For example, drawing on the experience of the federal student loan in the United States, it acknowledged that students loan programmes while offering important benefits at the same time possess internal risks, these risks can increase as programme coverage is extended to a more diverse pool of beneficiaries. Winkler (1990) cited in Acheampong (2010), however suggests that students loan programme if properly constituted can eventually become self-financing through repayment of students loan but this situation is different for instance in Latin America as a result of high growth in programmes, repayment defaults and failure to index repayment to inflation which in some cases have effectively converted the loans into grants.

Winkler (1990) further reports that the Colombian Loan Scheme which is the oldest and the most successful in Latin America generated only 20% of loanable funds in 1979 in part due to growth in the size of total loan. In Brazil, Winkler (1990) laments that, high annual rates of inflation combined with a default rate in excess of 50% led to discontinuation, in 1980, of the educative programme initiated in 1976. In Kenya, Winkle indicated that non-payment of loans was as high as 81 percent so that even with strict repayment terms, little revenue returned to the lender. Although in Ghana,



the Students Loan interest rate has been indexed to Bank of Ghana (BoG) 182 day treasury bill rate, students are made to pay 12% and the difference borne by the government when the rate is more than tag rate (SLTF, 2010).

Other associated challenges of student loan schemes are shared by Okae-Adjei (2012). He maintain that not only does the difficulty in getting a guarantor precludes some needy students as beneficiary of loan schemes, late disbursement and inadequate amount given to students leave evidence of failure of student loan schemes in Ghana. Current studies (e.g. Onenet *al.*, 2015) also outline sustainability challenges such as difficulty in creating data base and efficient loan board as fundamental issues in some countries in Africa. These challenges therefore, create doubt among researchers on the rational of cost sharing as an effective way of influencing access to higher education.

### **2.3.1 Rationale for Cost Sharing**

In literature, there have been arguments in favour and against cost sharing in higher education; one of such persons is Johnstone (2004). Proponents of cost-sharing in higher education use the following reasons to justify it:

First of all, cost-sharing is a means-tested approach which facilitates the provision of grants, loans and scholarships for those who are unable to contribute, a step in the direction of greater equity, responsiveness, and equity.

Secondly, the private rate of returns to higher education in relation to the individual is high and so people who benefit should be made to contribute towards higher education.

Thirdly, cost-sharing promotes and ensures the efficiency and accountability of institutions to students and parents.



Lastly, there is sheer need for additional and consistent revenue flow towards higher education in the face of increased enrolment pressure in both the public and private demand for higher education, the fast rise per student cost in higher education, the shortage of available public (tax-based) revenue, and competition from other compelling public needs such as secondary education, public health, water and housing, among others.

On the other hand, as indicated above, there are some persons against the whole idea of cost sharing in higher education and hence, Johnstone (2004), conceptualized these views on the resistance to cost-sharing in three distinct, although related forms: 1) technical, 2) strategic, and 3) ideological. In explanation of the above, he stressed that the technical opposition or arguments against cost-sharing is not that it should not work but that it most often does not and probably cannot work, at least not in the less-industrialized countries because they do not have the technical means to accomplish it.

Johnstone (2004), notes in his work that for cost-sharing to work, it requires both need-based, and means-tested grants, as well as loans for students to borrow against their future earnings. According to Okae-Adjei (2012) as in Johnstone (2004), the strategic opposition in relation to cost-sharing is based on the assumption that the political acceptance and willingness in pursuing cost-sharing disadvantages higher education relative to competing claims on other relevant sectors on public revenue. The strategic opposition against cost-sharing argues that the presumption of higher education to supplement its public revenue needs with private revenues is misleading and makes the denial of public funds to higher education “politically too easy”.



In connection with the above, while the concept of high tuition can increase the total amount of resources available to higher education, members in government faced with many more claims or scarce public revenue may be tempted to charge higher and higher tuition to meet the needs of the state for supplementation but without the higher levels of assistance required to meet the needs of low income students and families.

According to Johnstone (2004), the ideological opposition to cost-sharing, draws itself from a range of views which may be labeled critical: of markets; of the private ownership of capital; of the international mobility of capital, production, and trade (that is globalization); and the acceptance of continuing social and economic inequalities.

### **2.3.2 Principles and Forms of Cost Sharing**

Cost-sharing begins with the assumption that the costs of Higher Education worldwide can be viewed as being borne by four principal parties: (1) the government, or taxpayers, (2) parents, (3) students and/or (4) individual or institutional donors (Johnstone, 2004). It therefore refers essentially to private participation in the funding of education by stakeholders other than the government (Mohadeb, 2006 as cited in Okae-Adjei, 2012). The critical question to be raised however, is the extent and form of private participation in Higher Education.

On the other hand, various forms of cost sharing have been identified (Johnstone, 2004; Johnstone & Marcucci, 2007): (1) the beginning of tuition fee where Higher Education was formerly free; (2) the addition of a special tuition-paying track while maintaining free Higher Education for the regularly admitted, state supported students; (3) the very sharp rise in tuition where public sector tuition already exists; (4) the imposition of



“user charges” or fees to recover the expenses of institutionally provided and formerly heavily subsidized food and accommodation; (5) the diminution of student grants or scholarship; (6) an increase in the effective cost of recovery on student loans; and (7) the official encouragement of tuition dependent private higher education sector where it did not exist to absorb some of the ever increasing demand. Higher education system in Ghana employs forms 2, 4, 6, and 7 above.

#### **2.4 Financing Higher Education in Ghana**

Until the 1990s, higher education was traditionally free of charge in Ghanaian Universities where qualified students were entitled to free boarding, feeding, accommodation among others. Unfortunately, funding has become the most serious challenge faced by higher education in Ghana today. In order to solve the increasing financial cost in higher education, and as part of the second phase of its Economic Recovery Program (1987-89), the government at the time considered several steps towards adjusting the financial structure of higher education. These adjustments included increasing the role of private higher education institutions; increasing the number of public universities; and introducing cost sharing<sup>1</sup>.

Before coming into being of the Economic Recovery Program (1987-89), however, the issue of government as the sole financier of tertiary education came under the microscope of the second Republic in 1970 when a committee was set up to advise the government on the future policy direction of the government's financial support to the Universities (World Bank, 2008). Nevertheless, over forty years after the birth of the

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<sup>1</sup>knust.edu.gh (accessed on April 30, 2015)



said committee on funding tertiary education in the country, the issue is still as controversial as before.

## **2.5 Evolution of Cost Sharing in Public Tertiary Education in Ghana**

Funding higher education has always been of concern to most Ghanaians as people raise questions about the inability of past and current governments to bring this fully to light. Aside concerns being raised, matters surrounding the financing of higher education have been a politically sensitive issue in Ghana, especially at the Universities, Polytechnics and lately Colleges of Education where students are well-organized and are accustomed to free tuition. In late 1999, students briefly went on strike to protest rising "user fees" charges University administrations levied on them for accommodations, meals and use of laboratories and libraries.

Cost sharing was initially introduced in 1997 through the adoption of the Akosombo Accord that divided responsibility for university funding between the government (responsible for 70 percent of total funding) and three sources (30 percent) including university internal revenue-generation, private donations and students tuition fees. Students' academic and residential facility user fees were introduced in 1998. Students who live in university housing pay both, while students off campus pay the non-residential academic facility user fee and a small non-residential facility user fee.

Against the background of rising cost of tertiary education with its attendant problem of rising enrolment, the problem of funding tertiary education, reached its elastic limit during the beginning of 2000/2001 academic year when the Committee of Principals and Vice Chancellors (CVCPs) through an advertised statement in the daily news-



papers (Daily Graphic and Ghanaian Times quoted *Ghanaweb.com*-March 2005)<sup>2</sup> threatened to close down the universities or cut down their admission intake till a solution is found to the chronic under-funding of the universities and other tertiary institutions as a result of starvation of budgetary allocations to the tertiary sector.

Despite the fact that, the 1992 Constitution Articles 28 and 35 makes it mandatory for the government to fund education from the basic level to the tertiary level, it has become clear that government is unable to meet this constitutional provision due to insufficient levels of revenue for the government chest.

There are concerns raised by authorities of tertiary institutions in the country about the dwindling budgetary allocation of funds and other support services to the tertiary institutions, yet the government has indicated its inability to single-handedly bear the cost of tertiary education at the expense of equally important sectors of the economy. Furthermore, another area that has been of concern to tertiary education authorities has been the increase in demand for tertiary education over the last few years as against the limited entry opportunities at the tertiary level. Hence, the need to critically reconsider the benefits in funding of higher education using students loan scheme.

## **2.6 Government Budgetary Allocation to Tertiary Education**

A report from UNESCO Institute for Statistics (2009), indicates that, there had been decreasing government investment in higher education in Ghana. For instance, education at all levels forms only 24% of total government expenditure in 2009. Out of

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<sup>2</sup>Daily Graphic and Ghanaian Times as quoted by *Ghanaweb.com*, March 2005.



this number, tertiary education takes only 21% of government spending on the educational sub-sector.

According to an Education Sector Report, 2014, total spending on education from public and donor sources was GHS 5.7 billion in 2013, marginally less than the total in 2012. The report mentioned among others that, spending from the Government of Ghana (GoG) consolidated budget, the Annual Budget Funding Amount (ABFA), and the Ghana Education Trust Fund (GETFund) decreased between 2012 and 2013. The reduction in the total means that spending as a proportion of GDP fell from 7.9% to 6.1%, still in line with the UNESCO target for 6%. It further stated that, in 2013, Primary education took the largest proportion of spending at 24.4%, followed by Senior High School (SHS) (20.2%) and Tertiary (19.4%); while Junior High School (JHS) had 16.9%.

Recently, the government of Ghana, bent on promoting cost sharing, and with the view of promoting access, equity and attractive options into tertiary education, while decreasing its expenditure on tertiary education, phased out allowances paid to trainees of Colleges of Education (CoE) in the 2013/14 academic year and replaced the payment of allowances to trainees of CoE with student loan as a cost sharing mechanism. This prompted some serious reactions from a section of the students not only through the trading of accusations but threats of boycotts. Yet this new arrangements is successfully in its second year of implementation.

Over the last 5 years, the financing gap in higher education has been in the range of;



2011 - 39.7%, 2012 - 79%, 2013 - 49.2%, 2014 - 46.6% and 2015 - 41.0%. The funding gap of 79% indicated against 2012 was due to an excessive demand made to GETFund for infrastructure as most government put up more developmental projects in the election year for reasoning of retaining power (Duwiejua and Newman, 2014).

Unlike the distance past, there existed a relative rise in government's recurrent expenditure on education from 17% in 1981 to 36% and 41% in 1992 and 1994 respectively (MoE, 1997). However, the trend did not continue as the government, bent on promoting cost sharing, decreased its expenditure on tertiary education. Thus, in 1996, there was a short fall of 26.3% of funding representing 73.7 % of the total amount needed to fund tertiary education (Acheampong, 2010).

In 1997, the amount provided was 61.5% of the total amount required resulting in a deficit of 38.5%. The deficit however, rose to 40% in 1999. These figures testified to the government's commitment in reducing expenditure on tertiary education, perhaps in fulfillment of the International Monetary Fund (IMF) and the World Bank's sponsored adjustment programme with its emphasis on drastic cuts on public expenditure including that on education (Acheampong, 2010).

In 1998, the government decided that it could no longer continue with periodical subventions and grants to cover the payment of students' residential and academic user fees because of budgetary constraints and therefore asked students to pay the fees in respect of the usage of residential and academic facilities. This prompted some serious reactions from university students not only through the exchange of broadsides and





trading of accusations but also through street demonstrations and other forms of protestations.

## **2.7 History of Students Loan Schemes in Ghana**

### **2.7.1 SSNIT Loan Scheme**

Students' loan scheme was first operated under SSNIT and was established under the Trustee Incorporation Act 106 of 1962 and later PNDC Law 276 in January, 1988. The main purpose of the student loan was to supplement the student's private resources, especially parental support for food, lodging, transportation costs, and other expenses that were difficult for many families because of the very high poverty rate in the country (Atuahene, 2007). The Loan Scheme was a financial arrangement under which Ghanaian Students were enrolled to pursue approved courses in tertiary institutions in Ghana and granted loans to assist them with the financing of their education. Students were paid fixed amount depending on their programme of study (Atuahene, 2007).

Recovery rate of student loans under the administration of the SSNIT was deemed low. The government in 2001 owed the trust \$23.9 million, which represented part of the interest it had agreed to subsidize on students' loans (Acheampong, 2010).

Social Security and National Investment Trust (SSNIT) was unable to turn to the guarantor's pension to recover these loans immediately unless the guarantor was about to go on retirement in the distant future making its recovery rates slow (SSNIT, 2003). Furthermore, there were administration inefficiencies as students who fulfilled their part of the agreement by paying off their loans after completion were still tagged as having outstanding repayment balances in their names. As a result of the initial lapses

and other problems, government passed legislation in December, 2005 to replace the SSNIT with the Student Loan Trust Fund (SLTF).

### **2.7.2 Students Loan Trust Fund**

Students Loan Trust Fund was established in December 2005 under the Trustee Incorporation Act 1962, Act 106 to replace the SSNIT which became the sole institution in Ghana mandated to offer loans to eligible students pursuing accredited tertiary programmes in the country. It currently runs a means-tested methodology in offering loan amounts to students based on the needs level of a prospective applicant. Loan amounts given to applicants range from Gh¢630 to Gh¢1,600 per an academic year. Currently, the government in its wisdom added Colleges of Education in the year 2013/14 academic year to the loan scheme and hence students studying under the colleges have been granted access to enrol on the loan facility.

Under SLTF, both public and private sector students are able to access the loans without having to provide three guarantors as was required under SSNIT. With students' loans, applicants are required to provide one guarantor who is an active contributor to SSNIT for not less than three years and not above fifty-three years. Students are made aware that they will bear the full credit risk in future for the loans disbursed to them with their parents acting as primary guarantors provided they contribute to the SSNIT Pension Fund. If the parents do not contribute to SSNIT, another SSNIT contributor must be found to serve as a secondary guarantor. The Students Loan Trust Fund has put in place other forms of guarantors apart from the traditional source of guarantors which includes Religious bodies, Metropolitan, Municipal and District Assemblies as well as Corporate Institutions belonging to Ghana Club 100.



SLTF (2010), interest rate applied on the loan is 12% since 2010 to date and equal to the prevailing 182 day government of Ghana Treasury bill during the students' period of study in school, one year national service and one year grace period after which there is an additional 2% charge during repayment periods. Loans may be repaid through monthly deductions at source from Controller and Accountant General from the beneficiary's salary by his/her employers, through direct periodic payments to the Student Loan Trust Fund by the beneficiary if he or she is self-employed or by outright payment of the total amount at designated banks prescribed by the Trust.

## **2.8 Sustainability of the Student Loan Schemes**

Higher education in most countries was mainly state funded but when the demand for higher education grew without a corresponding increase in the budgets of many countries, several national governments sought for alternative funding mechanisms, including the student loan schemes. According to Woodhall (1992), a few countries introduced small-scale loan schemes for their higher education students over 60 or 70 years ago. However, the establishment of real student loan schemes on a substantial scale began in the 1950s and 60s mostly in the developed and a few developing countries (Albrecht & Ziderman, 1995). Government sponsored student loan schemes are already in place in different countries of the world with one common feature: they are all highly subsidised by governments; and unlike commercial loans, a sizeable proportion of the total loans outlay by the loans body is often not received back in repayment (Shen & Ziderman, 2008).



In Ghana, the role of the state in financing higher education has been justified by the need to train professionals to replace the ageing civil servants (Newman, 2013). Besides, state participation in influencing access to higher education is necessary in promoting needy students who have demonstrated capacities for advanced learning to have access to higher education. In spite of the advantages cost sharing, it raises the issue of capacity to pay, making the higher education system inequitable (Mohadeb, 2006). Ghana has introduced a Student Loans Scheme as a means of deferring payment for higher education to a time when students are employed and can afford to pay, as an alternative to support students financially so that they can go through higher education without much problem. Some student loan schemes have been generally successful whilst others have been disappointing in terms of meeting their objectives and their financial sustainability (Ziderman, 2004). The Students Loan Trust Fund (SLTF) was introduced in December 2005. In spite of government efforts to use the SLTF to provide financial support for the benefit of students, the loan scheme is faced with some challenges.

The main challenge often faced is that students loan scheme programmes leave a gap between total loan disbursements and overall loans recovery in most countries where the student loan schemes are in operation. What normally accounts for this is that: first, there is a built-in interest rate subsidy incorporated into the design of the loan schemes. And second, there are inefficiencies in running the schemes in terms of substantial repayment default and high administration costs (Yao, 2012). The subsidy reflects government role of cost sharing that, on the other hand, minimizes the expected amount that could be accumulated from the loans.

Other empirical studies have discovered challenges that can possible affect the sustainability of students' loan schemes. Drawing their empirical evidence from Africa, Onenet *al.* (2015) point out that student loan schemes often face challenges such as difficulty in creating credible loan board, identifying the right loan beneficiaries, the challenge of effective and efficient disbursement and the challenge of loan recovery. Okae-Adjei (2012) provides consistent augment by drawing evidence from Ghana. He maintains that loans are often disbursed late and hence does not serve the purpose for which it has been collected. He further outlined that sustainability of the students loan scheme in Ghana remain a challenge because guarantors fear that beneficiaries will not pay back loan obligations. Consistent with these arguments, Johnstone (2007) provides an extensive analysis of the sustainability of the students' loan scheme.

The *financial sustainability* of a student loan requires that the subsidy costs of student lending be held to lower levels by government and partnership from the private sector (Johnstone, 2007). The author spells out two dimensions of financial sustainability. The first dimension is *affordability* which refers to the availability of public funds and the need for subsidization, or the extent to which public funds are required to cover losses from (a) borrowers who fulfil their repayment obligation but at an ultimate effective rate of interest that fails to cover the underlying cost of money plus the cost of administration and servicing, and/or (b) borrowers who fail to fulfil their contractual obligation (that is borrowers who default) out of inability or unwillingness to repay.

