Student Loans Financing in Tanzania: Who Benefits and How?

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Abstract

This study examined the mechanisms employed to finance student loans in Tanzania and who benefits and how. The findings show that student loans are financed by the public exchequer. The number of students from high-income families accessing these loans is disproportionate to their representation in higher education institutions, while the share for middle- and low-income students reflects their representation. There is also an imbalance between male and female beneficiaries across programmes, notably in the Science, Technology, Engineering and Math (STEM) disciplines. It is concluded that such disparities are the result of the fact that the student loan scheme seeks to satisfy a number of government policy objectives in relation to higher education beyond access and equity, and that means testing is not rigorously conducted.

Key words: higher education, higher education policy, financing higher education, higher education student loans, public subsidisation of higher education

Cette étude traite des mécanismes employés pour pourvoir des prêts aux étudiants en Tanzanie et examine qui bénéficie des prêts, et comment. Les observations montrent que les prêts sont pourvus par l'échiquier public. Le nombre des étudiants issus de familles à revenu élevé ayant accès à ces prêts est disproportionné par rapport à leur représentation dans les établissements, tandis que la part des étudiants provenant de familles à revenu moyen ou peu élevé reflète leur représentation. Il existe également un déséquilibre entre les bénéficiaires masculins et féminins de tous les programmes, notamment dans les disciplines STEM. On peut conclure

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que de telles disparités découlent du fait que le régime de prêts étudiants vise à atteindre un certain nombre d'objectifs politiques gouvernementaux en ce qui concerne l'enseignement supérieur autres que l'accès et l'équité, ce qui signifie que les tests ne sont pas effectués de façon rigoureuse.

Mots clés: enseignement supérieur, politique de l'enseignement supérieur, financement de l'enseignement supérieur, prêts aux étudiants de l'enseignement supérieur, subvention publique de l'enseignement supérie=ur

1. Background and Aim of the Study

Student loans are a catch phrase in the lexicon of Higher Education (HE) finance in Tanzania. However, an institutionalised financial aid scheme for university students is not a new phenomenon. Between 1964 and 1974 students were exempted from paying fees and other academic expenses through the receipt of a non-means tested government bursary (Galabawa, 1991). Upon graduation, beneficiaries were required by law to serve six months' national service, after which they were employed in the public sector. Sixty percent of their monthly gross salary was deducted by the government for 18 months as a contribution to the bursary fund. In 1974 the deductions were abolished and national service was extended to 12 months. In the 1994/95 fiscal year, following the adoption of the cost sharing policy the bursary was replaced by the student loans scheme which was managed by the Ministry of Science, Technology and Higher Education (MSTHE) to assist needy students in Higher Education Institutions (HEIs) to meet part of their academic expenses. The loans were income contingent, with a proportion of the sum deducted from beneficiaries' salaries over a period of ten years.

In the 2000/01 fiscal year, the Public Accounts Committee (PAC) announced that student loans debt stood at more than Tanzania Shillings (TZS) 13 billion, "which is tax payers' money". It added that, "not even a single cent had been repaid to the government seven years after the inception of the scheme in 1994" (*The Guardian Tanzania*, 2000, p. 2).

In response, the government promulgated Act of Parliament No. 9 of 2004 (amended in 2015) that provided for the establishment of the Higher Education Students' Loans Board (HESLB) to disburse loans to academically able students admitted to accredited HEIs, but with no reliable financial means to pay for the costs of learning. Section 16 (1) of the Act entrusts the Board with the task of collecting due loans from beneficiaries. The establishment of HESLB was predicated on two major assumptions. The first was that the government will mobilise seed money in the initial years and that, in later years, the board will rely on the revolving funds as loans are recovered and repaid. Secondly, it was assumed that the Board would act in a professional, efficient, ethical and transparent manner to extend and recover loans from beneficiaries.

In contrast, the public generally perceives student loans finance in Tanzania as regressive. There have been on-going complaints that students from rich families, and influential public figures are receiving loans at the expense of 'deserving' students from poor families (Mbago, 2016; Temba and Tambwe, 2014). A statement issued by the University of Dar es Salaam Academic Staff Assembly (UDASA) in 2011 seems to support this view:

> ... UDASA has been saddened by the failure of the Loans Board and the Government to advance loans to more than 10,000 deserving students. UDASA strongly deplores the decision of the Loans Board, which contradicts, and is in contempt of the President's commitment to higher education...that all students admitted to pursue higher education in the country, and having met all criteria for loans, would be advanced such loans without discrimination... (Mkumbo, 2011, p. 1).

