STUDENT LOANS AS AN ALTERNATIVE TO FUNDING HIGHER EDUCATION IN GHANA: AN ANALYSIS OF THE STUDENTS LOAN TRUST FUND

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ABSTRACT

To address the issue of cost-sharing in higher education, Ghana has introduced a new students’ loan fund, i.e. the Students Loan Trust Fund (SLTF), as an alternative to support students financially so that they can go through higher education without much problem. The study sought to critically analyze the success and sustainability of the Student Loan Trust Fund (SLTF) as an alternative to funding higher education in Ghana. The analysis was framed around six (6) conditions which were identified in the literature as necessary for the success and sustainability of Students loan schemes. The findings suggest that operators of the SLTF have taken innovative steps to improve upon previous loan schemes in Ghana. The loan scheme therefore appears quite successful as an alternative to funding higher education in Ghana and has the potential to becoming financially sustainable. Despite these efforts, challenges remain and the author has made some recommendations.

Keywords: Higher education; Higher education funding; Student loans; Students Loan Trust Fund (SLTF); Koforidua Polytechnic.

1.0 Introduction

The funding of HE in Ghana has been the responsibility of the central government since independence. Tuition is free for all Ghanaians attending public educational institutions from primary to the university level. Central government also provides the building, equipment and all other infrastructure for public Higher Education Institutions (HEIs). Until the end of the 1960s, the education budget increased to the extent that government, despite significant budgetary allocations simply could not keep up with the rising cost of HE. There is always a huge gap between the amount of money required by HEIs and the amount granted to them by government. According to the Vice-chancellor of the University of Ghana, in 2011 the University received about 17 per cent of funds it needed to run the university (Daily Graphic September 12, 2011). Consequently, Ghana has been trying to come up with the ‘ideal’ way of funding public HE. Ghana has now shifted from the provision of free HE to a system of cost sharing where students and the tax payer share the cost of HE. Student academic and residential facility user fees were introduced into the HE system in 1998. HEIs also admit fee-paying students who do not meet the competitive departmental requirements and cut-off points, but satisfy the minimum requirements

In spite of the advantages cost sharing, it raises the issue of capacity to pay, making the HE system inequitable (Mohadeb, 2006). Ghana has introduced a Student Loans Scheme—a means of deferring payment for HE 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 HE 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 purpose of this study is to critically analyse the success and sustainability of the SLTF loan scheme as an alternative to funding HE in Ghana. Furthermore, it examines the strengths and challenges facing the loan scheme. Finally, it provides some policy recommendations to improve the performance of the SLTF in order to maximize its contribution to HE funding in Ghana. Since there is inadequate empirical research on the SLTF, the contributions of this paper will help fill this knowledge gap.
1.1 The concept of cost-sharing in Higher Education

Cost-sharing has been referred to as “a shift of the HE costs burden from exclusive or near exclusive reliance on government or taxpayers to some financial reliance upon parents and/or students either in the form of tuition fees or of “user charges” to cover the costs of formerly governmentally or institutionally-provided room and board” (Johnstone, 2004, p.403).

Cost-sharing begins with the assumption that the costs of HE 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). The critical question however, is the extent and form of private participation in HE.

Various forms of cost sharing have been identified (Johnstone, 2004; Johnstone & Marcucci, 2007): (1) the beginning of tuition fee where HE was formerly free; (2) the addition of a special tuition-paying track while maintaining free HE 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 HE sector where it did not exist to absorb some of the ever increasing demand. The HE system in Ghana employs forms 2, 4, 6, and 7 above.