For developing countries, the less subsidization, the more financially sustainable the students' loan programme would be as these countries have the most steeply rising cost trajectories, the most limited tax capacities and the most politically and socially

compelling alternative needs competing for scarce public revenues (Johnstone, 2007). Also, the second dimension of financial sustainability is the *ability to tap private capital markets* rather than government budgets for student loans as it is seen to be more complex. In theory as well as in practice (as in the U.S. Stafford Loan programme), the amounts originally lent may come largely or entirely from banks and other private sources of savings, yet may obligate the government to very considerable subsidies (in-school interest subsidies and subsidies during repayment) and as guarantor for loans in default. Thus, what may seem like private lending with no immediate impact on the government budget may be indistinguishable in proper accounting terms from a considerable public expenditure, albeit in the form of future and contingent liabilities rather than current expenditures (Johnstone, 2007).

On the other hand, a loan that requires little or no subsidization (that is with a repayment flow sufficient to cover the cost of money plus the cost of administration and servicing) and carries no risk of default to the lender (because of sufficient collateral by the borrower or a co-signer) could be made directly by the government rather than by a bank or other private lender and could be treated not as an expenditure but rather as a government investment. In theory, then, the financial sustainability of a student loan programme could be ensured by eliminating, or at least minimizing, government subsidization and somehow eliminating the element of risk. Tapping into the private capital market would then be easy, whether the students' loans were originated by banks, by a government agency, or even by a university and then sold to banks or other institutions that comprise the private capital market (Johnstone, 2007).



Other studies (Woodhall, 2004; Oketch, 2009; Johnstone, 2004; Ziderman, 2002) however, propose strong arguments in favor of student loans that have mixed implications for its sustainability. Woodhall (2004) for example observed that repayable loans are based on both efficiency and equity. The efficiency arguments are that loans will reduce demands on the government budget and on taxpayers and provide additional resources to finance the expansion of higher education to widen access. Besides, the loans will increase students' motivation by making them aware of the costs of higher education and requiring them to evaluate both costs and benefits in the light of the obligation to repay their loans. The equity arguments which focus on costs and benefits, concludes that since most higher education graduates can look forward to substantially higher lifetime incomes as a result of their education, people who benefit from higher than average earnings should not be subsidized by taxpayers with average and below average earnings.

Woodhall (2004) further observed that opponents of loans (who usually advocate grants instead of loans) argue that higher education is a profitable social investment and therefore, should be financed from public, not private funds. Opponents attack loans as inefficient citing various reasons such as: 1) the complexity and high cost of administration, particularly the costs of collecting loan repayments; 2) the risk of non-payment if graduates are unable to pay due to unemployment, low earnings, or illness, or if they simply default by refusing to repay, emigrating or disappearing; and 3) the danger of distorting students' choices of subject or career by encouraging them to opt for high earnings rather than the courses or jobs that may be socially valuable but which offer low earnings prospects. Such category of pessimistic views predicted high failure rate for students' loans schemes.

Drawing lessons from international experience, Woodhall (2004) identified some problems encountered by loan programs around the world, notable among them are to secure and maintain adequate capitalization, to secure repayment and minimize default, and to make student loans politically acceptable. In low and middle-income countries including Ghana, the weaknesses of student loans schemes are not different from the above. Johnstone and Marcucci (2010) have stressed on problems such as inadequate design, inadequate execution and collection, and inability to tap private capital markets.

However, there is always an element of risk at least in lending, beyond which can reasonably be expected to be covered by lenders or parental co-signers and which then presents governments with some element of at least contingent liability. The present values of these liabilities are akin to ordinary government expenditures and are thus impediments to financial sustainability, especially in low-income countries that are experiencing the most steeply rising higher educational costs and the most strained public budgets (Johnstone, 2007)

Johnstone (2007) spells out the following criteria for a financially sustainable and successful students loan programme. For a student loan to be successful and sustainable, it first of all needs to be *generally and readily available* to all academically prepared students who need a loan to pursue post-secondary studies, without regard to the wealth or credit worthiness of their parents or to their individual career and earnings prospects.



Besides, students loan programmes must be *sufficiently adequate* that it should enable the student to meet his/her financial needs without unacceptable personal deprivation in accessing higher education or unacceptable parental sacrifice (that is parents spending retirement assets on children's post-secondary education) (Johnstone, 2007). The loans programmes should also be *need-based* where means-testing methodology is applied in disbursing loan to students and students' loan programmes should be *minimally subsidized*. Most, if not all, students' loan programmes that meet all the above criteria will require some continuing government subsidization. However, subsidization that goes beyond what is necessary to secure sufficient capitalization and maintain reasonable interest rates (that is at levels of government borrowing or creditworthy consumer debt) is revenue that by definition and like all government expenditures has an *opportunity cost* in the forgoing of other competing expenditures, such as more grants, additional capacity, or higher quality of existing institutions of higher education (Johnstone, 2007). The loan should be *collectable* (thus ability to minimize default and other forms of non-repayment): Generally, student loans have a high incidence of non-repayment. But much of the high rate of default in many countries is attributable to bad lender practices mainly by government agencies as lenders and is thus, in theory, amenable to correction through a better legal framework and better lender practices.

Finally, *ability to tap the private capital markets*: This criterion is related to both the sufficiency of private savings (clearly less abundant in very poor countries) and the abundance of reliable financial intermediaries to channel private savings into socially and economically worthwhile investments. As presented above, the inability to tap private savings is often due to high levels of risks involved in student lending, without government guarantees or sufficient co-signers; this situation is exacerbated in

developing countries that implement poorly designed student loan programmes in government agencies with inadequate lender practices. Hence, many low-income countries rely on tax funds not only for subsidies (which are generally excessive) but also for the loans themselves, so that student loans compete with all the other claims on the government's budget. The difficulty in the developing and transitional worlds in tapping private capital markets does not arise in the United States, where banks have long supplied the capital for the very extensive and mainly government-guaranteed (that is risk free). In fact, U.S. student loan programmes are even more reliant on the primary private capital markets pension funds, insurance companies, corporate reserves, and even equity funds through the secondary markets that purchase the notes in large bundles from banks and other direct lenders.

The financial sustainability and sufficiency of student loans may depend on all the qualities listed above. In other words, student loans that are minimally subsidized, need-based, and collectible are generally able to tap private capital markets and thus to be provided in sufficient volumes to achieve the twin goals of enhancing both participation and cost-sharing. Such generally available student loans are integral to higher education finance (that is widespread participation as well as students bearing a share of the underlying costs of instructions or the expenses of student living or both) in many countries, including the United States, Canada, the United Kingdom, the Netherlands, Germany, Sweden, Norway, Australia, New Zealand, South Africa, Kenya, Tanzania, Japan, China, Thailand, Korea, and the Philippines (Johnstone, 2005; Usher, 2005b; Woodhall, 2002; Ziderman and Albrecht, 1995).

At the same time, many countries have tried unsuccessfully (or successfully for a limited period) to establish generally available, sufficient, and financially sustainable student loan programmes. The lender in most cases is the government or a public agency. Too often, the discounted value of the repayment stream is totally insufficient to cover the cost of the money plus the administration and collection costs, not to mention losses from non-repayment or default. These losses which are frequently very great, especially in developing countries leave many governments unable to provide loans in sufficient numbers or amounts to meet the dual objectives of widening participation and effecting real cost-sharing.

## **2.9 Theoretical Framework on Cost Sharing**

Argument over Government subsidies and investment in higher education in general, had been perceived from neo-liberal economic models and market terms as noted by Atuahene (2007). The basic principle underpinning the concept of human capital theory which was adapted into education finance in the 1960s by Theodore Schultz, was the public rate of returns to education and its effect on higher education investment and funding. Further, economics of education literature is inundated with several studies to justify who pays for the cost of higher education (Atuahene, 2007). On the contrary, Friedman and Friedman (1980) also hypothesized that, there is no proof that higher education benefits society more than the individual. According to them, higher education can even cause social strife and political instability (Atuahene, 2007).

However, current studies have also revealed that, investment into higher education has greater benefits not only to the individual but society. Psacharopoulos (1981) found that



higher rate of return is correlated with higher income earnings. Miller (1982) also finds that higher education has 15% social rates of returns.

According to Atuahene (2007), “in similar studies by Grossman (1976) and Kenkel (1990), they argued that, there are some financial evidence associated with higher education for other variables such as family income”. Atuahene (2007) also mentioned that, in similar studies, Kenkel (1990) and Grossman (1976) revealed that higher education could improve individuals’ lifestyle, provide better health knowledge and social status. On the whole, the principal justification for cost sharing is hinged on the arguments that, cost sharing would bring efficiency and equity.

### **2.9.1 Operational Definitions for Terms and Concepts**

Though there are various connotations with respect to the meaning of **Higher / Tertiary Education**, for the purpose of this study, they were used interchangeably to imply education above the secondary level. This is education at either the Colleges of Education, Polytechnic and first degree of University Education.

**Students Loan** is operationally defined as loan given to tertiary students that they use to cater for their education-related expenses such as cost of stationery (textbooks, photocopies, handouts etc), feeding, hostel/ accommodation fees, transportation costs. Literally “access” is interpreted as the right to obtain, easy to reach or use a particular service like health, water and education<sup>3</sup>. For this research, the term **accessibility** is being used to mean the ease with which the students’ loan can be obtained with no or minimum difficulties.

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<sup>3</sup>[www.wordweb.infor.com](http://www.wordweb.infor.com)

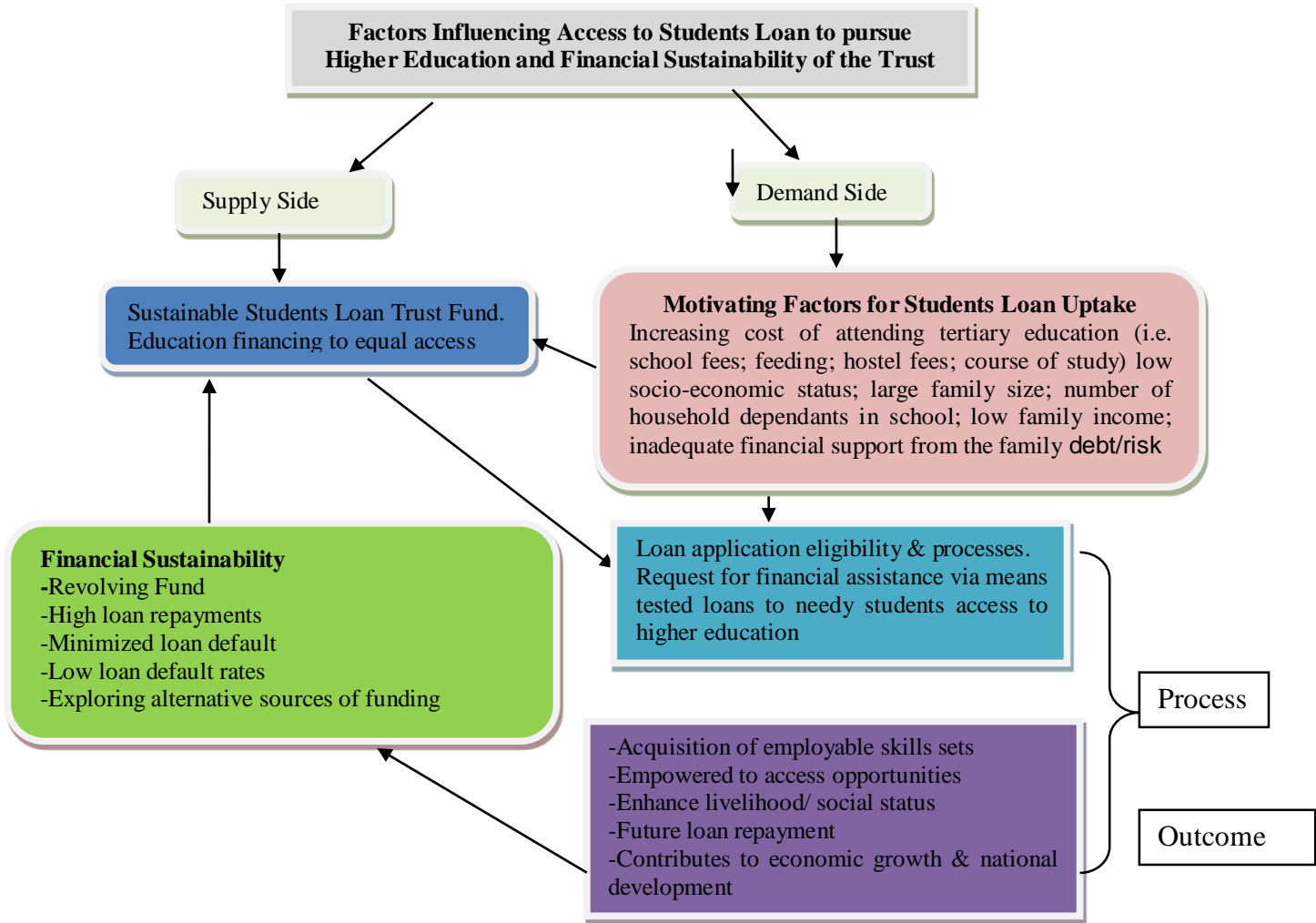


In general, financial sustainability is the subsidy costs of student lending held to lower levels by government and partnership from the private sector. But for the purpose of this study *financial sustainability* is used to denote availability of public funds, minimum/ reasonable subsidization from public funds, less loan default and the capacity of the students' loan scheme to be a revolving fund for its continuity. In other words, it is the availability of public funds to cover the underlying cost of money, administrative costs, effective interest rates and defaults in loan repayments.

### **2.9.2 Conceptual Framework on the Demand and Supply of Students Loan**

The study on the role the Students Loan Scheme plays in creating access to tertiary education and its financial sustainability can be conceptualized through the cause-effect relationship between motivation factors for accessing students' loan to pursue higher education and the long term benefits derived by the student borrowers. The forces of demand and supply were adapted to illustrate the conceptual framework on the relationship between demand and supply of students loan (Figure 2.1).





**Figure 2.1: Conceptual framework**

Over the years, the socio-economic benefits associated with higher education such as acquisition of knowledge and skill sets, enhanced livelihood, human capital development and economic growth has invariably led to an ever increasing demand for same.

Besides, Articles 25 and 38, clause (c & a) of 1992 Ghana's Constitution stipulates that education at all levels should be equal, balanced and accessible. It also makes it mandatory for government to provide equal access to education for students at the tertiary level on the basis of capacity and subject to the availability of resources.

Further, in recent times, increasing inclusive and equitable access to, and participation in quality education at all levels is one of the seven thematic areas under the Ghana Shared Growth and Development Agenda framework, (GSDA) I of 2010-2013.

Despite these provisions and efforts being made by government, there are various challenges confronting access to higher education. These include decreasing public expenditure on tertiary education, inadequate infrastructure at the tertiary institutions, ever increasing students' population, inflexible entry requirements, gender disparity and monetary barriers (cash constraints) to equal access to higher education.

Financing tertiary education is a critical challenge for policy makers and governments all over the world. In Ghana, as part of governments' efforts in funding higher education, there has always been the need for tertiary students to find extra financial resources to supplement what governments provide since there is always a funding gap. The students' loan scheme was consequently set up as a as a cost-sharing mechanism and social policy intervention to help alleviate the financing barriers to access to higher education.

On the demand side as illustrated in Figure 2.1, various factors influence students' decision and subsequent uptake of students' loan. Some of these motivational factors are ever increasing cost of attaining tertiary education, high cost of living, low socio-economic background, low family income and access to alternative source of financial assistance.



It is envisaged that, to meet the financial demands of these needy students, the Students Loan Trust Fund, on the supply side as depicted in Figure 2.1, provides highly subsidized means-tested loans to these needy students to enable them to access higher education.

Students' loan, one of the most arguably phenomenon in financing higher education in Ghana, provides an alternative solution to the financial constraints facing students, thus creating an avenue to improve access to students from low socioeconomic background who would have been denied access to higher education because of their inability to pay.

Thus eligible students would not be denied access to higher education on the basis of lack of financial resources. Now, most students need the financial assistance due to the ever increasing cost of education including academic fees, accommodation, feeding, transportation and stationery. Therefore when the needy students are unable to obtain the timely and adequate financial assistance necessary for their education, the essence of SLTF's mandate (to create equal access to tertiary education) would be questionable.

## **2.10 Summary of Review of Literature**

From discussions so far, it is evident that relevant available literature accentuate the fact that, though student loans are used as a cost-sharing mechanism to create access to higher education in both developed and developing countries such as China, Sweden and Kenya, there are different modalities in managing these loan schemes. It was also revealed that, even though there has been some research work on financing higher education in Ghana, little has been said about the extent to which the Students Loan





Scheme has enabled eligible students to meet their financial needs in the course of their studies and the sustainability of the scheme. This piece of research therefore seeks to add to existing literature while examining the challenges that the students face in accessing the loan scheme as well as the modalities put in place to ensure the sustainability of the loan scheme for the benefit of tertiary students in Ghana.



## CHAPTER THREE

### METHODOLOGY

#### 3.1 Introduction

This chapter entails the research methodology, research approach/research design, population of the study, sample size and sampling techniques, methods of data collection, sources of data and data analysis techniques employed for the study. It also ends with a brief profile of the study area and the students' loan scheme. In every research, there are procedures the researcher follows to meet the research objectives. A choice of a particular procedure is determined among others by the nature of the data and research problem being investigated, efficiency, cost, reliability, validity and even convenience.

According to Dordaah, A.D. (2012), in the case of scientific research, investigation or inquiry, the choice of method should be informed by the relevance of the method to the problem or the objective and the reliability, validity or accuracy of the result since the methods adopted can affect the outcome of the investigation.

#### 3.2 The Research Approach

The main research design adopted is the cross-sectional design, with *case study* as the specific method. It was chosen because it gives an empirical inquiry that investigates and understands the dynamics of contemporary phenomena within real life situations. It relies on multiple sources of evidence and benefits from prior development of theoretical propositions and can be based on a mix of quantitative and qualitative evidence.



Besides, Kumar (2005) opined that case study as an approach of studying a social phenomenon allows for the incorporation of many specific details often overlooked by other methods. On the whole, both quantitative and qualitative research methods were used for the study.

### **3.3 The Study Population**

A relevant section of the research design is the definition of the population. The population for the study comprises the sum of all persons the researcher intends to investigate. All tertiary institutions on the students' loan scheme constitute the study population. It is also made up of students from public and private tertiary institutions being served by the Students Loan Trust Fund. However, the target population for this study was students drawn from the Wa Polytechnic and University for Development Studies all in Wa. The population for the study also comprises purposively selected officials of the Students' Loan Trust Fund and SSNIT.