However, this statement is political and anecdotal. There is a lack of evidence that the Board does not issue loans to deserving students by resolve. The HESLB was established to meet the objectives of the cost sharing policy in the financing of HE and to mitigate the effects of the policy on access and equity. Its strategic plan for 2017/18-2021/22 (HESLB, 2018) notes that underfunding relative to the increasing number of applicants and low repayment rates from beneficiaries are among the factors that constrain its ability to increase the funds available to eligible applicants and the needy.

1.1. Aim of the Study

It is against this background that a small-scale study was undertaken on the student loans system in Tanzania (Kossey and Ishengoma, 2017; Nyahende, 2017, 2013; Nyirenda, 2016; Ally, 2015), drawing from international experiences of student loans finance (Dary and James, 2019; Salmi, 2003; Chung, 2003; Woodhall, 2002a; Nortey, 2002; Woodhall, 1983), discourses on financial aid schemes for HE students (Woodhall, 2002b; Irina, 2002), and debates surrounding the efficacy of student loans in increasing the supply of HE finance (Ziderman, 2004, 2002; Woodhall, 2003a). The study aimed to answer the following key questions:

1. How are student loans financed?
2. Who benefits from student loans? How?

1.2. Methods

Research clearance was sought and data were collected from two universities coded as 01 and 02 in Tanzania Mainland. The former is a public institution while the latter is a privately owned and managed one. Ethical clearance was obtained as well as the participants' informed consent.

All the participants volunteered to take part in the study. Secondary data were collected from National Basic Education Statistics (BEST) (United Republic of Tanzania - URT, 2017a), BEST Regional data (URT, 2018a); Ministry of Education, Science and Technology Budget Speeches (2017/18; 2018/19); the Controller and Auditor General's Performance Audit Report on the management of repayment and recovery of HE student loans (URT, 2018b); guidelines for the preparation of plans and budgets (URT, 2018c); and the HESLB data base.

The interviews with staff from the universities and from the HESLB were audio taped and transcribed. Parents' proxy income was determined by a survey questionnaire with 25 items. This was distributed to 500 beneficiaries who were selected using stratified random sampling across ten undergraduate degree programmes. It was completed by 400 students (Male, N = 285; Female, N = 115). Three proxies of parents' income were considered, namely, parents' education level(s) and occupation(s), and education track by type of school (public/private) that the beneficiaries of the loans scheme attended at advanced (upper/senior) secondary education level.

We considered education as a proxy of parents' income because it is frequently cited as a means of upward social mobility. Moreover, aggregate welfare indices have invariably incorporated educational attainment to determine household welfare levels (Borklund and Salvanes, 2011; Ishengoma, 2011).

The study adopted the 2012 Tanzania census scales in which household heads were classified in five broad occupational strata: **1** = professional (employed and self-employed engineers, lawyers, medical doctors, academics, teachers, and others). **2** = Administrative and technical (human resource managers, administrative officers, office management secretaries and semi-professionals such as laboratory technicians, agricultural extension officers and others in this category). **3** = Skilled and semi-skilled (vehicle mechanics, electricians, carpenters, plumbers, masons and others). **4** = Self-employed/entrepreneurs (Wholesalers, retailers, owners of corner shops, food stalls and others). **5** = Unskilled (Subsistence farmers, food vendors, shoe shiners, garbage collectors, street hawkers and others).

Simple descriptive statistics were used to describe the data and to identify convergences and divergences. The data were analysed and summarised in figures for comparison. Tables were used to yield further information and discuss the findings in the light of the reviewed literature and the document analysis. The qualitative data were analysed using descriptive display matrices from which narratives were drawn. However, it is worth noting that this was not a correlation analysis study but a descriptive survey for the purposes of insight and contributing to the debate on student loans financing.

2. Literature Review

Much of the literature on educational investment justifies government subsidisation of HE on the grounds of capital and labour market imperfections, the importance of HE to social and economic development, and the need to promote equity and equal opportunities (Johnstone, 2002). However, during times of fiscal stringency, the financial axe usually falls on social services, including HE (Vossensteyn, 2004). Advocates for HE financing have suggested the need to tap private funding from individual students and families. Therefore, student loans are one way of sharing the costs of HE among students, their families and taxpayers.