1.1.1 Rationale behind cost-sharing

In the literature there have been arguments in favor and oppose to cost sharing in HE. According to Johnstone (2004), proponents of cost-sharing in HE use the following reasons to justify it: (1) cost-sharing is a means-tested approach to providing grants, loans and scholarships for those who are unable to contribute, a step in the direction of greater equity, responsiveness, and equity; (2) the private rate of returns to HE to the individual is high and therefore people who benefit should contribute towards HE; (3) cost-sharing ensures the efficiency and accountability of institutions to students and parents; and (4) there is sheer need for additional HE revenue in the face of increased enrollment pressure in both the public and private demand for HE, the fast rise per-student cost in HE, the shortage of available public (tax-based) revenue, and competition from other compelling public needs such as secondary education, public health, housing, among others.

Johnstone (2004) conceptualized the resistance to cost-sharing in three distinct, although related forms: 1) technical 2) strategic, and 3) ideological. 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. He noted 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 Johnstone (2004), the strategic opposition to cost-sharing is based on the assumption that the political acceptance of cost-sharing disadvantages HE relative to competing claims on public revenue. The strategic opposition argues that the presumption of higher education’s greater ability to supplement its public revenue needs with private revenues is misleading and makes the denial of public funds to HE “politically too easy”. Similarly, while the concept of high tuition can increase the total amount of resources available to HE, politicians faced with many 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. The ideological opposition to cost-sharing, according to Johnstone (2004), draws on 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 (i.e. globalization); and the acceptance of continuing social and economic inequalities. The opposing views, embracing many varieties of neo-Marxism and socialism emphasizes overwhelmingly the public or social benefits to HE and generally disregards its private returns, especially in the form of the greater earnings, presumed to flow from more education.
1.2 Student Loans Schemes in Higher Education

Student loans schemes are in operation in more than 70 countries around the world (Shen & Ziderman, 2009) but this number seems to be increasing every year. Johnstone & Marcucci (2010) found at least 13 Loan Schemes in Africa in 2009.

In the literature various reasons have been given for the renewed interest in Student Loans particularly in developing countries. In the view of Woodhall (1992), the renewed interest in student loans schemes is due to financial pressures on public budgets, governments giving higher priorities to primary and secondary education and trying to increase cost-sharing in HE, attempts to improve the efficiency of HE, and believing that loans will result in a more equitable sharing of the costs of HE. Student loans may take several different forms, with varying degrees of subsidy and methods of repayments. Woodhall (2004) highlighted on the following forms: 1) graduates may be forced to repay the loan over a fixed period of time (mortgage-type); 2) graduates may commit a fixed proportion of their income until the loan is repaid (income-contingent); 3) graduates may be expected to repay their loans by working in a specific occupation (e.g. teaching) or a specific area (e.g. rural areas) for a fixed period, or through the national service (p. 39).

1.2.1 Rationale for Student Loans

There have been arguments in favor of student loans (Woodhall, 2004; Oketch, 2009; Johnstone, 2004; Ziderman, 2002). Woodhall (2004) for example observed that arguments in favor of 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, provide additional resources to finance the expansion of HE to widen access, and increase students’ motivation by making them aware of the costs of HE 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 HE 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.

Against the above arguments, Woodhall (2004) further observed that opponents of loans (who usually advocate grants instead of loans) argue that HE 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.

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.

Woodhall (1992, 2004) pointed out the following conditions for a successful loan scheme: 1) Efficient institutional management, including adequate systems for the selection of borrowers, the disbursement of loans, record keeping, data storage, and data processing; 2) Sound financial management, including setting appropriate interest rates; 3) Effective criteria and mechanisms for determining eligibility for loans, for targeting subsidies, and for deferring or forgiving loan requirements; 4) Adequate legal framework to ensure that loan recovery is legally enforceable; 5) Effective loan collection machinery; and 6) Information and publicity to ensure that recipients understand the underlying principles and consequent obligations for the borrowing of repayment loans. The views of Johnstone and Marcucci (2010) on conditions necessary for the success and sustainability of students’ loan particularly in low and middle income countries support the above requirements.