### **3.4 Sampling Methods**

Sampling is the process of selecting a subset of population for the purpose of a specific study (Panneerselvam, 2007; Dooley, 2007). Sampling techniques used includes; purposive sampling and multi-stage sampling.

#### **3.4.1 Sampling the Respondents**

A multi sampling procedure was employed in selecting the units of study or respondents. At the first stage of sampling, two tertiary institutions namely Wa Polytechnic and University for Development Studies were intentionally selected from other tertiary institutions in the Wa Municipal Assembly using purposive sampling

technique. These tertiary institutions were selected because; until 2013/14 academic year, Colleges of Education were not having tertiary status and teacher trainees use to receive allowances and not students loans. Thus, they were excluded from the study population.

At the second stage, the sampling frame and subsequent sample size were obtained based on available estimates of the total students' population of the institutions. Here, places where students congregate such as lecture halls, discussion places and hostels were systematically visited to draw respondents to complete the questionnaires.

In the third stage of sampling, respondents from each of the schools were then selected using a simple random sampling method. A list of students' Identification Numbers (ID) was generated from which respondents were drawn using simple random sampling. This procedure applies to respondents in the two institutions.

### **3.4.2 Selecting of Key Informants**

Furthermore, selection of the key-informants from SLTF for the study was done through a purposive sampling technique. These officials were purposively selected considering their in-depth knowledge in the loan procedures and management.

Also, purposive sampling was employed to intentionally pick the two tertiary institutions for the study. The reason for using the purposive sampling was that, the study institutions have certain characteristics of relevance to the study but not randomly distributed in the universe, (Kumekpor, 2002). Simple random technique was also chosen to give respondents equal chances of selection and also obtain a fair

representation of opinion from students in relation to the research topic. The chosen sampling methods were considered appropriate for the study due to limited resources, time available for the study and large student numbers enrolled at the various tertiary institutions who the researcher could have sampled their opinions.

### 3.5 Sample Size

A sample size is the number of sampling units selected from the study population. From the total students' population of the study area, 382 participants were selected to participate in the study. Out of this, three hundred and twenty one (321) students were sampled from UDS Wa Campus and the other sixty one (61) students from Wa Polytechnic. The sample size was determined mathematically as follows.

#### Population of Students:

Total population of students in Wa Polytechnic (accredited programmes) is 1,387

Total population of students in UDS Wa Campus (accredited programmes) is 7,300

Total Population of students from both institutions under study is 8,687.

The formula for sample size determination follows a mathematical estimation procedure by Miller and Brewer (2003) specified as:

$$n = \frac{N}{1 + N(e)^2}$$

Where n= sample size; N= population and e = error or significance level. In order to have an acceptable margin of error, the sample size will be determined at 95% confidence level, hence  $\alpha = 5\%$ .



$$\text{Therefore, } n = \frac{8687}{1+8687(0.05)^2} = 382.$$

The fraction of Wa Polytechnic is estimated as:

$$\text{Wa Poly} = \frac{1387}{8687} * 382 = 61.$$

And that of UDS is estimated as:

$$\text{UDS} = \frac{7300}{8687} * 382 = 321.$$

Therefore, 382 students were sampled from the two institutions as shown in Table 3.5.

**Table 3.1: Sampling distribution of students**

Name of Institution	Population	Sample Size
Wa Poly	1387	61
UDS Wa Campus	7300	321
<b>Total</b>	8687	382

*Source: Author's construct, Field Survey, Dec, 2014.*

### 3.5.1 Sample Units

Sample units, according to Babbie (2005) refer to that element or set of elements considered for recruitment into the sample in the sampling process. In relation to this, the sample units of this study include students from UDS Wa Campus, Wa Polytechnic and some selected staff of SLTF. These categories of respondents were selected due to their level of knowledge and experience they have accumulated over the years in the subject of study. It is important to mention that at the time of the research, the two tertiary institutions mentioned above were on the loan scheme since its inception and the Colleges of Education were just added at the latter part of the academic year and hence this informed the choice of the two schools the research covered.



### **3.6 Data Sources**

Both primary and secondary data were used to realize the objectives of the study. Primary data for this study were obtained through the administering of semi-structured questionnaires to the sampled respondents and key informant interviews with officials of SLTF.

Secondary data for this study were obtained from written or published documents available at SLTF and SSNIT. These include annual reports, reports and publications on funding of tertiary education worldwide, in Africa, Ghana and in the Wa Municipality, textbooks, dissertations, journals, relevant websites, newspapers, among others. The information which was gleaned from some of the above mentioned secondary sources was used to support the study.

### **3.7 Data Collection Methods and Tools**

Quantitative and qualitative data collection methodologies were employed during the study. Neuman (2006) is of the opinion that using a triangulation of methods in social research means combining qualitative and quantitative styles of research and data, and hence they complement each other.

The main data collection tools utilized were semi-structured questionnaires and interview guides (see Appendices 1 and 2). Open and closed-ended questions were set into a questionnaire and administered to the respondents who were students from UDS Wa Campus and Wa Polytechnic, while an interview guide was used to interview the



purposively selected SLTF representatives. Both the questionnaires and interview guide were designed in relation to the thematic areas of the research objectives.

### **3.7.1 Questionnaire**

A questionnaire is a document containing questions and other types of items such as statements designed to solicit information on specific issues, themes, problems or opinions to be investigated (Babbie, 2005; Kumekpor, 2002).

In designing a questionnaire, researchers consider the working sample units level of understanding of the research issue before settling on either open-ended or closed-ended questions or both (Smith, 1983). The open ended format allowed exploration of the range of possible themes arising from an issue. In closed format, respondents are forced to choose between several given options. They can be divided into structured, unstructured and semi-structured questionnaires. While structured questionnaire provide predetermined closed-ended answers for respondents to choose from, in semi-structured questionnaires, open-ended questionnaires are provided and respondents are at liberty to give any answers (Karma, 1999; Twumasi, 2001).

A combination of structured and semi-structured questionnaire was used to solicit relevant responses to the research questions of the study. The items on the questionnaire were classified into five major sections to solicit information on the background information of respondents, details of tertiary institution attended, awareness and access to funds for tertiary education, factors that motivate students to access the loan scheme and challenges in accessing the students loan scheme. Detailed discussion on the various sections of the questionnaire is in chapter four of the study.





The questionnaires which contained respondents background information, awareness and access to funds for tertiary education, factors motivating students to access the loan scheme and challenges faced among others were used because, they are relatively quick and easy to create codes, interpret and standardize. A large number of respondents were easily contacted using the questionnaire and it also allowed respondents to provide candid opinions since anonymity is assured. However, one disadvantage is that, clarification or verification of accuracy of responses after the field survey can be difficult, since it precludes personal details of respondents.

### **3.7.2 In-depth Interviews**

In-depth interview is an effective data collection technique, that allows individuals time and scope to talk about their personal feelings, opinions, and experiences on the topic under investigation as researchers engage with participants by posing questions in a neutral manner, listening attentively to participants' responses, and asking follow-up questions and probes based on those responses (Neuman, 2006).

Often, in-depth interviews are conducted on face-to-face basis and involve an interviewer and an interviewee (Dordaah2012; Yakubu, 2012). And the objective is to understand the respondent's point of view rather than make generalization about behaviour.

Kumar, R. (1999) also noted that, appropriateness of key informant interviews include the following scenarios: when general descriptive information is sufficient for decision-making when understanding of the underlying motivations and attitudes of a target

population is required and when quantitative data collected through other methods need to be interpreted.

Key informant interviews were conducted with the Head of Operations and Disbursement Manager at SLTF using an interview guide. Information contained in the interview guide includes; eligibility criteria and students loan application requirements, awareness and access to funds for tertiary education as well as key operational challenges and financial sustainability of the students loan scheme. The key-informants were purposively selected based on their experience and knowledge about the subject matter of the research study. The purpose of the interviews was to solicit information to facilitate the interpretation of results of the survey in the right context.

### **3.8 Methods of Data Analysis**

Data analysis is summarizing data and organizing it in such a manner that answers the research questions (Yin, 2003). It involves the searching of patterns of relationship that exist among data groups as well as examining for inconsistencies and finding out reasons for agreement or otherwise on a subject matter (Karma, 1999). Both quantitative and qualitative data were collected and analyzed.

The quantitative data analysis was done using both Statistical Package for Social Sciences (SPSS) software version 19.0 and STATA to draw statistical relationship between variables in the structured questionnaires that were used.



### 3.9 Factors most likely to motivate students to enrol on student loan scheme

This section presents the methods used to analyse factors that influence students' awareness of financial assistance, determinants of access to financial assistance and the factors most likely to influence students to apply for financial assistance. Two separate binary logistic models were used to identify determinants of awareness and access to financial assistance while Kendall's coefficient of concordance test was used to validate the hypothesis that there exists no agreement on students ranking of the factors most likely to influence them to apply for financial assistance.

#### *Awareness and access to financial assistance*

Students' awareness and access to financial assistance is conceptualised via microeconomic theory of consumer utility maximization. Models often used to predict rational choice behaviour of categorical response variables that yield Bernoulli distribution are linear probability, logistic or probit regression (see Greene, 2003). However, the non-normality and heteroscedasticity of the disturbances makes the linear probability model inappropriate. The logistic regression model is mathematically convenient in estimation but avoids the weakness of linear probability model. Empirical studies therefore, adopt the binary logistic model for its simplicity.

The probability of a student to access financial assistance is influenced by the utility derived from a service which is a function of personal and institutional factors including the characteristics of loan schemes. Awareness of the services is influenced by a vector of student and service characteristics. A student awareness of financial assistance yields a binary response variable; taking a value of 1 if an  $i$ th student is aware of a student loan facility and 0 otherwise. Access to financial assistance can also be predicted using the same framework. Two separate logistic regression models with the same vector of



explanatory variables were used to estimate, in the first instance factors influencing students' awareness of financial assistance and in the second instance access to financial assistance. Gujarati (2004) indicates that the cumulative logistic distribution function is specified as:

$$P_i = \frac{1}{1+e^{-Z_i}} = \frac{e^{Z_i}}{1+e^{Z_i}} \quad (3.1)$$

Where  $P_i$  is the probability of a student in the first model becoming aware of financial assistance but in the second model accessing financial assistance. Thus we have

$$Z_i = \beta_0 + \beta_i X_i \quad (3.2)$$

Where  $X_i$  is vector of explanatory variables

$\beta_0$  is vector of constant terms

$\beta_i$  is vector of logistic regression coefficients.

As  $Z$  ranges from  $-\infty$  to  $\infty$ ,  $P_i$  ranges from 0 to 1. The probability of non-awareness or on the other hand non-access is:  $1 - P_i$ .

$$\text{Where } 1 - P_i = 1 - \frac{e^{Z_i}}{1+e^{Z_i}} \quad (3.3)$$

Simplifying equation (3.3) gives:

$$1 - P_i = \frac{1+e^{Z_i}-e^{Z_i}}{1+e^{Z_i}} = \frac{1}{1+e^{Z_i}} \quad (3.4)$$

The odd ratio in favour of awareness or access is:

$$\frac{P_i}{1-P_i} = \frac{e^{Z_i}}{1+e^{Z_i}} * \frac{1+e^{Z_i}}{1} = e^{Z_i} \quad (3.5)$$

Taking natural log of equation (3.5) gives:



$$\ln\left(\frac{P_i}{1-P_i}\right) = Z_i \quad (3.6)$$

Substituting for  $Z_i$  in (3.6) gives:

$$\ln\left(\frac{P_i}{1-P_i}\right) = \beta_0 + \beta_i X_i + U \quad (3.7)$$

The relative effect of each explanatory variable on the likelihood of awareness on one hand and access on the second model is given by the marginal effect:

$$\frac{\partial(P_i)}{\partial(X_i)} = \beta_i [\bar{P}(1 - \bar{P})] \quad (3.8)$$

Where  $\bar{P}$  is the mean of the dependent variable.

An empirical specification of the model for awareness of financial assistance is expressed as:

$$\ln\left(\frac{P_i}{1-P_i}\right) = \beta_0 + \beta_1 GEN + \beta_2 NIST + \beta_3 DURN + \beta_4 PROG + \beta_5 LEV + \beta_6 FSTAT + \beta_7 FPSTAT + U \quad (3.9a)$$

The variables used in the model are defined in Table 3.2.



**Table 3.2: Variables definitions and measurement in the awareness model**

Variable	Definition	Unit of measurement	Expected Sign
$P_i$	Awareness of financial assistance	If an $i$ th student is aware of financial assistance then 1; else 0	
GEN	Gender	Dummy (if male then 1; else 0)	+/-
NIST	Name of institution	Dummy (if UDS then 1; else 0)	+/-
DURN	Duration of study	Years	+
PROG	Programme of study	Dummy (if Business then 1; else 0)	+/-
LEV	Current level of study	Dummy (if level 200 then 1; else 0)	+
FSTAT	Fee status	Dummy (if regular then 1; else 0)	+
FPSTAT	Fee payment status	Dummy (if self then 1; else 0)	+

Further, the empirical specification of the model for access to financial assistance is expressed as:

$$\ln\left(\frac{P_i}{1-P_i}\right) = \beta_0 + \beta_1 AGE + \beta_2 GEN + \beta_3 NIST + \beta_4 DURN + \beta_5 PROG + \beta_6 LEV + \beta_7 FSTAT + \beta_8 FPSTAT + \beta_9 ESE\_AC + \beta_{10} TME\_PT + U \quad (3.9b)$$

The variables used in the model are defined in Table 3.3.

**Table 3.3: Variables definitions and measurement in the access model**

Variable	Definition	Unit of measurement	Expected Sign
$P_i$	Access to financial assistance	If an $i$ th student is has accessed financial assistance then 1; else 0	
AGE	Age	Years	+/-
GEN	Gender	Dummy (if male then 1; else 0)	+/-
NIST	Name of institution	Dummy (if UDS then 1; else 0)	+/-
DURN	Duration of study	Years	+
PROG	Programme of study	Dummy (if Business then 1; else 0)	+/-
LEV	Current level of study	Dummy (if level 200 then 1; else 0)	+
FSTAT	Fee status	Dummy (if regular then 1; else 0)	+
FPSTAT	Fee payment status	Dummy (if self then 1; else 0)	+
ESE_AC	Ease of access	Dummy (if easy then 1; else 0)	+
TME_PT	Timely disbursement	Dummy (if timely then 1; else 0)	+

***Ranking of factors most likely to influence students to apply for financial assistance***

Factors most likely to influence students to apply for financial assistance were identified from literature and the field (during pre-testing of questionnaire). Respondents were, therefore, made to rank them in order of importance. Legendre (2005) indicates that Kendall's coefficient of concordance ( $W$ ) is a measure of the agreement among several ( $p$ ) judges who are assessing a given set of  $n$  objects. The Kendall's coefficient of concordance test was used to test the hypothesis that there



exists no agreement among respondents on the factors most likely to influence students to apply for financial assistance. This is specified as:

$$W = \frac{12[\sum T^2 - (\sum T)^2/n]}{nm^2(n^2-1)} \quad (3.10)$$

where W = Kendall's coefficient

T = total rank score for each motivational factor

n = number of motivational factors

m = total number of respondents

#### *Statement and Validation of Hypothesis*

*H<sub>0</sub>*: there is no agreement among respondents on their ranking.

*H<sub>1</sub>*: there is agreement among respondents on their ranking of motivational factors.

The value of Kendall's coefficient (W) falls between 0 and 1; where 1 represents perfect agreement and 0 signifies perfect disagreement.

Chi-square ( $\chi^2$ ) statistics was used to test the significance of the Kendall's coefficient.

The decision is to reject the null hypothesis if  $\chi^2$ -calculated is greater than  $\chi^2$ -critical value.

### **3.10 Assessment of whether loan scheme meets students' educational needs**

Qualitative methods were used to assess whether the loan scheme meet student educational needs. Qualitative data analysis is a method for examining social research data without converting them to numerical format (Babbie, 2005). Qualitative data analysis is conducted concurrently with gathering data, making interpretations, structuring and writing reports easier (Creswell, 2009).





The crux of qualitative data analysis lies in describing a social phenomenon, classifying and observing its interconnectedness. Qualitative data that were gathered via in-depth interviews were analyzed through the use of tools such as content analysis. The recorded interviews were initially transcribed and the information classified into categories. The categories which were based on the research questions represented themes that were inferred from the interview.

### **3.11 Challenges students face in accessing loans and sustainability of the scheme**

Opinions of students on the challenges they face in accessing loan on the student loan scheme were solicited from them. The results were analysed using descriptive statistics. Respondents also gave their opinions on the measures to sustain the student loan scheme. These were summarized and analysed using descriptive statistics.

### **3.12 Transparency**

The researcher observed certain standard, ethical principles and values acceptable in social research during the primary data collection. These include respecting the rights of the respondents, providing prior knowledge about the research and seeking the consent of the respondents before they participate in the study.

Confidentiality and anonymity were guaranteed in the usage of the dataset obtained for the study. In addition, the objectives and overall purpose of the study were made known to the interviewees before proceeding with the key-informant interviews.



### **3.13 Profile of the Study Area**

#### **3.13.1 Administrative Setup**

Wa Municipal Assembly created out of the then Wa District in 2004 with legislative instrument (LI) 1800 in pursuant of the policy of decentralization started in 1988. Under section 10 of the Local Government Act 1993 (Act 426), the Assembly exercises deliberative, legislative and executive functions in the District. By this Act, the Assembly is responsible for the overall development of the Municipality. The Municipal Assembly is composed of the General Assembly and its Secretariat, Departments of the Assembly, 5 Zonal, 1 Urban Council and 73 Unit Committees. The General Assembly has a membership of 43, 2/3 of which is elected and 1/3 appointed by government in consultation with traditional authorities of the Municipality.

#### **3.13.2 Location and Size**

The Wa Municipality is one of the eleven administrative areas (District Assemblies) that make up the Upper West Region of Ghana. The Municipality shares administrative boundaries with the Nadowli District Assembly to the North, the Wa East District Assembly to the East and South and the Wa West District Assembly to the West and South. It lies within latitudes 1°40'N to 2° 45'N and longitudes 9° 32' to 10° 20'W.

Wa Municipality has its capital as Wa which also serves as the regional capital of the Upper West Region. It has a landmass area of approximately 234.74 km<sup>2</sup>, which is about 6.4% of the region.