It has been argued that when students or their families share the costs of HE, they are more motivated to complete their studies in the minimum time, thus reducing unit costs and wastage rates (Johnstone, 2002). This thinking is clearly spelt out in the Tanzania Education and Training Policy:

> ...The funding of tertiary education and training in public institutions is mainly undertaken with insignificant contributions from parents, students and institutions themselves. This has resulted in... inadequate resources, low enrolments, high unit costs, institutional inefficiency, students' unrest, non-accountability and laxity... (URT, 1995, p. 78).

This argument is closely tied to the logic that loans tend to increase students' awareness of the costs of their education. Awareness of value for money is one way of promoting the market competitiveness of HE, which, in turn, enhances quality and standards (Vossensteyn, 2004). It forces institutions to be "more responsive to market signals and sensitive to the needs of students, private industry and commerce" (World Bank, 1994, p. 7). Blair (1992) argues that, "...Universities must become more entrepreneurial, cost conscious and profit oriented..." (p. 48).

The argument that students with academic ability should have equal opportunities to access HE is fair but flawed. Eligible students from low-income families find it difficult to access HE because of the costs. Proponents of this discourse have generally concluded that the "...availability of financial aid for low income, minority and other disadvantaged students is a determining factor for equity..." (The World Bank, 2002, p. 94), and that, "...an effective system of financial aid for students is an essential condition for ensuring an efficient, equitable and sustainable system of financing higher education" (Woodhall, 2003b, p. 49).

However, critics of student loans posit that the burden of debt might act as a restriction on low-income students, which defeats the equity case for loans (Chapman and Ryan, 2002). Others have asserted that student debt drags down the economy since loan payments consume a significant portion of borrowers' disposable incomes and they tend to forego purchases and investments.

In contrast, Woodhall (2002b; 2003a) asserts that, international experience provides no hard evidence to support the argument that borrowing deters low-income students, ethnic minorities and other marginalised groups from accessing HE. Jackson (2002) and Chapman and Ryan (2002) reached the same conclusion with regard to experiences in South Africa and New Zealand, respectively. Woodhall (2003b) maintains that it is the system of mandatory grants which is restrictive, because upper-income families are most likely to benefit from HE despite means-tested grants. Debate on the efficacy of student loan systems is on-going.

3. Results

3.1. How are Student Loans Financed?

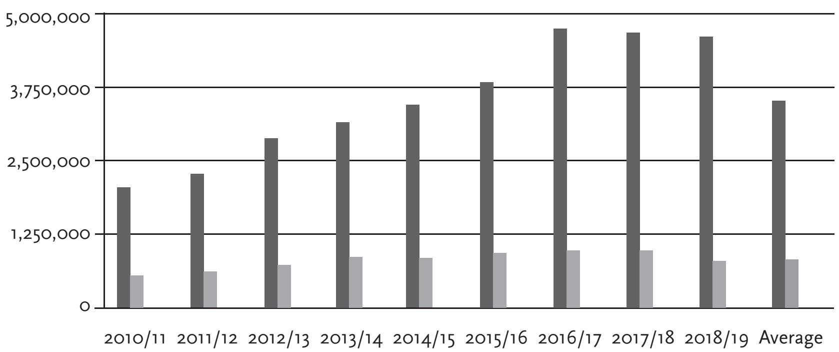
3.1.1. The Extent of Public Expenditure on Student Loans Financing

We examined the trends in government budget allocations to student loans financing, and the extent of government subventions to the HESLB relative to other sources of funding.

Trends in Budget Allocations to Student Loans

The study examined the appropriation of government funds to finance student loans over time by analysing the government budget for HE as a proportion of the total government budget for education, government subventions to student loans as a proportion of the total government budget for HE, and government subventions as a proportion of accrued funds for the implementation of the HESLB's responsibilities.