1.3 The Student Loan Trust Fund (SLTF)

The SLTF was introduced in December 2005 under the Trustee Incorporation Act 1962, Act 106 to replace the SSNIT student loan scheme. The legislation has since been replaced by the SLTF Act, 2011 Act 820. The SLTF is a
Public Service Organisation and an Agency of the Ministry of Education. The objective of the Trust fund is to provide financial resources and sound management of the fund for the benefit of students of accredited tertiary institutions pursuing accredited tertiary programs and to help promote and facilitate the national ideals enshrined in Articles 25 and 38 of the 1992 Constitution (SLTF Act, 2011 ACT 820).

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) upon 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 moneys taken from the communications service tax revenue (SLTF Act, 2011 ACT 820).

1.3.1 Eligibility Requirements
An individual must be a Ghanaian citizen admitted to pursue a tertiary programme in any of the accredited public or private tertiary institutions in the country, and should demonstrate financial readiness and maintain satisfactory academic progress.

1.3.2 Features of the SLTF

1. Students are to show evidence of admission and enrollment into an accredited Ghanaian Tertiary institution.

2. The loan amounts are means-tested and differentiate according to program of study. The loan amount currently ranges from GH₵500 to GH₵600 per year in the universities and GH₵400 to GH₵460 per year in the polytechnics. Science students are given large loan amounts compared to humanities students.

3. Students are able to have access to the loan without the three guarantors required under the SSNIT loan scheme. 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 the parents do not contribute to SSNIT, another SSNIT contributor must be found to serve as a secondary guarantor. Guarantors should be contributors of SSNIT for five (5) years or more and should not be more than 53 years old so that they would be due for pension before the student start repayment of the loan. Guarantors must not guarantee for more than one (1) person. Parents can however, guarantee for all their children. Recognized Religious Institutions, Corporate Institutions belonging to Ghana Club 100 or enlist on the Ghana Stock Exchange at the time of guarantee and Metropolitan, Municipal and District Assemblies can also provide guarantee for students to access the students loan facility.

The loan carry an interest rate equal to the prevailing 182 day government of Ghana Treasury bill during the students’ period of study in school and one year grace period and 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 15 year repayment period for applicants on a four year programme (see Table 1).

4. Loans may be repaid through monthly deductions from the beneficiary’s salary by his/her employer, through direct periodic payments to the SLTF by the beneficiary if he or she is self-employed or by outright payment of the total loan amount by the beneficiary or employer.

5. There are campus offices at all accredited Tertiary Educational Institutions to ensure efficient administration of the scheme.

6. The SLTF is anchored on the principles of sustainability, scalability and market-oriented. (source: SLTF office, Koforidua polytechnic ; SLTF Website).

2.0 Methodology

Qualitative research was an effective tool for analyzing how different stakeholders view the performance of the SLTF. Although quantitative data may analyze the performance of the SLTF in numbers, vivid explanation is best understood using qualitative study. Qualitative data brings to the fore the different perspectives shared by Polytechnic Administrators, policy makers of HE, parents, Students Loan Administrators, and student leadership on the success and sustainability of the SLTF.
The author used qualitative interview approach, specifically face to face interview to collect the views of individuals on the SLTF. Permission was sought from the participants to record the interview. The recording was later used to fill any gaps on the notes taken. The interview was semi-structured and revolved around the research questions. The use of the interview approach allowed participants to describe what is important to them using their own words rather than being restricted to predetermined categories.