#### **3.13.3 Population Structure**

According to the 2000 Population and Housing Census, Wa Municipality had a total population of 98,675 with the town alone constituting 66,441 of the total population of



the Municipality (GSS, 2000). The growth rate of the Municipality varies between 2.7% for rural and 4% for the urban. In the year 2006, its population was estimated to be 119,387 of which males and females constituted 57,985 and 61,402 respectively. Currently, the total population of the Municipality stands at 127,284 with males constituting about 61,826 and female constituting 65,458 of the population (GSS, 2012).

#### **3.13.4 Vegetation and Climate**

Wa Municipality is located in the Guinea Savannah vegetation. The vegetation includes grass with dotted drought resistant trees such as the baobab, neem, dawadawa and shea trees. The diverse set of plants and trees within the neighborhoods of the institutions of Wa provides shade for rest and studies. The climate of the Municipality is common to the three Northern regions. There are two main seasons; the dry and wet seasons. The wet season commences in April and ends around October, while the dry season is characterized by hazy and cold harmatan that starts from mid-November and ends in the latter part of March when the hot weather conditions start.

#### **3.13.5 Strategic Sectors of the Local Economy**

About 70% of the inhabitants of the Wa Municipality are engaged in agriculture. Agriculture as the dominant livelihood activity is followed by commerce which constitutes about 9% whilst the industry sector consists of about 3%. Some other key sectors of the economy are energy, communication, tourism and transport.



### **3.13.6 Trade/Commerce**

The trade/commerce sector is second to agriculture in terms of employment in the Wa Municipality. The main activities are retailing, transport, finance, public service, among others. The Wa Municipality is currently the regional commercial/service centre with average trading and office facilities (infrastructure).

### **3.13.7 Industry**

The industries in the Municipality are small scale and are categorized into agro processing, wood, textile, metal, glass, leather and hide, clay/sand/stone, art and craft. About 15% of the inhabitants within the Municipality are engaged in the industry sector in which they take part in wood, textile, metal, leather processing, etc. Majority of the enterprises in the Municipality are owned and operated by sole proprietors. This confines the capacity and aptitude of enterprises to secure the necessary funds for growth and expansion. Co-operatives and Small Medium Enterprise (SME) clustering and networking is to be encouraged to ensure that the industry sector takes its roles in the creation of jobs and generating income.

### **3.13.8 Services**

There are about 15 financial institutions (Banking and Non-banking) in Wa Municipality. Nonetheless due to poor financial record maintenance and inadequate collateral, it is not easy for businesses to secure loans from the banks. Venture and working capital is mostly sourced from personal savings, relatives/friends and cash lenders. This seriously endangers the growth of businesses and other industries.

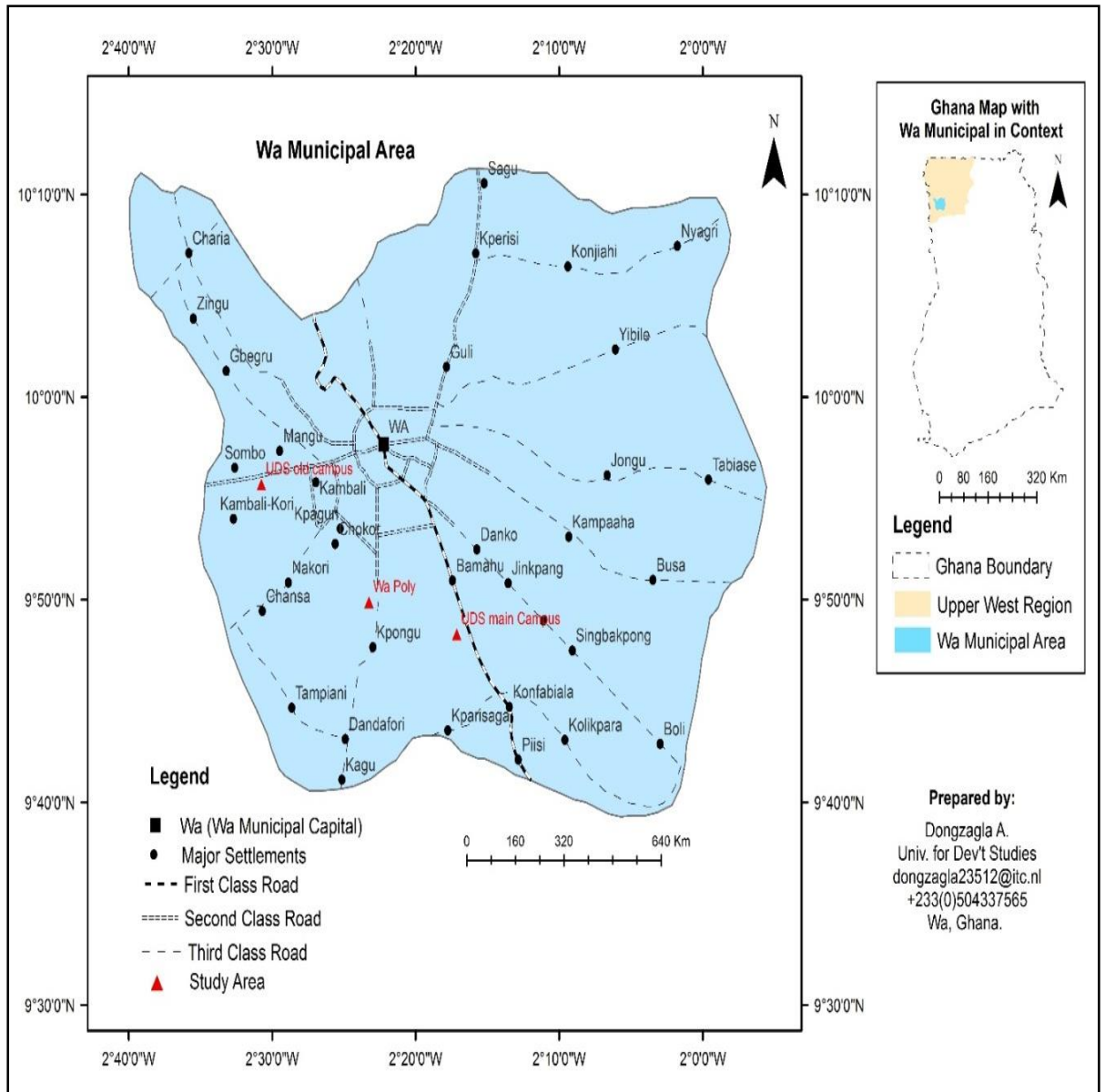


Inhabitants of the Municipality are low income earners hence have inadequate collaterals in order to secure loans from the financial institutions so as to improve upon their businesses.

### **3.13.9 The study area**

Figure 3.1 represents the map of Wa Municipality with the locations of the study institutions. Wa Polytechnic and the University for Development Studies are tertiary institutions located in Wa Municipality. The University for Development Studies has two campuses (Old and Main) which are located at the western and southern part of the Municipality respectively. Wa Polytechnic is located at the south western part of the Municipality. Wa Polytechnic has a total student population of about 1,387 (Wa Poly, 2014), whilst the University for Development Studies - Wa Campus has a student population of about 7,300 pursuing accredited courses on Wa Campus (UDS, 2015).





**Figure 3.1: Map of the study area**

### 3.14 Profile of the Operations of Student Loan Trust Fund

Secondary data obtained about SLTF indicate that SLTF is a public agency under the Ministry of Education. It was established in December 2005 and commenced operations in 2006, after taking over the management of the scheme from SSNIT. Per provisions in the Act that established SLTF (Act 2011, of Act 820), its core mandate is to provide financial resources and the sound management of Fund, for the benefit of students at the tertiary level and to promote and facilitate the national ideals as enshrined under

Articles 28 and 38 of the 1992 Constitution. It has over the years become the sole organization charged by government to offer loans to students studying at the tertiary level.

The sources of income of the fund include: (1) money paid into the Fund representing up to 10 per cent of the inflows into the GETFund; (2) mobilization of resources from local and international partners interested in the advancement of tertiary education; (3) contributions from the corporate sector that shall be tax deductible equivalent to 0.3% of the company's annual profit before tax; (4) loans from the Social Security and National Insurance Trust (SSNIT) on terms and conditions as shall be agreed upon; (5) loan repayments, fees and other money earned by the Fund in the performance of its functions; and (6) one percent of monies taken from the communications service tax revenue (SLTF Act, 2011 ACT 820). It has over the years become the sole organization charged by government to offer highly subsidized loans to eligible tertiary students to alleviate the financial difficulties they encounter.

There are about 116 tertiary institutions on the students' loan portfolio. Under SLTF, both public and private sector students are able to access the loans without the three guarantors' requirement which used to be the case under SSNIT loans. Instead, the student bears full credit risk for the loan with his/her parents acting as primary guarantors provided they contribute to the SSNIT Pension Fund.

If a parent is not a contributor to SSNIT then another SSNIT contributor will have to be found to serve as a secondary guarantor. The Students Loan Trust Fund currently has a diversified forms of guaranteeing a student loan which gives applicants the



opportunity of using non-SSNIT guarantors if they so wish. These include; SSNIT pension guarantors, recognized religious institutions, corporate institutions belonging to Ghana Club 100 or enlisted on the Ghana Stock Exchange and Metropolitan, Municipal and District Assemblies. These set of guarantor forms took effect in 2010/2011 academic year (Students Loan Trust Fund, 2010).

SLTF currently run all loans disbursed to students on a system called “Mean-Testing”. Mean-Testing is a system in which students who apply for the loans are assessed based on information provided on their socio-economic background and offered the loans based on their relative financial needs. This system came about to correct the lapses in which students were given fixed amounts based on their programme of study which many believed was not a fair means of disbursing loans to students. As time went by, it became necessary to understand that individuals had different needs in their quest for higher education and hence the implementation of this system. There is currently a 40% increase in loan amounts given to students across board after the Board of SLTF alongside government approved this increase in December, 2013.

Loan amount ranges from GH¢ 630 to GH¢1,600 per student in an academic year. The loans carry an interest rate of 12% equal to the prevailing 182 day government of Ghana Treasury bill during the students’ period of study in school and one year grace period as well as an interest rate equal to the prevailing 182 day government of Ghana Treasury bill plus 2 percent during the repayment period.

Interest is compounded annually during the in-school years and the grace period and semi-annually during the 8 year repayment period for applicants on a four (4) year





programme and four (4) to six (6) years for diploma related programmes. Maximum interest rate applied is 12% until reviewed. In effect, if the T-bill rate goes beyond 12%, Students Loan Trust Fund shall fix the rate at 12%. It is in the interest of an applicant to pay off their loan sooner than the repayment period given, in order to reduce the interest charges.

Information from SLTF's 2010 Annual Report indicates that, Management of SLTF in 2009/10 academic year instituted a policy called Student Loan Protection Scheme (SLPS) which caters for loans that may never be recovered from beneficiaries as a result of permanent incapacitation or death. The SLPS absorbs the financial burden a guarantor or the families of a loan beneficiary may suffer in repaying the loan in situations of death or permanent disability of a student loan beneficiary. Therefore, a guarantor would not have to pay back the loan or any outstanding balance should the borrower die or is declared permanently incapacitated. For a borrower whose loan repayments are on schedule, the SLPS will cover the balance in full. The SLPS does not cover loan balances that are in default at the time of death or permanent incapacitation of borrower. In such cases the guarantor or family would have to repay the outstanding loan balance. Also, SLPS does not cover death by suicide and willful self-injury that leads to permanent disability.



## CHAPTER FOUR

### RESULTS AND DISCUSSIONS

#### 4.1 Introduction

This chapter presents results and discussions of the study. First, analysis of findings is done under the socio-demographic characteristics of respondents. Results of several other variables are presented and discussed with respect to the objectives under study. They include the students' awareness and access to financial assistance, educational needs of students with respect to loan schemes, challenges students face in accessing loan schemes and measures to sustain the student loan scheme.

#### 4.2 Analyses of Demographic Data of Respondents

Demographic characteristics presented and analysed include age of respondents, gender, institution attended, programme being pursued, duration of programme and students' current level of study.

##### 4.2.1 Age Distribution of Respondents

Age is an important variable in this analysis since it defines the category of respondents investigated. It is also essential, because it gives a fair idea of the age at which the respondents were enrolled into their respective tertiary institutions. Table 4.1 shows the age distribution of respondents.



**Table 4.1 Age distribution of respondents**

Age Distribution of Respondents	Frequency	Percentage (%)
16-20	28	7.33
21-25	261	68.32
26-30	89	23.30
31-35	4	1.05
<b>Total</b>	<b>382</b>	<b>100</b>

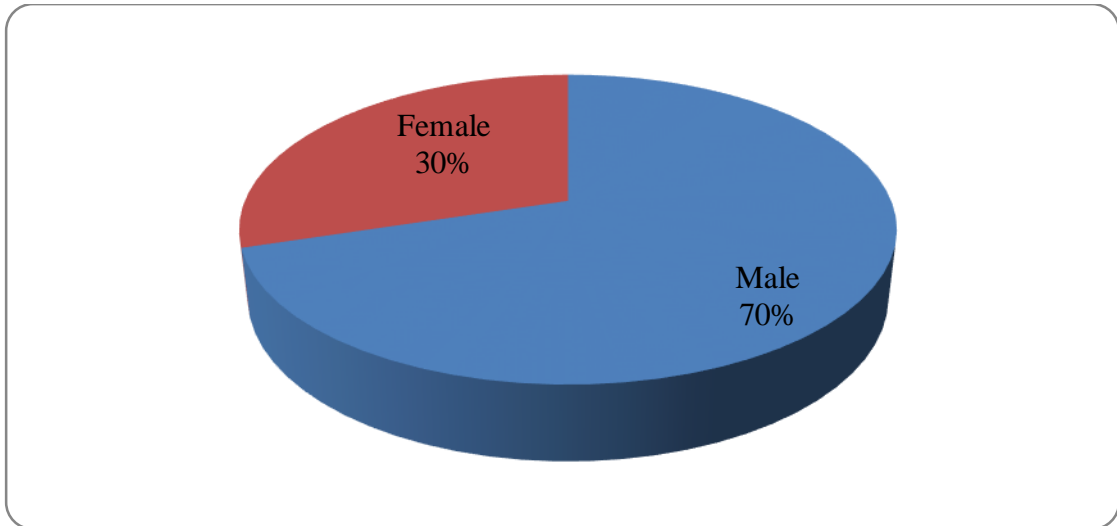
Source: Field Survey Data, November, 2014.

From the table, it can be observed that, majority of the respondents (68.32%) fall within 21-25 age grouping. Further analysis also revealed that the mean age was 23 while the modal and maximum ages were 24 and 33 respectively. This gives us a fair idea on the age range of students who enter the tertiary level. In this case, it is realised that majority of the students fall under the age grouping 21-25 indicating that most of them enroll immediately after completing their second cycle education. Also, one's age would inform a student's willingness and ability to access the students' loan as it has a direct link to support systems in relations to sponsor of one's educational needs.

#### **4.2.2 Gender**

It was observed from the data that over 70.0 percent of the respondents were males, while the remaining proportion were females as shown in Figure 4.1. This finding is corroborated by NCTE 2013 annual report which indicates that the ratio for gender parity in the 2013/14 academic year was 63:37 (male to female) as against the National norm of 50:50 for all the students enrolled in tertiary educational institutions.





**Figure 4.1 Gender distribution of respondents**

Source: Field Survey Data, November, 2014

#### **4.2.3 Course of Study by Duration of Study**

It is important to note that, various factors may influence the uptake of student loan. The course of study as well as its duration might give a clue as to whether the students would apply for student loan or not. From the data analysis, it was observed that more than half of the respondents (54.5%) were offering Business/Social Science programmes as depicted in Table 4.2. However, about 90% out of the above number were students of UDS who were offering four year programme of study. Further, in the case of students from Wa Polytechnic, majority (68.8%) of the respondents were offering three (3) year programmes.



**Table 4.2 Programme of study by duration of study**

Programme of Study	Duration of Study			Total
	Two years	Three years	Four years	
Sciences	0	4	30	34
Arts	0	0	88	88
Buss/ Soc	5	47	156	208
Sciences				
Education	0	0	41	41
Technology	0	2	8	10
DBS	0	0	0	1
<b>Total</b>	<b>19</b>	<b>42</b>	<b>321</b>	<b>382</b>

Source: Field Survey Data, November, 2014.

#### 4.2.4 Current Level of Study by Duration of Study

As shown in Table 4.3, over two-thirds of the respondents (84%) were in Level 200 and Level 300. Less than 5% of the respondents who were surveyed were in Level 100. This is not a surprise because the field work was conducted just at the beginning of the academic year when fresh students were being enrolled. Therefore, it is reasonable to have observed a low participation from the Level 100 as shown in the table.



**Table 4.3 Current level of study by duration of study**

Current Level of Study	Duration of Study			Total (Percent)
	Two years	Three years	Four years	
Level 100	0	5	14	19 (5.0)
Level 200	21	26	126	173(45.3)
Level 300	9	11	128	148(38.7)
Level 400	0	15	27	42(11.0)
<b>Total (Percent)</b>	<b>30(7.9)</b>	<b>40(14.9)</b>	<b>295(77.2)</b>	<b>382 (100)</b>

Source: Field Survey Data, November, 2014.

### 4.3 Awareness of and Access to Funds for Tertiary Education

In Ghana, stakeholders and policy makers in higher education including NCTE, NAB, and SLTF have identified gender disparity, inadequate infrastructure at the tertiary institutions, inflexible entry/admission requirements, high cost of attending tertiary education, large family size, low social status, debt/risk aversion, liquidity constraints as some of the barriers to equal access to tertiary education in Ghana. The level of awareness or knowledge of the availability of a source of financial assistance plays a key role with respect to the level of interest and whether it would be sought or not. In relation to this, questions were posed to elicit information on awareness of any source of public financial assistance to be accessed by the tertiary students.

#### 4.3.1 Students' Awareness of Financial Assistance

It was observed from the survey that majority (77.2%) of the student were aware of financial institutions offering financial assistance to students. However, only 22.8% of



the respondents were observed not to have knowledge of any financial institution offering assistance to students at the tertiary level. The mixed findings observed with respect to students knowledge of financial assistance implies that some factors influence students awareness of financial assistance.