Figure 1. Government Budget Allocation to Student Loans (TZS in billions)



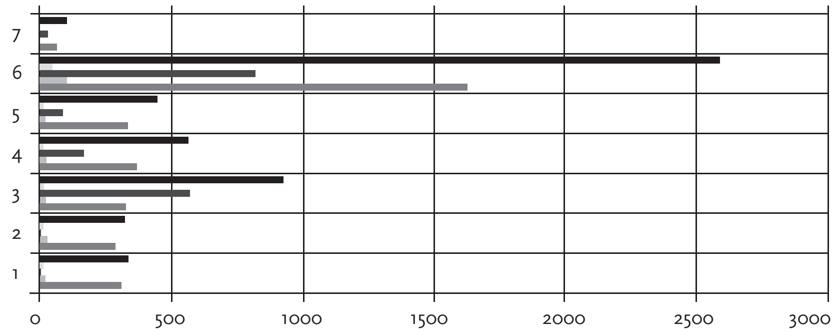
Source: URT (2017a); Budget Speech; MoEST (URT, 2017b); URT (2018a)

Figure 1 shows that the government budget allocation to student loans increased in absolute terms from 2010/11 to 2018/19, albeit with some fluctuations between the 2016/17 and 2018/19 fiscal years. It also illustrates that, on average, 45.04% of the total budget for HE was disbursed to students in the form of loans during this period. This suggests that a significant share of government financial transfers to HE is allocated to student loans.

Government Subventions to the HESLB

Figure 2 shows that the major sources of funds for the HESLB's activities were the government, penalty and loans value retention fees, repayments on due loans and other sources in that order.

Figure 2. HESLB Funding Sources: Selected Years (TZS in billions)



Source: URT (2018b, p. 13); author's calculation of percentages

The figure further shows that the largest contribution was subventions in the form of government recurrent expenditure for student loans (62.74%). This implies that the Board is over-reliant on national treasury to refinance the loans and could explain why actual transfers to the Board are not commensurate with increasing demand for loans from eligible and needy students.

3.1.2. Loan Debt Repayments

A significant share of loans finance is expected to come from loan repayments by former students. These repayments form a revolving fund to support needy students. Repayments are a proportion of the beneficiary's income after graduation, which in turn is a function of sources of earnings.

Therefore, we analysed the contribution made by debt repayments to the refinancing of student loans. The results in Figure 2 do not suggest that debt repayments make a significant contribution to loans finance. This was confirmed by one of the respondents:

> .... To a large extent there is reluctance of honouring the repayment obligation. It would appear that many students and their families consider student loans a grant or a bursary and not a cost sharing instrument. ... (Staff 01: B, 13 June 2018, Dar es Salaam)

Such reluctance could be attributed to negative public perceptions of the cost sharing policy or a lack of awareness among beneficiaries of the Board's mandate and core functions; problems which have been identified by the HESLB (2018).

Another respondent pointed to an additional challenge:

> ... There are many defaulters... however, the real issue is that loan repayments have been deferred by the majority of graduates because [they] are not formally employed, therefore [they] have no steady income from which to repay, and the system is not efficient enough to trace the beneficiaries and recover due loans in time. (Staff 02: B, 13 June 2018, Dar es Salaam)

Thus, it can be concluded that, while the loan scheme was designed as one which is income contingent and an instrument of cost sharing, it is unable to collect sufficient due loans to establish and sustain a revolving fund, which would have eased the burden on taxpayers. This suggests that the Board's core function of managing loan recovery and collection mechanisms needs to be strengthened to ensure financial sustainability.

3.2. Who Benefits from Student Loans Financing, and How?

To answer the above question, we examined:

a. Level of access to HE;
b. Growth in loans to beneficiaries;
c. Success and coverage rates of loans;
d. Beneficiaries differentiated by programme and gender; and
e. Beneficiaries by proxies of parents' incomes.

Access to Higher Education

Loans enable students to access HE. The Gross Enrolment Rate (GER) for HE indicated in Table 1 implies that more than 90% of the corresponding age group in Tanzania is not enrolled in HE. This can be partly attributed to the fact that the country has a relatively high population of youth.