Documentary content analysis was also employed. Documents of official government publications, policy papers, research reports, and online resources were analyzed. In deciding on the participants of the study, purposive sampling technique instead of other sampling techniques was employed because the author believed based on prior information that the selected people could provide the data needed for the study. This was necessary because the author needed people who were knowledgeable in the SLTF loan policy. Participants comprises the Administrator of the SLTF at Koforidua polytechnic, ten (10) student leaders, and three (3) Polytechnic Administrators, all from Koforidua Polytechnic. In addition, ten (10) graduates (former students of Koforidua Polytechnic), ten (10) parents whose children enjoy the SLTF loan and an official from the National Council for Tertiary Education (NCTE) involved in HE policy development were also interviewed. In all, thirty-five (35) people were interviewed. The major disadvantage of this approach is that the author’s judgments may be in error; may not be correct in estimating the representativeness of the sample or their expertise regarding the information needed. Again, the author’s reliance on participants from a particular polytechnic may affect the outcome of the research. Moreover, since the author had a personal interest in the topic of research, there obviously would be some “biases” and subjectivity in the research process. Although it is important for the author to show his feelings about the research in a bid to get the information, these feelings were not allowed to dictate the course of the research.

The analysis was framed around six conditions identified in the literature, particularly in Johnstone and Marccucci(2010) considered to be necessary for the success and sustainability of student loan schemes. Jonstone and Marccucci(2010) posited that for student loans schemes to be successful and sustainable, the following conditions are necessary, namely: 1) generally available to all academically prepared students who need the loan; 2) sufficient to enable students to participate in post-secondary education; 3) means-tested to minimize student borrowing that is not required for the desired enrollment behavior; 4) minimally subsidized by government; 5) collectable, that is able to minimize defaults; and 6) able to tap the private capital markets. Based on the above conditions, six (6) research questions were asked which served as a guide in analyzing the success and sustainability of the SLTF loan scheme.

3.0 Findings
3.1 Success and sustainability of the SLTF
3.1.1 Is the SLTF loan generally available?

Participants articulated that the SLTF loan is generally available to needy students but students have to satisfy the needed requirements. The major requirement as pointed out by many of the participants is getting a qualified and willing guarantor for the loan. Even though the loan policy requires only one guarantor which is an advantage over the SSNIT loan scheme, some students still find it difficult to get guarantors and therefore do not access the loan. One former student participant indicated that although he needed the loan because of his poor financial background, he could not have a guarantor and therefore did not apply for it. The SLTF Administrator observed that some students find it difficult to get guarantors because of the fear of non-payment by beneficiaries. He pointed out that sometimes people willing to be loan guarantors do not even qualify because they have not contributed for five years or more to the SSNIT pension fund or have already guaranteed for two beneficiaries. He observed that some students are unaware of the other forms of guarantors acceptable to the SLTF.

Participants, particularly parents, students and Polytechnic Administrators were dissatisfied with the late disbursement of the loan despite the fact that loan application is completed simultaneously with the polytechnic application process. As highlighted by one of the parents, the loan is meant to provide financial assistance to students and therefore if it is not paid earlier enough for students to benefit from it, then it is not worthy taking it. He emphasized that Students need the loan to purchase books, food, make photocopies and even pay their fees. Unfortunately, loans are disbursed late in the semester when students have already endured hardship. This does not encourage students to apply for the loan.

One polytechnic Administrator pointed out that as a policy, students of Koforidua polytechnic are supposed to pay at least 70 per cent of the academic year’s fees in the first semester. Unfortunately, loans are not paid in time. The
President of the Student Representative Council (SRC) noted that although some students had collected loans from the SRC to pay their fees, they are unable to pay back due to the delay of the student loan, creating problems for the Council.

3.1.2 Is the SLTF loan sufficient?

Participants were unanimous in their perception that in spite of the fact that the SLTF loan is available for needy students, it is not adequate to cover all the educational costs of students, particularly fee-paying students. Currently, the loan amount ranges from GHS400 to GHS460 per year in the polytechnics but fee schedule for HND fee-paying students including hostel fees (evening session) in Koforidua polytechnic is above GHS1,200 (see Table 3). The SLTF loan would only cover about a third of the fees for each academic year. Hence, the shortfall would be too high for poor students to afford. One student participant observed that although academic and residential/hostel fees increase annually, the loan amount has increased marginally since implementation started in 2006/2007 academic year. She indicated that some students engage in businesses and part-time jobs to supplement the loan.