Logistic regression was estimated to identify determinants of students' awareness of financial assistance. Knowledge of awareness was regressed on students GEN (gender), NIST (name of institution), DURN (duration of study), PROG (programme of study), LEV (level of study), FSTAT (fee status) and FPSTAT (fee paying status). The logistic regression output is presented in Table 4.4.

The regression results in Table 4.4 shows a Likelihood Ratio Statistic of  $\chi^2 = 37.41$  which is significant at 1%. This indicates that the students' awareness of financial assistance is jointly explained by the set of covariates. Four (4) out of the 7 covariates were observed to have a significant influence on the probability of having knowledge or being aware of financial assistance. They include DURN, PROG, FSTAT and FPSTAT. With the exception of FPSTAT (fee payment status), all the significant variables are found to be in conformity with the *a priori* expectation.



**Table 4.4 Logit estimates of awareness of financial assistance**

**Dependent variable: Awareness of financial assistance**

Variables	Coefficient estimates		Marginal Effects	
	Estimates	SE <sup>a</sup>	dy/dx	SE
GEN	-0.1091	0.2994	-0.0179	0.0484
NIST	-0.2378	0.3649	-0.0377	0.0551
DURN	0.7426***	0.2322	0.1233***	0.0385
PROG	0.4473*	0.2643	0.0751*	0.0446
LEV	0.0597	0.2698	0.0099	0.0447
FSTAT	1.3518***	0.4675	0.2888***	0.1140
FPSTAT	-0.6077**	0.2905	-0.1103**	0.0566
constant	-2.4930	0.8610		

***Model Diagnostics***

Number of observations = 382, Likelihood ratio  $\chi^2=37.41$ , Prob ( $\chi^2$ )= 0.0000

Pseudo  $R^2$  = 0.0913, Log likelihood = -186.25633

Notes: \*\*\*, \*\* and \* denote statistical significance at the 0.01, 0.05 and 0.1 levels respectively; <sup>a</sup> denotes standard error of the explanatory variables.

Evidence from the survey suggests that the variables gender, name of institution and the level of study have no significant influence on students' awareness of financial assistance.

The number of years a student studies in a tertiary institution was hypothesized to have a positive influence on awareness of financial assistance. Results of the survey confirm this expectation. From Table 4.4, the coefficient of DURN (programme duration) was found to be positive and significant at 1%. Its marginal effect is 0.1233. This implies that any additional year a student spends on the programme is associated with a





probability of increasing his/her awareness of financial assistance by 12.33%. This result corresponds with its hypothesized relationship because any additional year spent at school will have the tendency of influencing one to access information on resolving students' financial needs.

Student's programme of study (PROG) was also found to have a significant influence on knowledge of financial assistance. The coefficient of PROG in the table above is positive and significant at 10% with a marginal effect of 0.0751. This suggests that students pursuing business are more likely to have knowledge of financial assistance (that is 7.51% more likely) than those in other fields of study. The reason is that business students often have many semester courses that treat business financing. Detailed studies of such courses can broaden the students' scope of learning to include information on financial assistance for students. Students from non-business background may not have this relative advantage and will lack knowledge of financial assistance compared with their counterparts in business programmes.

As expected, regular students often have access to information on students' financial assistance than fee-paying students. Evidence of this has strongly been demonstrated by the significance of fee status (FSTAT). Results of the survey (see Table 4.4) indicate that regular students are more likely to have knowledge of financial assistance to students than fee-paying students. The coefficient of fee status is positive and significant at 1% with a marginal effect of 0.2888. This implies that a regular student has 28.88% chances of having knowledge of financial assistance offered to students than a fee-paying student. By definition, fee-paying student in the population from which the sample was drawn are often known to be associated with relatively affluent



financial backgrounds. Most regular students are from very modest financial backgrounds making it more likely for them to inquire about financial support given to tertiary students.

It was anticipated that students who are paying their own fees would have more financial burdens with respect to financing their education hence, grant them higher chances of having knowledge of financial assistance. Whether one demands a service or product is more often than not a function of available information on the service and knowledge of such information. Generally, the amount of fees that students will have to pay might also compel them to seek information on other sources of financial support to supplement what they have. However, the results in Table 4.4 provide enough evidence to reject this hypothesis. From the table, the coefficient of FPSTAT (fee payment status) was observed to have a significant negative effect on the likelihood of having knowledge on financial assistance. The results further show a marginal effect of -0.1103 suggesting that student who are paying fees themselves are less likely to have knowledge of financial assistance by 11.03%. The possible reason for this observation is that students paying fees themselves are complacent with their regular source of finance and hence, have no motivation to look for information on other financing institutions.

#### **4.3.2 Access to Financial Assistance in the Form of a Student Loan**

The results of the survey points out that 77.2% of the sample respondents are found to have accessed financial assistance in the course of their study with students loan being the main source of support while the remaining 22.8% responded in the negative.



Access to financial assistance is believed to have been influenced by student and loan characteristics.

The likelihood of accessing financial assistance in the form of a student loan was regressed on a set of covariates. They include AGE (age), GEN (gender), NIST (name of institution), DURN (duration of study), PROG (programme of study), LEV (level of study), FSTAT (fee status), FPSTAT (fee paying status), ESE\_AC (ease of access) and TME\_PT (timely payment/disbursement of loans).

The regression results in Table 4.5 show a Likelihood Ratio Statistic of  $\chi^2 = 128.0$  which is significant at 1%. This indicates that the students' access to financial assistance is jointly explained by the set of covariates. Five (5) out of the 10 covariates were observed to have a significant influence on the probability of having access to a financial assistance. They include AGE, NIST, FPSTAT, ESE\_AC and TME\_PT. All the significant variables are found to be in conformity with the *a priori* expectation.



**Table 4.5 Logit estimates of access to financial assistance**

**Dependent variable: Access to financial assistance**

Variables	Coefficient estimates		Marginal Effects	
	Estimates	SE <sup>a</sup>	dy/dx	SE
AGE	0.1273**	0.0628	0.0177**	0.0087
GEN	0.0497	0.3053	0.0069	0.0430
NIST	2.2701***	0.4417	0.4509***	0.0957
DURN	-0.1974	0.2994	-0.0274	0.0415
PROG	-0.0889	0.2875	-0.0123	0.0397
LEV	-0.2591	0.2923	-0.0363	0.0414
FSTAT	-0.6233	0.6417	-0.0720	0.0601
FPSTAT	1.2255***	0.4208	0.1373***	0.0378
ESE_AC	2.2052***	0.3825	0.2823***	0.0423
TME_PT	1.9297**	0.8276	0.1667**	0.0394
constant	-3.3449	1.8093		

***Model Diagnostics***

Number of observations = 382, Likelihood ratio  $\chi^2 = 128.0$ , Prob ( $\chi^2$ ) = 0.0000

Pseudo  $R^2 = 0.2887$ , Log likelihood = -157.66

Notes: \*\*\*, \*\* and \* denote statistical significance at the 0.01, 0.05 and 0.1 levels respectively; <sup>a</sup> denotes standard error of the explanatory variables.

Most tertiary educational institutions in Ghana have students consisting of different age categories. This often has influence on students' educational needs. It was expected that some or most elderly people in tertiary institutions are financing their own education. Such people often do so by resorting to external support such as the student loan scheme. The results of the survey provide enough evidence in support of this claim. From Table 4.5, age appears to have a direct influence on access to financial assistance.



Its coefficient is positive and significant at 5% with a marginal effect of 0.0177. This implies that a student with any additional year is associated with a higher (1.77%) chance of accessing financial assistance. Younger students may have their educational needs being provided by parents or guardians who probably will not need external financial assistance.

It was observed that the institution a student attends can have effect on the likelihood of accessing financial assistance. The effect of this was observed to be positive and significant at 1%. The results (see Table 4.5) indicate that UDS students have 45.09% probability of accessing financial assistance than those in the Wa Polytechnic. Several explanations can be given to this observation. For instance, students of UDS are pursuing degree programmes which are relatively more expensive than those at the Polytechnic despite government subsidy. This can serve as a push factor for the students to look for financial assistance.

Also, fee paying status was found to have a significant and positive influence on students' access to financial assistance. From Table 4.5, FPSTAT is significant at 1% with a marginal effect of 0.1373. This implies that a student paying his/her fees has 13.73% chances of accessing financial assistance than the one whose fees have been paid by parents or guardians. The mode of payment of admission fees and other academic charges (i.e. whether regular or fee-paying) by the schools may, to some extent, influence students' search for other forms of financial assistance to supplement what they receive from their parents and guardians.



Furthermore, Students' perception (on the ease of access to financial assistance) was observed to have a significant influence on access to a financial assistance. From Table 4.5, the coefficient of ESE \_AC was found to be positive and significant at 1%. This suggests that students who considered the process of accessing financial assistance as easy were associated with a higher likelihood of accessing the assistance than those who saw it as not being easy. The marginal effect of ease of access was 0.2823 which also implies that students who believe that the process is easy have 28.23% chances of accessing financial assistance than those who considered the process as not easy. The possible justification for this observation is that students who considered the process as difficult or complex will lack the motivation to overcome potential challenges in the process. Such group of pessimistic students are therefore, not likely to be successful in accessing any financial assistance. Okae-Adjei (2012) however, postulated that some students in Ghana could not find guarantors and hence have been excluded from accessing the loan scheme. This means that limited access can not only be associated with lack of persistence among students but a technical challenge that is beyond their control.

In addition, it has been established that students access financial assistance to enable them meet their educational expenditure. Most of their expenditure decisions such as payment of user fees, accommodation and reference materials are time constraint. Students therefore, often expect that any form of financial assistance be provided with a specific time period; otherwise it will not serve well its intended purpose. The variable TME\_PT was therefore, included in the model of access to financial assistance. The results in Table 4.5 indicate that the coefficient of TME\_PT was found to be positive and significant at 5%. This means that students who considered the time of



loan disbursement as appropriate are associated with a higher likelihood (16.67%) of accessing financial assistance than those who considered it as late. Students with higher probability of accessing loans based on their belief that disbursement/payment of loans is not late may have alternative sources of meeting their educational expenditure and will only wait for even late disbursement of loans to meet any debt incurred. On the other hand, those with no alternative source of finance ends up not having access to the loan facility. This is also the position of Onenet *et al.* (2015).

#### **4.3.3 Respondents' Mode of Payment of Fees**

The desire to go for extra source of funds to meet the educational needs of the students might invariably be informed by the type of fee payment schedule operated by the tertiary institutions and whether the guardian of the students are able to adequately meet their educational needs, including the payment of academic fees. Out of a total number of 382 respondents, it was observed that majority (93.2%) are on the regular mode of payment of academic fees while only 6.8% are fee-paying students.



**Table 4.6 Sponsor of academic fees by mode of payment of fees**

Sponsor of Academic Fees	Regular or Fees-paying		
	Regular	Fees-Paying	Total(percent)
Self	88	6	94(24.60)
Both Parents	100	4	104(27.23)
Friends/Relatives	40	9	49(12.83)
Mother Alone	55	4	59(15.45)
Father Alone	45	2	47(12.30)
Guardian	27	1	28(7.33)
Sponsor/Benefactor	1	0	1(0.26)
<b>Total(percent)</b>	<b>356(93.2)</b>	<b>26(6.8)</b>	<b>382(100)</b>

Source: Field Survey Data, November, 2014.

Also, the one who pays the academic fees of the students is an important indicator of whether or not they will search for alternative source of finances including students' loan for their educational needs. Gleaning from Table 4.6, it can be observed that majority (63.76%) of the respondents who are regular students indicated that, either their father or mother alone or both parents/guardian bear(s) the cost of their academic fees. Six (6) respondents, representing 6.3% who indicated that they pay their own fees were found to be fee-paying students.

#### **4.4 Factors More Likely to Motivate Students to Enrol on Student Loan Scheme**

Prior to the study, it was conceptualized that factors that might motivate students to access the loan scheme include educational aspirations, educational attainments of prospective borrowers' parents, increasing cost of attending tertiary education and other expenses (i.e. school/admission fees, AFUF, feeding, accommodation/hostel fees,



transportation cost, course of study etc), low socio-economic status (single-parenting, divorce or widowed parent), number of household dependents in school, large family size, low family income, inadequate financial support from the family, advice from family/friends, debt/risk aversion, and knowledge of the existence of other sources of financial assistance among others.

Findings from the study revealed that the factors more likely to motivate students to access the loan scheme include; increasing educational expenses, inadequate family support, low family income and low social status. The factors were ranked according to more pressing ones using a non-parametric statistical method. Specifically, Kendall's Coefficient of Concordance test was used to test the level of agreement among respondents on the ranking of motivational factors. Table 4.7 shows the results of Kendall's test.

The factors were ranked by respondents using a scale of 1-4 with a value of 1 being assigned to the most motivational factor and 4 assigned to the least motivational factor. From Table 4.7, all respondents (382) assigned various ranks to all the four (4) factors identified. The value of Kendall's coefficient ( $W$ ) is 20.7%. With a chi-square value of 237.246 at 3 degrees of freedom, the value of  $W$  is significant at the 1% level. This suggests that there is about 20.7% agreement among respondents in ranking the motivational factors. The value of  $W$  is low suggesting an absence of perfect agreement of respondents on the factors that are likely to motivate students to access the loan scheme.



**Table 4.7 Results of Kendall's coefficient of concordance**

<b>Constraint</b>	<b>Mean Rank</b>	<b>Rank</b>
Increasing educational expenses	1.77	1
Inadequate family support	2.29	2
Low family income	2.85	3
Low social status	3.09	4

Observation = 382, Kendall's W = 0.207, Chi-Square 237.246, df = 3,

Asymp. Sig. = 0.00

Source: Field Survey Data, November, 2014.

From Table 4.7, increasing educational expenses was assigned rank 1. This means increasing educational expenses is considered as the most motivational factor for students to access the student loan scheme. Educational expenses are probably too high for households to bear. Many students therefore, consider the loan scheme as an alternative source.

The second motivational factor more likely to influence students to access the student loan scheme is inadequate family support. From Table 4.7, this factor has a mean rank of 2.29 and has been assigned a rank 2. Many families today are practising the nuclear family system where decision making is concentrated on parents and siblings. The extended family members, therefore, offer little or no support for students' financial needs. In a situation where family members cannot offer adequate assistance to students, accessing the student loan will remain a viable alternative source of finance.

From Table 4.7, low family income was assigned a rank 3 with a mean rank of 2.85. Average household income in Ghana is lower compared with educational financial



requirements. This makes it difficult for students from poor homes to finance their education from family income. They, therefore, resort to the student loan scheme for their financial needs.

The fourth motivational factor is low social status. It was assigned a rank 4 with mean rank of 3.09. Some students come from broken homes with single-parenting, divorced or a widowed parent. Students from such homes may lack the minimum financial requirements to meet their educational needs. This category of students opts for student loan as the best alternative.

From the discussions with the Head of Operations at SLTF, it came to light that, management of the loan scheme had observed that major factors more likely to motivate students to access the students loan scheme include the high demand for tertiary education and its associated increasing enrolling number, high standard of living conditions in Ghana, high cost/expenditure in attending tertiary education (i.e. high academic fees and related cost), poor family or socio-economic backgrounds and lack of needed financial support from the family. Some of these factors mentioned by the Head of Operations confirmed earlier ones mentioned by the sampled respondents on the loan scheme.

It was further mentioned during the interview that, as at the 2013/14 academic year, over 8,900 first time applicants joined the students' loan scheme from over 115 tertiary public and private institutions comprising over 45 private tertiary Universities and colleges; 10 Polytechnics; 9 Public Universities and 7 Specialized tertiary institutions, such Ghana School of Law, National Film & Television Institute (NAFTI), Ghana



Institute of Journalism (GIJ) and 41 Colleges of Education. Further, information gathered from the interview also indicates that the first batch of over 2,800 fresh students of the Colleges of Education for the 2013/14 academic year came on board the loan scheme following government's withdrawal of the allowances which they hitherto enjoyed.

#### **4.4.1 Reasons for Not Being on Students' Loan Scheme**

Further, reasons cited by the (102) respondents who were not on the students loan scheme were the following: parents can support educational need, no financial needs/not interested in the loan (20%), afraid of future loan default (3.7%), cumbersome loan application processes (1.8%) and loan amounts inadequate for my needs (0.3%).

A quest to find out if those who are not on the students' loan scheme had intentions to later join the scheme, indicated that, 12.6% answered in the affirmative with the remaining saying 'No'. Upon a further probe, major reasons given for their unwillingness to join the students' loan scheme later are as follows: not interested/ no financial needs (11.8%), fear of future loan repayment/default (4.2%), do not need the loan/fear of high interest charges (4.7%), long loan application process (0.3%) and advised by friends and family not to (5.5%) and others (0.3%).

Respondents who said they did not need the loan/no financial needs said that they were having enough financial support from either their parents or other family member. Most of them said their sponsors were still in active service and hence had all the means necessary to cater for their educational needs.



The second group of respondents made it clear that they were afraid of future loan repayment/default and hence were cautious of coming forth to access the loan. Many of them raise concerns about the total amount of money they would have to pay back when the time was due and for that matter linked experiences their parents and other relatives had with the SSNIT loans operated in the past before SLTF came into being. They also made mention of the interest rate charges which they felt was high even though they were fully aware that banks rates were higher. They felt that once this was a student loan, there should have not been any interest at all since they were still schooling and not in any active service.