During the 2008/2009 academic year, one hundred and fifty (150) students of Koforidua Polytechnic requested for financial aid from the institution to settle their outstanding fees or face possible dropout [Koforidua Polytechnic Financial aid report, 2009].

Parents and students participants highlighted the insufficient loan amount given to students. This was supported by the government official from the NCTE but he attributed it to the financial constraints facing the government and the GETFund.

3.1.3 Is the SLTF loan means-tested?

Means-testing is a scientific method of assessing financial background of families in order to determine financial needs of borrowers. Participants articulated the inappropriate method of loan allocation to students. They stressed that the loan amounts are means-tested but differentiated according to program of study only. Loans are not dependent on any need-assessment exercise. Thus, flat loan amounts are given to students pursuing the same program. The assumption is that, students’ financial needs are the same and should be given loan amounts without any regard to their financial backgrounds. As noted by one of the student participant, giving students pursuing the same program the same amount of loan creates a wrong impression that students’ needs are the same but students needs differ from individual to individual as do families financial status. The Administrator of the SLTF emphasized that the best practice the world over is to assess the needs of students and to establish funding gaps in order to fill those gaps. He indicated that very soon the SLTF will give out need-based loans and hoped this will provide a reasonable and substantial amount for individuals to complete their programs of study. This confirms the assertion of Johnstone (2004) and Ziderman (2002) that for cost sharing to work, it requires both need-based and means-tested loans for students to borrow against their earnings.

It was revealed that some students although do not need the loan because of their relatively good financial background, they are influenced by their friends to collect the loan. In support of this, a former student pointed out that such students use the money to ‘enjoy’ themselves.

3.1.4 Is the SLTF loan minimally subsidized?

The interest rate of the loan was generally perceived to be minimally subsidized. The loan carry an interest rate equal to the prevailing 182 day Government of Ghana Treasury bill during the students’ period of study in school and one year grace period and 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 15 year repayment period for applicants on a four year program. Currently, the inflationary rate in Ghana is about 9 per cent and the 182 Treasury bill rate is 11.22 per cent.

Both the NCTE official and SLTF Administrator were in support of pegging the interest rate of the loan to the 182 day Treasury bill rate. They were convinced that his would make the loan scheme sustainable. They indicated that it is an improvement over the SSNIT loan scheme which was highly subsidized by government, leading to huge government debt. Students’ and parents participants however had a different opinion on the interest rate. They perceived the interest rate to be on a high side. They were of the view that operating the student loan program on market principles in a country that is struggling with high rate of inflation may plunge students into bankruptcy after they have graduated. This may discourage students from collecting loans to pursue HE.
3.1.5 Is the SLTF loan collectable?
The SLTF Administrator narrated that loan beneficiaries are required to repay the loan from their earnings after successful graduation and gainful employment. The first batch of loans recovery was due to commence in the third quarter of 2011. He indicated that the SLTF had put in place several measures to ensure loan recovery and long term financial sustainability. For example, a Loan Recovery Unit has been set up by the SLTF to be responsible for loan recovery. Loan recovery targets have also been set for Zonal Coordinators. Arrangements have also been made with Ghana Commercial Bank, National Investment Bank and Ecobank Ghana to receive loan repayments from borrowers on behalf of the Trust Fund. Special bank accounts have been created in all these banks and are displayed at the SLTF website into which students can voluntarily repay their loans. Even before the repayment of loans commenced in 2011, voluntary repayments had increased from GHC 18,155 in 2009 to GHC 149,265 in 2010; an increase of 700 per cent, was received through these accounts. As pointed out by the SLTF Administrator, the increase in voluntary loan repayment is attributable to the continuous reminder of applicants and borrowers, on the benefits of paying off the loan if their economic condition improves even while in school. It is also an indication that borrowers understand their responsibilities and obligations. He noted that the SLTF is currently tracing beneficiaries at their work places using their SSNIT registration numbers to impress upon them to repay their loans. The SLTF has also written to employers to submit names of employees who have benefited from the student loans so that they can be traced to repay their loans. Moreover, the SLTF has urged beneficiaries who could not pay their loans after the grace period to inform the Trust so that they could negotiate on loan repayment.

3.1.6 Is the SLTF loan scheme able to tap private markets?
Both the SLTF Administrator and the official from the NCTE were in agreement that although the SLTF has been designed to tap private markets, the main source of funds has been money paid into the fund representing up to 10 per cent inflows into the Ghana Education Trust Fund (GETFund). They stressed that the SLTF is finding it difficult to tap private capital. As at 2010, there was no record of additional philanthropic capital from individual contributors, international partners, and the corporate sector. This is consistent with the views of Johnstone and Marcucci (2010) that one of the problems confronting student loans schemes is their inability to tap private capital markets.

4.0 Discussion
A few striking features of the scheme may be briefly noted that highlighted the strengths and challenges of the SLTF loan program:

4.1 Strengths of SLTF over previous loan schemes
1. The Students Loan Trust Fund (SLTF) has broadened its sources of funding as opposed to the defunct SSNIT loan scheme where the sole source of funding was the SSNIT pension Fund (refer to sources of funds of SLTF)
2. The use of on-line application to access loans in all HEIs with adequate internet access has also eased the loan application process and improved the quality of data base of the SLTF loan portfolio
3. The application of the loan simultaneously with University or Polytechnic application process is a major strength of the SLTF. The intention is to accelerate the disbursement process of the loan, so that students can have access to it during the early part of the semester. This effort is an improvement of the SSNIT loan scheme where loan application and university or polytechnic application were done at different times.
4. The feedback system that has been put on the SLTF website to improve customer service is also worthy to mention. It allows online queries and complaints to receive timely and adequate response, ensuring that applicants concerns are addressed.
5. The Zonal and Campus offices set up by the SLTF will provide first level support and advice to borrowers, applicants and prospective applicants. These offices would be instrumental in gathering customer complaints.
6. With the SSNIT loan scheme, guarantors were strictly members of the SSNIT Pension Fund, making it difficult for prospective applicants to have willing SSNIT contributors to guarantee their loans. This is however not the case with the current loan scheme. The SLTF has introduced three additional categories of guarantors for students’ loan: (1) Religious bodies, (2) Corporate institutions, and (3) Metropolitan, Municipal and District Assemblies. This has made the sourcing of the loans relatively easier to students.
Again, with the SLTF, prospective applicants only need a single guarantor to be able to secure the loan. In this case students’ do not need to struggle getting three (3) guarantors in order to access the loan.

7. The use of the proposed need-based approach to give loans to students will be a huge improvement over the SSNIT loan scheme. With this approach students will be given loans based on their needs, providing a reasonable and substantial amount for individuals to complete their programs successfully.

8. The introduction of the Student Loan Protection Scheme (SLPS) by the SLTF is an initiative that will absorb the financial burden of guarantors and families in the event of default in loan repayment caused by death or permanent disability of borrowers. This is a relief and an assurance to guarantors and parents since loan repayment would not be demanded if a borrower dies or become totally incapacitated.

9. The initiatives taken by the SLTF to ensure loan recovery are laudable. For instance the establishment of the Loan Repayment Recovery Unit, the creation of special bank accounts into which loans can be repaid and continuous reminder to applicants and borrowers on early repayment of the loan are steps in the right direction.

10. Allowing students’ representation on the SLTF Board allows students to participate in the activities of the Board. It will bring to the Board a better understanding of the beneficiaries of the fund.

4.2 Challenges
1. Despite the introduction of other types of guarantors, it appears applicants still find it difficult getting guarantors. The SLTF should continue to explore other forms of guarantors to address this problem confronting needy students.