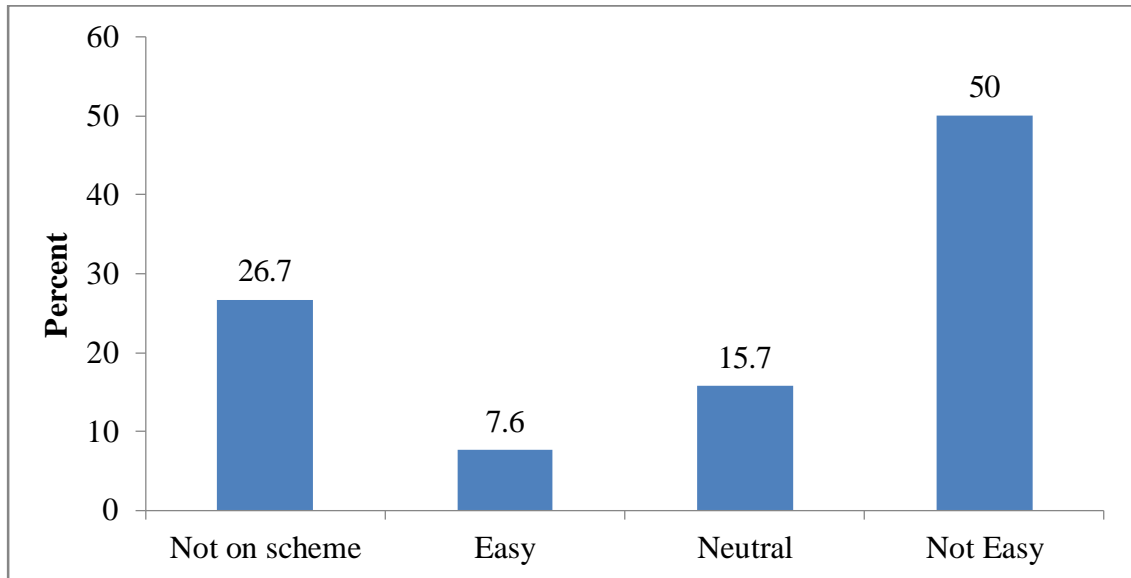
Furthermore, respondents mentioned that student loan application was so complex and demanding. Their reasons was that, a prospective applicant needed to first of all get a guarantor who must be an active contributor to SSNIT for at least three active years and should be less than 53 years of age. One also needed to get a SSNIT and E-zwich number before he/she could be ready to get enrolled. On this, most of the students felt it was time-consuming and resource demanding to go through all the processes before one could be offered the loan facility. They also talk about the long procedure in filling the loan application form as it had several stages.

In relation to advice from friends/family, they felt that once they were under these people, they could not ignore their advice based on reasons they felt were for their (students') benefits.



#### 4.4.2 Opinion on Loan Application Requirements and Processes

The respondents on the students' loan scheme were asked to express their opinion about the loan application requirements (e.g. getting a guarantor, E-zwich card, email address, SSNIT number and finger printing etc) as well as the processes. Figures 4.2 and 4.3 depict the responses solicited in relation to the above.



**Figure 4.2 Opinion on loan application requirements**

Source: Field Survey Data, November, 2014.

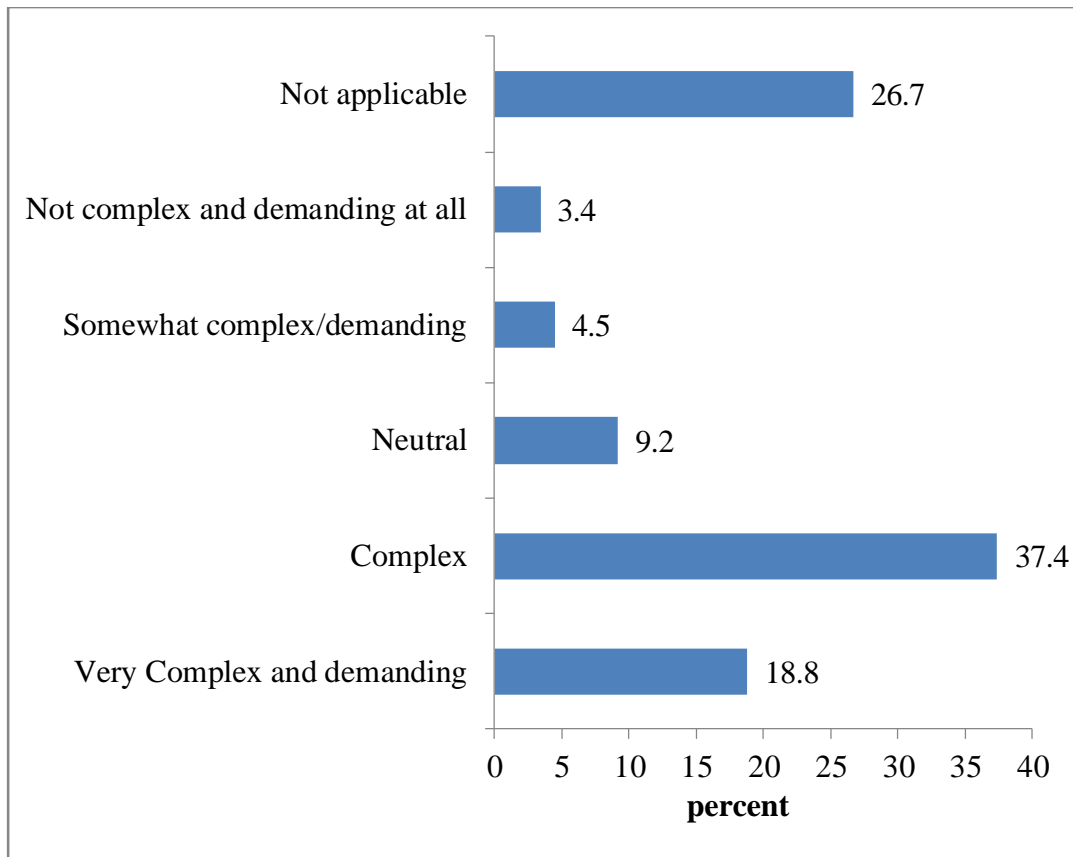
From Figure 4.2, it can be observed that, there were different views on whether the application process was easy or not. About 7.6% indicated that the loan application requirements are easy while almost 50% think otherwise.

Respondents constituting about 7.6% who were of the view that the loan application process was easy said that they were fortunate to have contacted some family members and relatives as well as friends who were willing to guarantee the students loan for them. This made them meet the first requirement in accessing the loan. They further stated that one needed to get a SSNIT number and an E-zwich card but were fortunate

to get this with little efforts as representative of SLTF in the region was able to liaise with authorities of SSNIT and some selected banks to register students free. They therefore took advantage of this service.

On the other hand, above 50% of the respondents lamented and indicated that the loan application requirement was not easy at all and should be reviewed by management of the scheme. They indicated that it was very difficult to get a guarantor who would be willing to guarantee them to be able to access the loan facility. They lamented the difficulties they had to go through before they could convince these said guarantors to guarantee the loans for them. This finding agrees with Onenet *al.* (2015) that the challenge of getting a guarantor is precludes some potential students from accessing the students loan scheme. They argue that the issue of guarantors should be scrubbed off so as to enable prospective applicants have easy access to the loan facility in order to enable them cater for their educational expenses. Respondents raised their worries over the time spent at the SSNIT office sometimes and the treatment they have to go through before they can be given SSNIT numbers. They proposed that there should be a separate desk at SSNIT which would be charged with the responsibility of generating SSNIT number for students on demand than having to join long queues before giving access to this numbers.





**Figure 4.3 Opinion on loan application processes**

Source: Field Survey Data, November, 2014.

Figure 4.3 shows respondents on the scheme have divergent opinions on the loan application processes. About 3.4% of those on the scheme indicated that the loan application requirements are not complex and demanding while 56.2% indicated that they are either complex or very complex and demanding.

The implication of this is that, the more complex or demanding a product or service is, the more it loses the purpose for which it was set up in the first place and hence may scare and handicap other needy students who would have loved to come forth to access the loan. Respondents made it clear that it would rather be better to spend little time, efforts and resources to be able to access the loan facility rather than they spending



much before achieving this. They suggested that the loan application requirements and processes need to be reviewed in order to allow for easy access to the fund.

#### **4.4.3 Operations of the Student Loan Scheme: Application Requirements & Processes**

During the interview held with the Disbursement Manager of the Students Loan Trust Fund (SLTF), it was mentioned that, as part of its objectives SLTF provides financial assistance in the form of highly subsidized loans to students in accredited private and public tertiary institutions to alleviate the hardship that some students face in pursuit of higher education in Ghana.

From the discussions it was also gathered that, the eligibility criteria for applying for the students' loan are, the applicant should be of a Ghanaian Nationality, should have obtained admission and should be pursuing an accredited undergraduate programme at an accredited tertiary institution.

Further, the Disbursement Manager stated that, as part of the loan application requirements, the prospective applicant is to obtain a personal email address, a SSNIT number, a E-zwich account/card and one guarantor. It was mentioned that, the email address helps in the online application registration, the SSNIT number serves as a unique identifier for the borrowers, the guarantor would guarantee the loan and later facilitate tracing of borrowers for future loan repayments. The E-zwich card is the medium via which the loans are disbursed when the loan application is successful.



Another requirement is that, the prospective borrowers must be duly registered and on the school list of their various institutions to qualify them to access the students' loan. The Disbursement Manager, walked the researcher through the loan application processes and said it include the completion of a paper/an online application form, submission of a summary of the completed application form and all other relevant documents after the completed form had been duly signed and endorsed by the applicant, a witness and a guarantor; verification of supporting documents at the offices of SLTF; assigning of applicants to means testing need categories based on information provided during the online application and consequent disbursement of approved means tested loan amounts to applicants through various payment mediums such as the E-zwich.

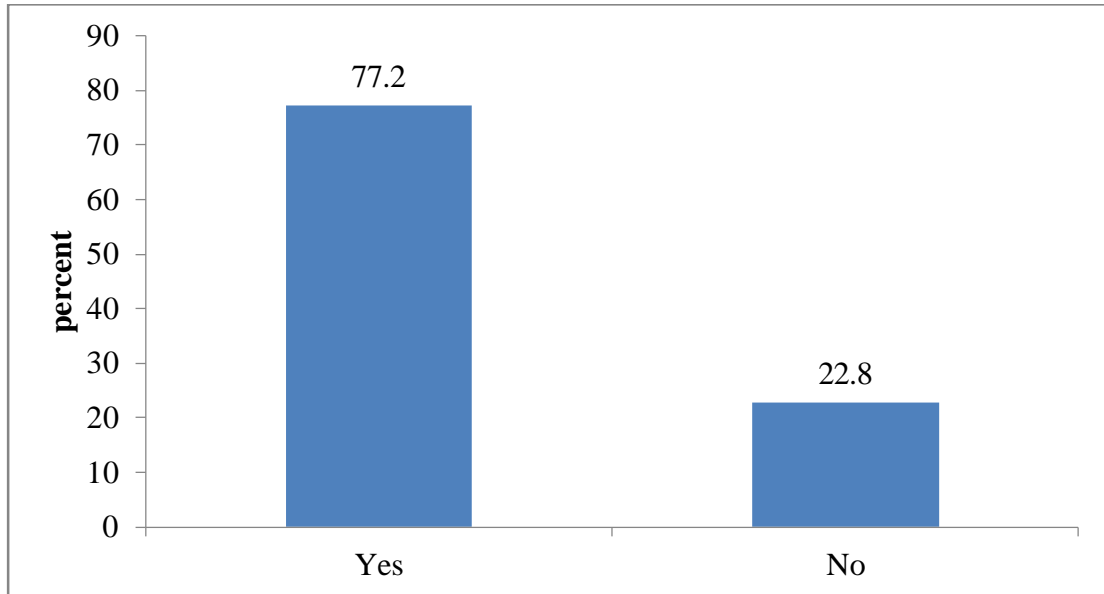
#### **4.4.4 Access to Financial Assistance Other than Students Loan Scheme**

Respondents were also quizzed to find out whether they had ever accessed any financial assistance from anywhere in the course of their study. Out of the 382 respondents, majority (77.2%) answered in the positive. Out of this percentage, 73.2% said they had enrolled and had access to the students loan. However, 22.8% said they have never had access to any financial assistance in the course of their study as depicted in Figure 4.4.

Further, the others (4%) who also responded in the affirmative besides those on the students loan indicated that they sought the financial assistance from their respective schools, Education Trust, banks, savings and loans and corporate organizations as scholarships. Respondents indicated that these kind of financial assistance was given on merit by a management team at the school meant for needy but brilliant students,



loans sourced by their parents to cushion their educational expenses and scholarship schemes at the district level where they come from.



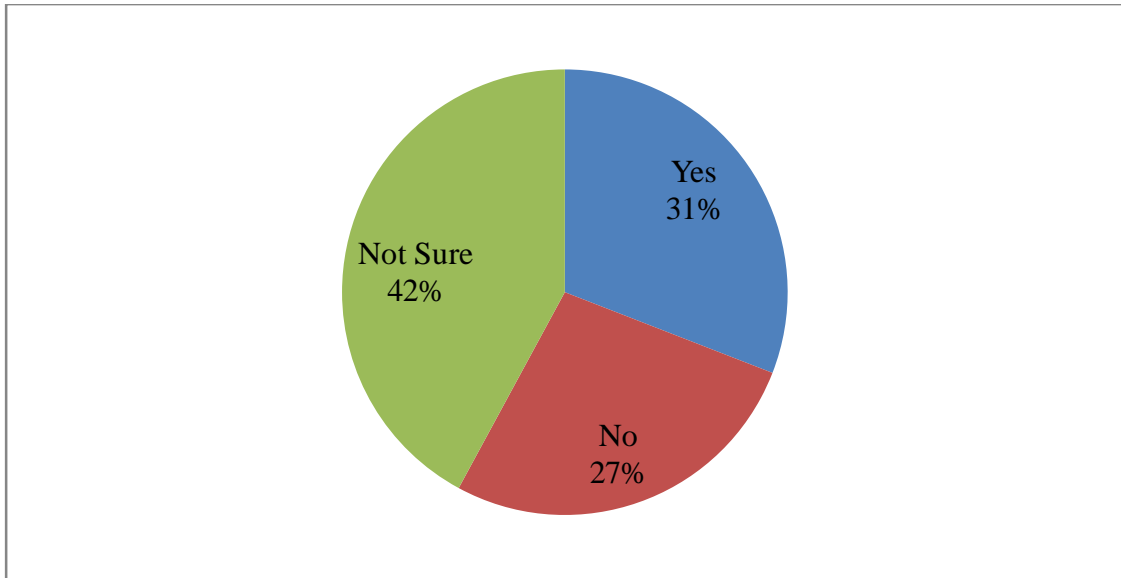
**Figure 4.4 Access to other sources of finance including students loan**

Source: Field Survey Data, November, 2014.

#### **4.4.5 Plans to Access Other Financial Assistance Later**

When respondents were asked whether they had plans to later access financial assistance from any other institution apart from the students loan, there were varied responses. Respondents constituting 42% were not sure, 31% answered in the affirmative, while 27% said ‘No’ as shown in Figure 4.5.





**Figure 4.5 Plans to access alternative financial assistance later**

Source: Field Survey Data, November, 2014.

From the responses in Fig. 4.5, some respondents who said they were not sure if they would access a financial assistance indicated that, aside the students loan that is mandated to offer loans to students at the tertiary level, they were not aware of any other institution that was charged to do so and at what rates. Some of them also indicated that after attaining their first degree, they did not intend to pursue further studies.

Respondents who answered in the affirmative said they had plans to pursue further studies after completion and hence, would take advantage of any financial assistance that is made available without little worries on the interest rates that would be assigned since the attainment of their higher education will pay off one day should they be in active service.



There were other respondents who said they were not willing to access any alternative financial assistance should the facility be made available. They claimed that they had enough support either from parents, family member and some other friends who would be readily available to assist them in their educational needs.

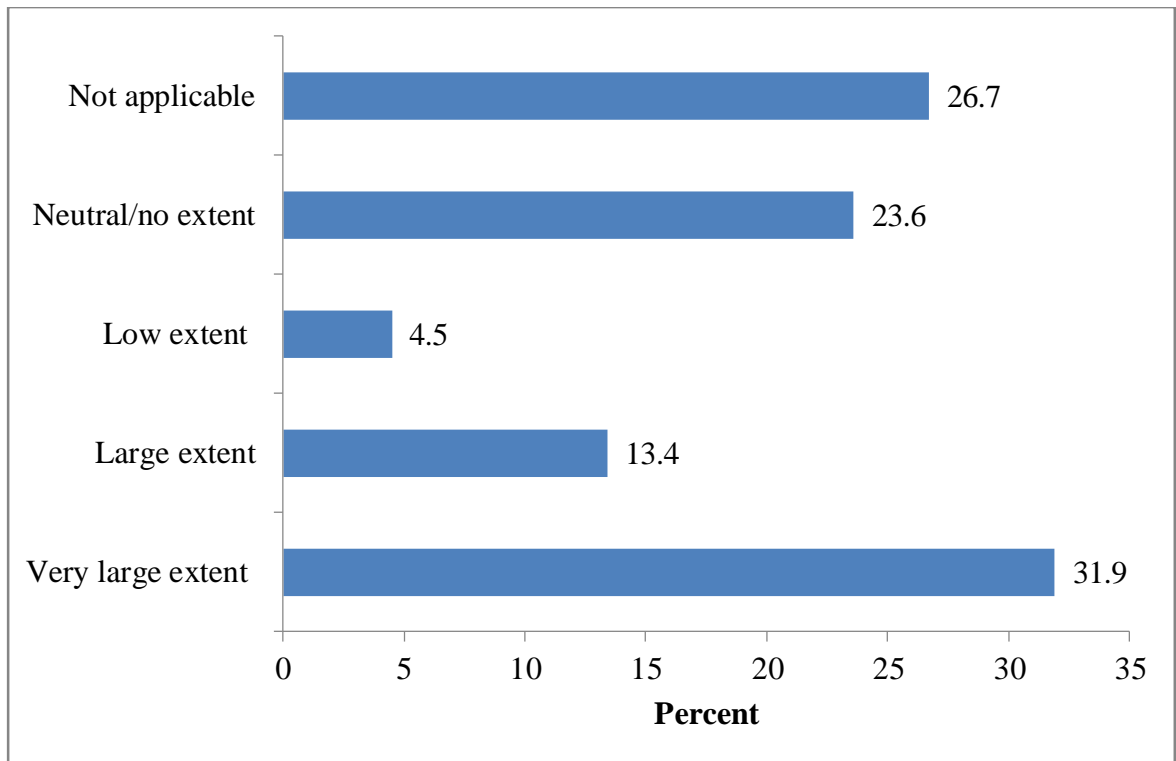
#### **4.5 Sufficiency of the Students' Loan to Meet Borrowers' Educational Needs**

Another research objective was to assess whether the students' loans meet the educational needs of the borrowers in the course of their studies. The discussion that follows considers the stated objective.

##### **4.5.1 Expectations of Loans to Meet Borrowers' Educational Needs**

Due to the increasing cost in accessing tertiary education with its inverse relationship to the ability of some students to pay, students who wish to access the students loan facility have high hope that they would be granted higher amounts which would cushion them in their course of study. Therefore, respondents gave varied views in relation to the adequacy of loans to cater for their educational expenses such as fees, feeding, accommodation, stationery and transport cost. Figure 4.6 depicts the distribution of the various responses.