2. Moreover, despite the fact that loan application is completed simultaneously with University or Polytechnic application process, loans is disbursed late in some HEIs due to the late submission of students’ registration numbers to the SLTF campus offices.

3. Another challenge identified is the insufficient loan amount given by the SLTF considering the high cost of HE in Ghana. This has compelled some students to engage in businesses and part-time jobs. This is consistent with a study conducted in Kenya by Mwinzi (2002) which shows that students in two public universities engaged in income generating activities to assist them meet their educational and living expenses.

4. Also, despite efforts made by the SLTF, it may still be difficult for the Loan Trust to retrieve loans from beneficiaries. Just like the erstwhile SSNIT loan scheme, a student borrower is required to get a social security number issued by the SSNIT and a student identification number issued by an accredited higher education institution before he/she can access the loan. Regrettably, the SSNIT was unable to track down students using these numbers and the same is likely to happen to the SLTF due to the absence of national database that will help track borrowers.

5. Although pegging the interest rate at the 182 day Government of Ghana Treasury Bill rate will help sustain the loan program, operating students’ loan program on market principles in a country grappling with high inflationary rate may create serious financial challenges for graduates.

6. The loan is currently not need-based. The flat loan amounts given to students based on their programs of study without regard to their financial needs is not the best practice. It creates a wrong impression that students pursuing the same program have the same financial needs but needs differ from individual to individual as do family’s financial status.

7. Lastly, the loan repayment is not income-contingent. It does not take into account income differences associated with graduates and their different course of study. Also, it is assumed that there is a direct relationship between the period of study and the income that is earned but this is not wholly true. Since Ghana has a high unemployment rate, it is not likely that after National Service a student will be employed within the grace period and make payment of the loan from his/her salary.
5.0 Conclusions and Recommendations

Undoubtedly, cost sharing generates additional income for HEIs and relieves pressure on budgets but it raises the issue of capacity to pay. Ghana, like other countries, has introduced student loans schemes as an alternative to support students financially so that they could go through HE without much problem. Previous loan schemes in Ghana were however confronted with implementation challenges especially the SSNIT loan scheme. This led to the establishment of the SLTF loan scheme in December 2005. From the study the SLTF has taken innovative initiatives to improve upon previous loan schemes which are major achievements. The loan scheme therefore appears quite successful as an alternative to funding HE in Ghana and has the potential of becoming financially sustainable. Despite these efforts, challenges remain and must be addressed. For example how will the Loan Trust determine student needs in order to give loans which are based on needs instead of the current flat loan amounts given to students? Also, how will the SLTF recover the huge amount of loans disbursed when repayment is due in the absence of a national database? Hence, the author suggests a study on developing a needs assessment model to assess the needs of students before loans are granted. In the view of Ngolovoi (2010), cost sharing is likely to be more acceptable if there is the existence of sufficient loans available to all needy students to borrow to pursue HE. The author also suggests a study on developing a loan recovery model to collect loans disbursed to students.

Meanwhile the following are recommended:

1. Since some students are still not aware of the operations of the SLTF, there should be education and sensitization of the loan to prospective and first year students when marketing the scheme.

2. The loan must be disbursed early in the first semester to help ease the financial burden of the students on campus but not to be enjoyed at home.

3. To ensure effective utilization of the loan facility, the Trust in consultation with HEIs and students should agree that disbursement should be channelled toward the payment of academic expenses, living and lodging. A product could be designed to suit the educational needs of tertiary students to implement this suggestion.

4. Efforts should be made by government to increase the revenue base of the SLTF. For example, increasing the cash flow from the GETFund. This will enable the SLTF increase its loan amount. The loan should be sufficient to reflect the current expenditure level in the tertiary institutions.

5. There must be a deregulation of the system to enable other financial institutions to also give loan facilities to students. This will create competition among the financial institutions, exerting downward pressure on the interest rate of the loan.