**Figure 4.6 Expectations of students’ loan to meet borrowers’ educational needs**

Source: Field Survey Data, November, 2014.

From Fig. 4.6, majority (31.9%) indicated that they had very large hopes that the loan facility they were to access would be able to cater for their educational needs. This therefore influenced their decision to come up for the loan facility as their sponsors of their education could not afford the full cost of expenses in their course of study.

Also, about 4.5% of the respondent made it clear that they had low expectation that the loan amount that would be accessed will cater in full for their educational expenses. Hence, they never placed all their hopes in the loan facility but to seek other assistance elsewhere which included some little support from friends, running of errand during the weekends, etc.

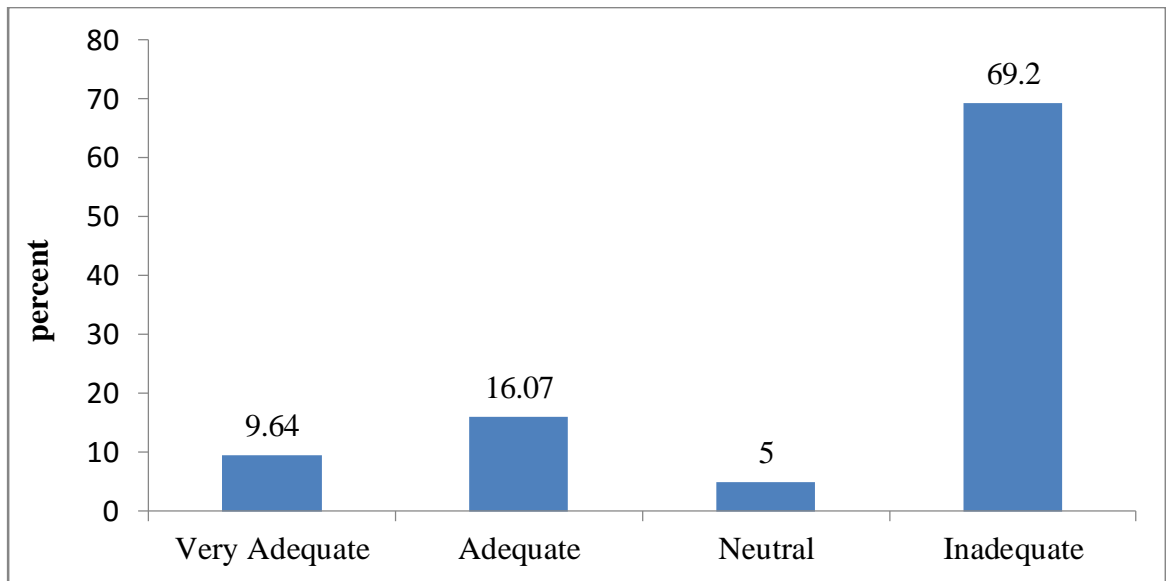
Respondents constituting about 23.6% sort to indicate that the loan amounts granted met their educational needs to 'no-extent'. Thus such respondents were neutral regarding how the student loan assisted them in meeting their needs. Put differently, such respondents are indifferent in terms of how beneficial the loan is.

#### **4.5.2 Adequacy of the Students Loan Amount**

On whether amounts received by respondents on the loan scheme were adequate to cater for their educational needs, 69.2% opined that the amounts they actually received, were inadequate.

This finding is buttressed by previous studies by Acheampong (2010) who asserted that, the student's loans which are supposed to provide the needed financial support for beneficiaries to complete their programmes of study are usually inadequate. Consistent with this proposition, Okae-Adjae (2012) also maintained that the loan amount could cover only one-third of polytechnic fees and the students has to suffer accessing financial resources from alternative sources. Some of these respondents indicated that because the loan amounts are woefully inadequate and constitutes a meager proportion of the educational expenses they have to meet, they are compelled to resort to various coping strategies such as running errands and doing other menial jobs at school to the detriment of their studies. This creates doubt on the purpose for which they applied for the loan in the first place. However, less than 9.64% indicated the loan amounts they received were very adequate to meet their educational needs as illustrated in Figure 4.7.





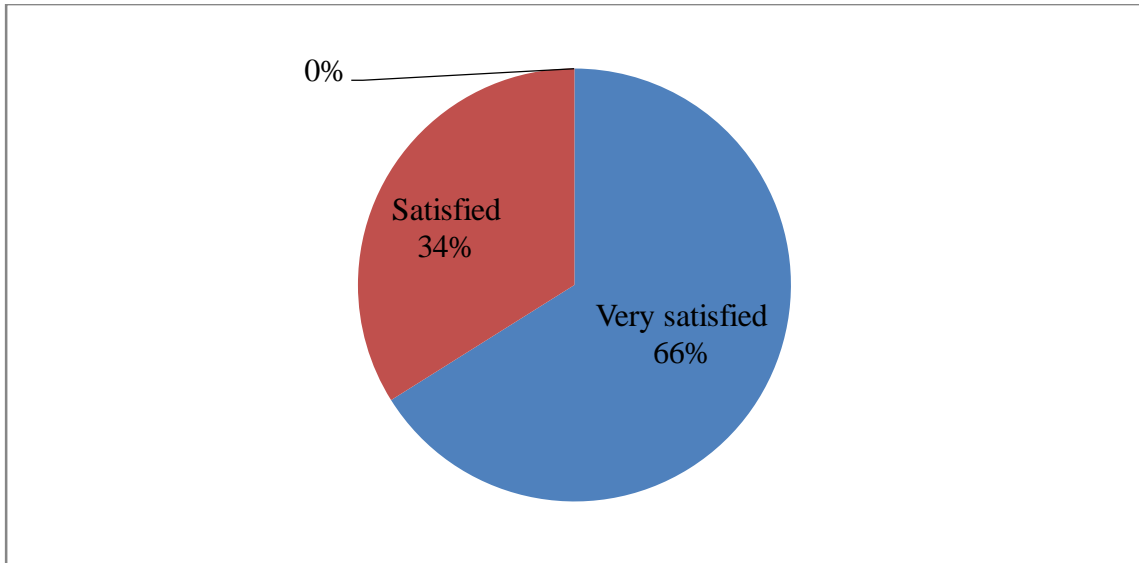
**Figure 4.7 Adequacy of the students loan amount**

Source: Field Survey Data, November, 2014.

#### **4.5.3 Students' Loan Scheme and Access to Tertiary Education**

On the importance of student loans in providing funds to needy students to have equal access to tertiary education, respondents gave varied responses. Figure 4.8 shows the distribution of the responses. It came out that, on the whole, 66% of the respondents said they were satisfied with the students' loan and opined that the students' loan scheme is playing an important role in providing financial assistance to meet some of their educational needs in accessing tertiary education. Similar observations were made by Nyahende (2013), Yussif and Yussif (2010) that despite the challenges associated with accessing students loan schemes and the inadequate amount given, its impact on enrolment has been found to be significant and positive.





**Figure 4.8 Importance of the loan scheme in access to tertiary education**

Source: Field Survey Data, November, 2014.

#### **4.6 Challenges Faced in Accessing the Students' Loan Scheme**

Various challenges are discussed under this section. They include disbursement of loans and assigning of loan amounts to prospective applicants, adequacy of loans in meeting students' needs and the challenges students encounter in accessing the loan.

##### **4.6.1 Challenges Students Encounter in Enrolling on the Loan Scheme**

On the question of some of the challenges students' face in accessing the loan, both the Disbursement Manager and Head of Operations indicated that it has come to the attention of Management of the loan scheme with deep concern that, some students encountered challenges with the loan application requirements and processes.

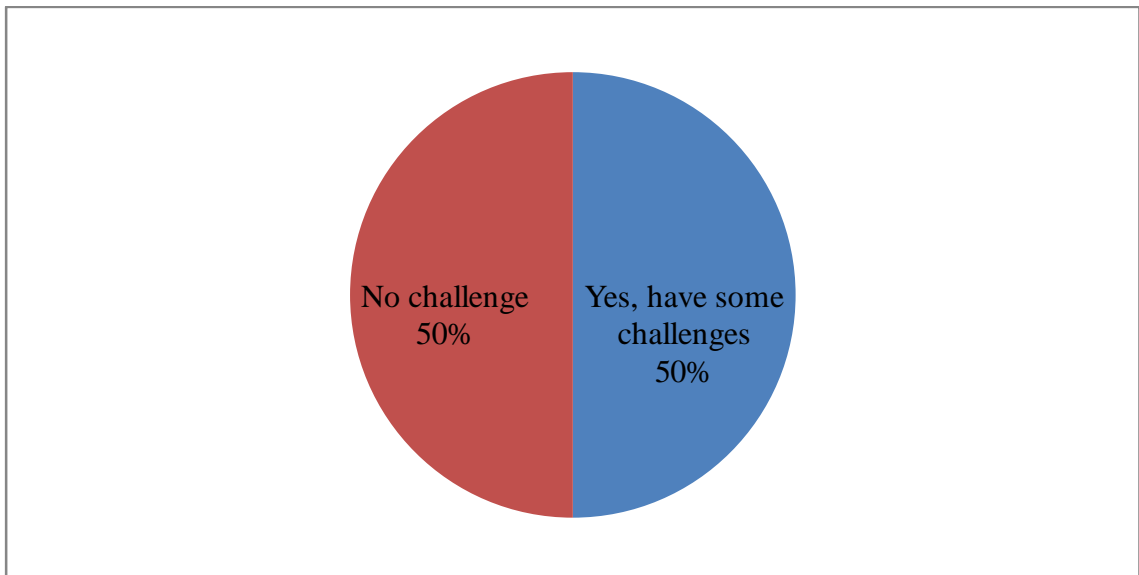
Some of the challenges include the difficulty in obtaining a guarantor, delays in obtaining SSNIT numbers and E-zwich cards from these offices. According to the Disbursement Manager, hitherto, when SSNIT was operating the loan scheme it



required three SSNIT contributors to be guarantors, but under SLTF, it was reduced to only one.

The Disbursement Manager indicated that, despite a requirement for one guarantor, the prospective borrowers still had difficulty getting a SSNIT guarantor. Thus, the introduction of a diversified forms of guarantors requirement to include MMDAs, recognized religious bodies and corporate bodies to reduce, if not solve the problem. But this has not been extensively explored by students since, currently more than 90% of the borrowers still use SSNIT guarantors.

On the other hand, respondents were also asked to enumerate the challenges faced at the time of accessing the students loan and if indeed they ever faced such challenges. As portrayed in Figure 4.9, 50% indicated that they did not encounter any challenge in accessing the students' loan.



**Figure 4.9 Any challenges faced while accessing the loan scheme**

Source: Field Survey Data, November, 2014.

Respondents on the scheme who mentioned that they had challenges in accessing the students' loan were asked to enumerate some of the major challenges. From the dataset it was observed that, out of the 140 who indicated that they had some challenges, 44.2% revealed that, the requirement of an eligible guarantor to guarantee the loan was a major challenge. For instance, the eligibility requirement /criteria for a SSNIT guarantor's age (not above 53 years), years of contribution (3years and above) and a guarantor who is not a parent should not guarantee for more than two applicants posed some challenge to them. Table 4.8 shows the distribution of the other responses.

**Table 4.8 Major challenges faced in accessing the students' loan**

<b>Major Challenges / Difficulty</b>	<b>Freq.</b>	<b>Percent</b>
Difficulty in obtaining qualified guarantor	62	44.2
Online loan application process & internet connection difficulties	16	11.4
Delay in disbursement of loans & inadequate loan amounts given	31	22.1
Bulky loan application form is burdensome to complete	12	8.6
SSNIT related problems eg. finger printing at SSNIT	11	7.9
Difficulty in obtaining E-zwich cards at the bank & SSNIT cards	8	5.8
<b>Total</b>	<b>140</b>	<b>100</b>

Source: Field Survey Data, November, 2014.

#### **4.6.2 Challenges in Funding and Providing Equal Access to Tertiary Education**

On the question of some of the challenges the Fund encounters in its aim of creating equal access to tertiary education, the Disbursement Manager intimated that the Trust Fund continuously grapples with the persistent challenge of raising funds to fully meet the teeming demands of students both in private and public tertiary institutions as stipulated by SLTF's Act 820.



There exists a high operational or administrative cost associated with the scheme since taking over operations from SSNIT in 2005 due to the highly subsidized nature of the loan, no processing fees charged and low interest rates. It was suggested that if administrative charges were placed as a percentage of the loans, it will go a long way in reducing the high cost of running its operations.

Other loan application and processing challenges that were enumerated by the Disbursement Manager during the in-depth interview section include the challenges that students encounter in search of eligible SSNIT guarantors, program and accreditation issues, applicants names not found on their respective school lists to enable loans to be disbursed to them in a timely manner, delays in loan disbursements, inadequate funds to give realistic loan amounts to borrowers, inadequate personnel at recovery unit due to tight budget, among others.

Another challenge is the fact that currently processing fees are not being charged on the loans given out thus resulting in the high administrative cost of the Student Loan Trust Fund

#### **4.6.3 Mechanism in Disbursing Loan and Adequacy to Meet Educational Needs**

Information gathered from the interview indicates that loan amounts for the academic year are disbursed on needs assessment/means-tested scores obtained by the applicants on the basis of information they had provided on their socio-economic backgrounds.

Approved loan amounts are disbursed to applicants who are currently in school through EPay and E-zwich payment platforms. Applicants who are not using E-zwich and have Bank Accounts are paid through the EPay payment system from Ecobank. This amount is paid for the academic year but disbursed in two (2) installments. Currently the need-based loan amounts being offered by SLTF range between 650 Ghana cedis to 1,600 Ghana cedis a year.

The Head of Operations asserted that, the lack of reliable information on household income in most African countries, and for that matter Ghana, makes it difficult to succinctly determine who is needy and how much each student needs to successfully meet the borrowers' educational needs at a time.

The interview further brought to light that the needs based/means testing method used in loan allocations requires that, different loan amounts are allocated to students per their relative financial needs. The means testing methodology is being reviewed to determine/assess the relative financial needs of the borrowers. This has invariably necessitated the need to search for alternative source of funds to augment what the Trust Fund currently receives from its sole financier - GETFund.

Besides, given that the trainees of the Colleges of Education have joined the loan scheme as a result of government's withdrawal of the allowances that they hitherto enjoyed, it has become necessary to find other sources of funds to meet the financial demands of prospective borrowers.



In addition, from the key informant interviews with the Disbursement Manager and Head of Operations of SLTF, they, were quick to admit that, there has been series of complaints' from borrowers that the loan amounts assigned to them even with the means testing methodology are inadequate to meet their educational needs.

There has also been complaints from some sections of the students, particularly those in the private tertiary institutions that, the loan amounts are meager to meet the realistic educational needs, hence their indecision to join the students loan scheme.

According to the officials of SLTF, it is hoped that the loan amounts would be increased in future once the various funding options are pursued. In addition, to better serve the needs of its target group, loans to postgraduate students have been suspended so as to focus more attention on the undergraduate students.

#### **4.7 Measures to Ensure Sustainability of the Students' Loan Scheme**

Respondents were requested to suggest measures to reduce the challenges and ensure the continuity of the scheme for future generations. Out of a total number of 382 respondents, two hundred and eighty had access to the student loan scheme but 140 of them said they had faced a challenge and thus provided various suggestions to resolve the challenges, as well as, ensure the continuity of the students' loan scheme. About 42.9% proposed that the loan amounts should be increased, timely disbursement of loans, prompt provision of E-zwich and SSNIT point of registration, to facilitate the loan application process and to meet the realistic educational needs of the borrowers.

It also came out clear that, there is the need to increase awareness about the loan scheme, intensify education on interest charges and repayment periods in order to



retrieve monies paid to previous beneficiaries. The distribution of the suggestions is shown in Table 4.9.

**Table 4.9 Measures to reduce challenges for sustainability of the scheme**

Suggestions	Freq.	Percent
Loan amounts should be increased to meet educational needs	26	18.6
Intensify education on interest charges & repayment periods	20	14.3
Intensify loan recovery process to retrieve loans	35	25
Timely disbursement of loans	9	6.4
Increase awareness of the students' loan scheme	3	2.1
Provide E-zwich at the point of registration of at SLTF zones	9	6.4
Resolve SSNIT-related problems (e.g SSNIT guarantor)	16	11.5
Review loan eligibility criteria	10	7.1
Simplify the complex loan application processes	4	2.9
Pay loans through the bank accounts too	8	5.7
<b>Total</b>	<b>140</b>	<b>100</b>

Source: Field Survey Data, November, 2014.

#### **4.7.1 Ensuring Sustainability of the Students Loan Scheme by Management**

An important research objective of this study was to find out the measures instituted to ensure the sustainability of the Students' Loan Scheme by Management of the Fund. An organization is said to be financially sustainable if its core operative processes do not collapse even if external funding/capitation is withdrawn. Financial sustainability of the fund, is the ability of SLTF to meet its running cost, replace and improve its assets and disburse loans to current students and other potential beneficiaries of the scheme in the future.



***Loan recovery to ensure sustainability***

In relation to the question of challenges the Students Loan Scheme faces in ensuring the permanence and sustainability of the Fund, it came to light from the interview with the Head of Operation at SLTF, that, one key challenge to the Trust Fund is the incidence of loan default particularly with borrowers who could not be traced. It was mentioned that after completion of school, it sometimes becomes difficult to track some of the borrowers who end up in the informal sector of the economy for them to fulfill their loan obligations to the Trust Fund.

Borrowers in the formal sector are easily located through effective collaboration with other stakeholders or public agencies of SSNIT and the Accountant Generals Department. Employers do subsequent deductions on behalf of their employees who are borrowers of the Fund. The interviewee indicated that this has greatly improved loan recovery to a very large extent and hence minimize the risk of loan defaults.

In its recovery drive to sustain the Fund, SLTF also has strong loan recovery partnership with banks that has wider coverage to facilitate the repayment process. To mitigate the high default rate characterized with most students loan schemes, the Trust Fund promotes effective records management and ensures regular communication with borrowers to remind them of their obligations to the Fund. So that the default rate in loan repayment will be reduced to the barest minimum, since repayments constitute a significant source of funding to SLTF.