6. The SLTF should explore other forms of guarantors to address the problem of guarantors confronting needy students. This will help make the loan generally available to all academically prepared students who need it.

7. The commitment of government to absorb interest rate above the 12 per cent ceiling should be documented. This will compel governments to manage the economy well.

8. Repayment of the loan should be income-contingent as practice in some developed countries, for example the income contingent loan scheme in Australia. In this case Students pay a certain percentage of their loans depending on their income levels/threshold. This does not put unnecessary pressure on the individual.

9. On the issue of lack of reliable national data and records, government should be committed to the National Identification card exercise by putting more money into it since its completion would make efficient record keeping of individuals.

10. To reduce the rate of default Student loans, beneficiaries who default should be made to pay their loans from their Social Security Fund and there must be a legislative instrument to back.
References

Daily Graphic, (2011, September 12) GETFund allocates GH14 million to SLTF


SLTF Act, 2011 ACT 820.

The Student Loan Trust Fund (SLTF) website: http://www.sltf-ghana.org


Annexure

TABLE 1

SLTF Interest Rate Schedule charged on Loans:

<table>
<thead>
<tr>
<th>Moratorium</th>
<th>Study period</th>
<th>National service period</th>
<th>1 – Year grace period</th>
<th>Repayment period</th>
</tr>
</thead>
<tbody>
<tr>
<td>*GOG</td>
<td>+182 day T-bill rate</td>
<td>GOG</td>
<td>GOG</td>
<td>GOG</td>
</tr>
<tr>
<td></td>
<td></td>
<td>182 day T-bill rate</td>
<td>182 day T-bill rate</td>
<td>182 day T-bill rate + 2%</td>
</tr>
</tbody>
</table>

Source: SLTF Corporate document 2011

*GoG – Government of Ghana

+ Maximum rate applied will be 12% until reviewed.

TABLE 2

SLTF loan repayment period

<table>
<thead>
<tr>
<th>Duration of Programme</th>
<th>National Service Period (Yrs)</th>
<th>Grace Period (Yrs)</th>
<th>Repayment Period (Yrs)</th>
<th>Total loan Period (Yrs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>-</td>
<td>1</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>3</td>
<td>1</td>
<td>1</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>4</td>
<td>1</td>
<td>1</td>
<td>9</td>
<td>15</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
<td>1</td>
<td>10</td>
<td>17</td>
</tr>
<tr>
<td>6</td>
<td>1</td>
<td>N/A</td>
<td>10</td>
<td>17</td>
</tr>
<tr>
<td>7</td>
<td>1</td>
<td>N/A</td>
<td>10</td>
<td>18</td>
</tr>
</tbody>
</table>

Source: SLTF Corporate document 2011

TABLE 3

Koforidua Polytechnic

Fee schedule for HND fee-paying programs including residential fees (Evening session)

From 2007/2008 – 2011/2012 academic years

<table>
<thead>
<tr>
<th>Year</th>
<th>Computer Science/ Networking Management (Fresh students)</th>
<th>Business programs (Fresh students)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polytechnic fees</td>
<td>GH¢</td>
<td>GH¢</td>
</tr>
<tr>
<td>2007/2008</td>
<td>902.00</td>
<td>749.00</td>
</tr>
<tr>
<td>2008/2009</td>
<td>978.00</td>
<td>878.00</td>
</tr>
<tr>
<td>2009/2010</td>
<td>1,149.00</td>
<td>939.00</td>
</tr>
<tr>
<td>2010/2011</td>
<td>1,119.00</td>
<td>1,009.00</td>
</tr>
<tr>
<td>2011/2012</td>
<td>1,466.70</td>
<td>1,301.70</td>
</tr>
</tbody>
</table>

Source: Finance Office, Koforidua Polytechnic

Note: As at January 2012, 1 US Dollar = GH¢1.80 and 1 GB Pound = GH¢2.65