***Ways to promote financial sustainability***





Again it was revealed that the current social media available was also being used to locate borrowers who could not be located using the formal sector of employment. Currently, it is believed that about 20% of the loans are being recovered annually which is not an impressive figure (SLTF, 2013).

Thus a lot more effort needs to be put in place if SLTF is to fulfill fully its mandate of giving out loans and recovering it. To further strengthen the recovery process, it was revealed that there are plans to send the names of students on the scheme to the credit referencing bureaus in the country to help find them as a blacklisted person, hence, defaulters may not be able to access any loan facility until the previous one (student loan) has been settled.

Since its inception in 2006, the first batch of borrowers ready for repayment was in 2011. To avoid the high default rate that characterized previous schemes, SLTF has ensured regular contact with its borrowers reminding them of their obligations to the Fund. It was realized from the interview that, though tremendous efforts are put into updating the addresses of borrowers before they complete school as well as notifying the guarantors to remind them of their obligations, a lot more needs to be done in order to meet the yearly recovery targets.

Finally, the officials interviewed from SLTF were of the opinion that, though there are various disbursement and repayment challenges, SLTF has played significant role in providing financial assistance to needy students to cushion them from the harsh expenses since commercial loans come with high interest rates and short repayment periods which students would not be able to afford. Therefore, the needy students are



able to at least access necessary funds to further their education. They asserted that Students Loan Scheme may be considered to have succeeded in offering partially the needed financial support necessary for students at the tertiary level, as well as, extended opportunities to the less privileged in society without which they would have seen access to higher education as a mirage.

#### **4.8 Conclusion to Discussion Section**

Findings from the discussions so far revealed that, indeed various factors motivate tertiary students to access the Students Loan Scheme. Further, it was identified through the research that, the loan applicants encounter various forms of challenges when accessing the students' loan.

The research also showed that, various strategies have been put in place by the Management of the Loan Scheme to ensure the sustainability of the Fund for future generations.

In effect, findings from the research indicated that, despite the challenges associated with loan applications, the Loan Scheme is at least playing an important role (to some extent) since it provides access to funds for needy students to further their tertiary education. Thus, it has enabled eligible tertiary students to realise their higher education dreams, even though the loan amounts were identified to be woefully inadequate.



## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents the summary of main findings which emanated from the research, the conclusions and recommendations of the study.

#### 5.2 Summary of Findings

The study was conducted to examine the extent to which the Students' Loan Scheme has assisted eligible tertiary students to meet their financial needs in the course of their study and the sustainability of the scheme. The main findings of the study conducted are summarised as follows:

The study set out to identify the major factors more likely to motivate students to enrol on the loan scheme. Findings from the data analysis showed that, majority of the respondents on the loan scheme, constituting 57.9% indicated that the three major factors more likely to motivate students to access the Students Loan Trust fund are increasing school/academic fees and other educational expenses, inadequate financial support from the family and low family income.

Determinants of students' awareness of financial assistance are student's programme of study, programme duration, fee status and fee paying status. Students pursuing business programmes are more likely to have knowledge of financial assistance than those in other fields of study. Programme duration has positive effect on awareness of financial assistance. Regular students are more likely to have knowledge of financial



assistance than fee-paying student while students who are paying fees themselves are less likely to have knowledge of financial assistance.

Access to financial assistance is influenced by student's age, student's institution and fee paying status. The results point out that any additional year of age is associated with a higher (2.05%) chance of accessing financial assistance. UDS students have 41.79% probability of accessing financial assistance than those in the Wa Polytechnic. A student paying his/her fees has 17.10% chance of accessing financial assistance than the one whose fees has been paid by parents or guardians.

Information elicited from the in-depth interview sessions also indicated that high cost/expenditure in attending tertiary education i.e. high academic fees and related cost, poor socio-economic backgrounds and lack of needed financial support from the family are loan demand factors identified by Management of the Fund.

As part of the study objectives, the researcher set out to also find out whether the students' loans meet the educational needs of the borrowers. Findings of the study revealed that, majority of the respondents (constituting 72%) have ever accessed the students' loan. However, 51% of the respondents' who were on the scheme opined that the loan amounts they received were inadequate/ inadequate to meet their educational needs contrary to their expectations prior to the loan applications.

In addition, from the key-informant interviews with the Disbursement Manager and Head of Operations of SLTF, it came to light that, there has been series of complaints' from borrowers particularly those in the private tertiary institutions, that the loan



amounts assigned to them even with the means testing methodology are inadequate to meet their educational needs.

However, despite the assertion by the borrowers on the scheme that the loan amounts were inadequate to realistically meet their educational needs, 52% of the total number of respondents' either strongly agreed or agreed that the students loan scheme plays an important role in providing financial assistance to meet at least some of the educational needs of borrowers.

Another important research objective of this study was to identify major challenges tertiary students face in accessing the students' loan scheme. It was observed from the analysis that, some of the major challenges students encounter in accessing the loan on the scheme includes difficulty in obtaining qualified guarantor, bulky loan application forms to fill, difficulty in online application process and delay in loan disbursement. For instance, 44% of the 116 respondents who mentioned that they had challenges stated the requirement of an eligible guarantor to guarantee the loan as a major challenge.

It was also revealed from findings of the analysis that on the whole, 52% of the respondents are of the opinion that the students' loan scheme is playing an important role in providing financial assistance to meet some of the educational needs of borrowers in accessing tertiary education.

Finally, the study set out to identify measures instituted to ensure the sustainability of the Students Loan Scheme by Management of the Fund. Information solicited from the



Head of Operations indicated that, the loan scheme has a robust recovery unit which is well-staffed to undertake loan repayment and recovery activities. There is return on investment on the fund, strong collaboration with stakeholders such as employers to submit or undertake direct deduction from employee's monthly earnings on behalf of the Trust Fund.

To complement this information, findings from the data analysis also revealed that, respondents suggested among others that there is the need to intensify loan recovery process to retrieve monies given to previous beneficiaries. Respondents also mentioned SSNIT-related problems (e.g. SSNIT guarantor age, years of SSNIT contribution, taking of fingerprints) should be resolved to make it easier to apply for the loan.

### **5.3 Conclusions**

In conclusion, findings from the study revealed that, students' loan schemes are now viable forms of cost sharing mechanisms in financing of higher education in Ghana. It was also conceptualized that by virtue of the important role the students' loan scheme plays in the provision of financial assistance, needy students from poor homes who would have lost the opportunity to gain access to tertiary education can now do so.

From the findings of the research, it can be concluded that, even though there are still economic or monetary barriers to access higher education, SLTF by its mandate is to a large extent enabling students to meet their educational expenses by providing financial assistance to needy students to pursue tertiary education. This is because it was revealed from the study that on the whole, 52% of the respondents opined that the students' loan scheme is playing an important role in providing financial assistance to meet some of the educational needs of borrowers to access tertiary education.



On the whole, it can be said that, the students' loan scheme is to a large extent meeting the financial needs of students' borrowers in the course of their studies, even though the current loan amounts being disbursed are woefully inadequate. Thus 66% of the respondents said the students loan was helping meet some of their educational needs.

Finally, in as much as there is the prevalence of high unemployment rate, inflation, and the current high interest rate, repayment will continue to be a challenge to the sustainability of the Trust Fund. There is therefore, the need to explore innovative ways to sustain the scheme for the benefits of future generations.

#### **5.4 Recommendations**

On the whole, it has been found from the study that despite the challenges faced by students in accessing the students' loans as well the relatively inadequate loan amounts received by these borrowers, the students' loan scheme is to some extent enabling tertiary students' meet the educational needs in the course of their studies. In view of the findings, the following recommendations have been suggested:

First and foremost, it was revealed that the major factors that influence students to access the loan scheme include, increasing school/academic fees and other educational expenses, inadequate financial support from the family and low family income. Efforts towards increasing students' awareness of financial assistance should include ways of reaching students pursuing non-business programmes, those pursuing short duration programmes and fee paying students. These categories of students have limited chances of awareness of the students' loan scheme. Management of the loan scheme should



therefore, have special attention on students with limited access to financial assistance by putting up more education on the loan facility through lecture hall sales, students gatherings (SRC week celebrations), etc. This can be done by influencing their access to the student loan scheme. Special attention should be focused on variables such as student's age, student's institution, fee paying status, ease access to loan schemes and timely disbursement of loans because they are variables influencing access to financial assistance. Consequently, the students' loan scheme should deploy an efficient mechanism (collaborating with school authorities to identify needy students) of targeting the needy borrowers who come from poor families or have low socio-economic backgrounds.

Even though the means testing methodology is utilized at the Fund to assess the financial needs of borrowers based on information provided on their socio-economic backgrounds, a good knowledge of the average cost of educational expenditure would inform Management of the scheme of actual levels of loan amounts that can be adequately disbursed to the needy loan applicants so that the essence of applying for the students loan would be realized.

In this regard, there is the need for the loan scheme to establish an effective mechanism of estimating the average educational needs (i.e. expenses such as the admission fees, feeding cost, accommodation/hostel fees, cost of textbooks, handouts and other stationery and transportation cost among others) of prospective borrowers in order to provide realistic loan amounts based on the assessment of the educational needs of the loan applicants.



In addition, given that there is continuous increase in the cost associated with attending tertiary education, the loan amounts categories should also be revised periodically instead of the two-three years in order to constantly increase them to provide realistic amounts which would be relevant in mitigating the monetary barrier to access to tertiary education those students from poor families and socio-economic backgrounds grapple with.

Further, there is the need to review some of the loan application requirements and processes that pose some form of challenge with the aim of resolving them or drastically reducing the issues identified with them to prospective applicants in order to make them simple and much easier to access the students' loan scheme. For instance, the study revealed that, despite the requirement for one guarantor, as well as the introduction of the alternative forms of guarantor such as MMDAs and religious bodies, loan applicants still encountered a major challenge to obtain one, particularly an eligible SSNIT contributor.

Thus, the need to intensify sensitization and awareness creation about the diversified forms of guaranteeing the students loan to all SLTF's major stakeholders, including the students' and parents, so that the challenge in obtaining an eligible SSNIT contributor would drastically reduce. Campaigns to religious organizations and corporate bodies to have interest in serving as guarantee to the students' loan would also help.

Finally, to ensure the continuity and sustainability of the students' loan scheme, it is prudent for Management of the Fund to avoid the over-reliance on the capitation grant received from GETFund by exploring alternative sources of funding, such as



collaboration with private financial organizations to provide well-tailored/ customized loan products for a section of the students' population as spelt out per provisions in SLTF Act 820. This would invariably make available more funds to disburse realistic loan amounts to a larger proportion of the target student population, such as the private institutions, than what is currently happening.

The incidence of loan default particularly with borrowers who could not be traced partly due to the fact that they are in the informal sector should also be addressed in order to recoup the monies for a revolving Fund. This could be done through a stronger partnership with leaders of organized and registered private sector unions in the country. There is the need to assess and manage the risks associated with loan defaulters, building of strong stakeholder relationship would go a long way to help retrieve monies disbursed to past beneficiaries, building financial reserves, strategically manage finance on the overhead/administrative cost of managing the loan scheme.

### **5.5 Area for Further Research**

Further research can be conducted to analyse the challenges of loan repayment among graduates given the rising phenomenon of graduate unemployment in Ghana.

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## APPENDICES

### Appendix 1: Questionnaire

UNIVERSITY FOR DEVELOPMENT STUDIES

FACULTY OF INTEGRATED DEVELOPMENT STUDIES – WA CAMPUS

QUESTIONNAIRE FOR TERTIARY STUDENTS



**Topic: Higher Education Accessibility and Financial Sustainability:**

**The Role of the Students Loan Scheme**

I am a second degree student of the University for Development Studies and conducting a research on the above topic, with the aim of examining the extent to which the Students Loan Scheme has enabled eligible tertiary students to meet their financial needs during the course of their study and the Financial Sustainability of the Scheme'. Participation in this survey is voluntary and you can choose not to take part in it at all. However, accurate and honest answers are expected from you in the research. Please be assured that information given is purely for academic purposes and will be held in utmost confidence and your identity treated as anonymous. Kindly tick the parenthesis and provide the needed response where applicable.

**Section A: Identification**

Student Identification: .....

Date: .....

**Section B: Background Information**

1) Age (in completed years) { }

2) Gender

a) Male { }                      b) Female { }

3) What is the name of your tertiary institution?

a) UDS-Wa { }                      b) Wa Polytechnic { }

4) What programme/course you are currently pursuing?

Please write here .....and tick appropriate bracket below.

a) Sciences { }                      b) Arts { }





**9) Do you know of the public/ government institution (loan scheme) that gives financial assistance in the form of loans to tertiary students?**

- a) Yes {    }                                  b) No {    }

**10) If yes, to question 9, how did you know of the above mentioned students loan scheme?**

- a) Internet/ Website {    }    b) Social Media (Eg. Facebook) {    }    c) Newspapers  
{    }

- d) SLTF's flyers    {    }    e) SLTF's bookmakers (Eg. Facebook) {    }    f) Radio  
{    }

- g) Friends/ Family {    }    h) SRC/NUGS office {    }    i) SLTF's Notice/ Sign Board  
{    }

- j) Orientation for freshers'

- k) Other (please specify).....

**11) Have you ever accessed financial assistance from anywhere during the course of your studies?**

- a) Yes {    }                                  b) No {    } Go to question 13& 14&  
continue

**12) If yes to question 11, from which institution?**

- a) Corporate Organizations Scholarship {    }    b) Any bank, savings & loan company  
{    }



c) Students Loan Scheme (SLTF) { }      e) Financial Assistance from School  
{ }

f) Educational Trust { }      g) Other (Specify).....

**13) If no to question 11 above, please state your reason (s)**

.....  
.....

**14) Do you plan to access financial assistance from any institution later in future?**

a) Yes { }      b) No { }      Not Sure { }

**15) Are you on the Students Loan Scheme (SLTF)?**

a) Yes { }      b) No { }

**16) If you answered no to the above question please give reasons why you are not on it.**

.....  
.....

**17) Would you like to join later?**

a) Yes { }      b) No { }

**18) If you answered 'No' to question 17 above, why?**

a) Not interested { }      b) Advised by Friends/ Family not to { }



- c) Do not need students loan { } d) Afraid of future loan default { }
- e) Have little information about the loan scheme { }
- f) Loan application process too complex { } h) Other, please specify.....

**19) If you are on the students' loan scheme, how do you see the application requirement in relations to getting a guarantor, e-zwich card, SSNIT number among others?**

- a) Easy { } b) Neutral { } c) Not Easy { }

**20) How do you see the loan application processes?**

- a) Not Applicable { } b) Very Complex & demanding { } c) Complex { }  
d) Neutral { } e) somewhat complex & demanding { }  
f) Not complex & demanding at all { }

**21) At the time of applying for the loan, to what extent did you think the loan amounts would cater for your educational expenses such as fees, feeding, accommodation, stationery etc?**

- a) Very large extent { } b) Low extent { }  
c) Large extent { } d) Neutral/ No Extent { }

**Section D: Factors that Motivate Students to Access the Loan Scheme**

**22) In your opinion which of the following factors is more likely to influence you to apply for a student's loan? Please choose as many factor as possible to this.**



- a) Inadequate family financial support { } b) Low social status e.g. single parenting { } c) Low family income { } d) singled-out increasing school / academic fees and other educational expenses (i.e the cost of attending tertiary education) { } e) More than one of the above factors { } f) Other (specify) .....

**23) In your opinion, which of the above items constitute the three most important factors more likely to influence your willingness to apply for the students' loan? Please rank in order of priority.**

.....  
.....

**24) From your ranking in 23, could you please give a brief explanation for your choices?**

.....  
.....

**25) Was the loan amount received adequate/ sufficient to meet your educational needs?**

- a) Very adequate { }      b) Adequate { }      c) Neutral { }  
d) Inadequate { }      e) Very inadequate { }

**26) To what extent were you satisfied with the loan amount you received from the scheme?**

- a) Very satisfied with the amount { }      b) Satisfied with the amount { }







Accessing Higher Education and the Financial Sustainability of the Scheme'. The assurance is that, your information would be treated with the utmost anonymity and confidentiality it deserves.



## **Appendix 2: Interview Guide**

**FACULTY OF INTEGRATED DEVELOPMENT STUDIES -WA**  
**CAMPUS**

**TOPIC: HIGHER EDUCATION ACCESSIBILITY AND FINANCIAL**  
**SUSTAINABILITY:**

**THE ROLE OF THE STUDENTS LOAN SCHEME**

**Key Informant Interview Guide for Representatives at the Students Loan Scheme**

**I. Eligibility Criteria and Students Loan Application Requirements**

1. What is the core objective/ mandate of the students' loan scheme?
2. What are the eligibility criteria in applying for the students' loan at your organization?
3. What are the application requirements for the students' loan?
4. Please can you explain in details the processes that a prospective loan applicant goes through when applying for the loan?
5. Please enumerate the procedures the students loan scheme utilizes to disburse the loans to the borrowers?
6. What is the lowest and highest amount you give out to students as loans?

**II. Awareness and Access to Funds for Tertiary Education**

7. What are the various medium by which you promote awareness of the students' loan scheme to the tertiary students?



8. In your opinion what factors influence tertiary students to apply for the loan?
9. In what ways do you make the students' loan easily accessible to the tertiary students?
10. On the average, how many students do you give loan to per academic year
11. What is the current total students' loan portfolio?
12. In your opinion what are some of the major challenges that students face when applying for the students loan?
13. What measures has the organization put in place to mitigate some of the key challenges faced by the loan applicants?

### **III. Key Operational Challenges and Financial Sustainability of the Students Loan Scheme**

14. What is the main source of funding for the students loan scheme?
15. How do you operate the students' loan scheme?
16. What are the key operational challenges faced by the organization in providing access to funds to loan applicants for their tertiary education?
17. In what ways have some of the above challenges been resolved?
18. Does the students' loan scheme have adequate funds to meet the ever increasing demands of eligible students?
19. What are some of the challenges limiting your operations in promoting access to higher education?
20. In what ways do you monitor the loans given to borrowers to avoid defaults in loan repayments?



21. In your opinion, will the grace- period for loan repayment ensure the financial sustainability of the students' loan scheme?
22. What measures have your organization put in place to ensure the financial sustainability of the Fund?
23. On the whole, do you think the students' loan scheme has benefited tertiary students or had any significant impact on access to higher education? Please explain.