Table 1. Enrolments, Allocations from the Total Education Budget and Unit Costs, 2018

Subsector	Enrolment	Enrolment % of total	GER	NER	Allocation from the budget (TZS mill.)	Allocation % of budget	Unit Cost (TZS mill.)
Primary	10,111,671	84.6	**105.4**	**91.1**	2,607,475	56.2	0.258
Secondary	1,584,460	13.3	**43.7**	**34.6**	1,167,351	25.2	0.737
Teacher	20,962	0.2	-	-	68,045	1.5	3.36
Higher	230,339	1.9	**8.7**		798,628	17.1	3.47
Total	**11,947,432**	**100**			**4,55,840**	**100**	**0.351**

Source: URT (2019); author's calculations

The table shows that HE students constituted 1.9% of total enrolment in the Tanzanian education system in 2018, and that this sub-sector received 17.1% of the total budget allocation to education in the 2018/2019 fiscal year. The table also displays the average unit costs for public education in that year. The cost per student year at HEIs was TZS 3.47 million, which is 11 and five times the annual cost per primary and secondary student, respectively. This suggests that the government bears a relatively high financial burden in respect of HE despite the cost sharing policy and the HESLB's efforts.

Growth in Loans to Beneficiaries

Table 2 shows that in absolute terms, the number of beneficiaries has increased each year, not exponentially relative to the HE age group. In real terms, the number of beneficiaries correlates with increased spending on loans. This means that an increasing number of students are borrowing. Changes in the number and percentage of beneficiaries fluctuate across fiscal years. Our analysis of secondary data (URT, 2018a; 2018b; 2018c) suggests that this is due to frequent reviews of criteria to access loans, de-registration of a number of HEIs by the Tanzania Commission of Universities and the closure of programmes that do not meet standards or for which there is low market demand.

Table 2. Growth in Loans (TZS), 2011/12-2018/19 fiscal years

Fiscal Year	# of beneficiaries	% change in the # of beneficiaries	Loans (billions)	Loans per capita (millions)	Per capita GDP (millions)
2011/2012	94,773	-	318.39	3.36.	1.22
2012/2013	96,818	2.1	315.84	3.26	1.58
2013/2014	96,325	-0.5	328.31	3.40	1.72
2014/2015	100,936	4.8	377.01	3.74	1.91
2015/2016	125, 126	24.1	422.45	3.38	2.01
2016/2017	116,706	-6.7	495.40	4.24	2.23
2017/2018	122,623	5.1	443.10	3.61	2.61
2018/2019	123,285	0.5	427.20	3.46	2.69

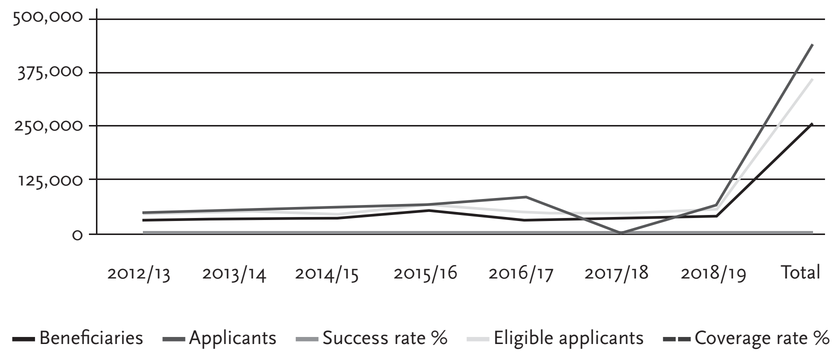
Source: URT (2017a, p. 160; 2018b, p. 6; 2018c, p. 4); Budget Speeches, MoEST (2016/17 (URT, 2017b), 2017/18 (URT, 2018d), 2018/19 (URT, 2019); HESLB data base; author's calculations

In per capita terms, the average annual student loan is on average around 3.4 million TZS. Available data shows that the direct costs of a university student regardless of programme and year of study, are 5.3 million TZS. The variance is 1.9 million TZS which suggests that among eligible and needy students who have accessed a 100% loan, a large proportion of their direct costs is covered by the loan. The data also shows that the per capita loan exceeds the average Tanzania mainland per capita gross domestic product (GDP). If the number of enrollees in HE (Table 1) is juxtaposed on the number of beneficiaries (Table 2), only four out of ten eligible students have access to loans. This implies that without the loans scheme, the majority of eligible and needy students would not be able to afford to study. Nevertheless, going by the variance between the average annual student loan and the direct costs of HE, it is possible for parents and guardians to match the direct costs that are not covered by the loan.

Success and Coverage Rates of Loans to Beneficiaries

All first-year Tanzanian students who are admitted to HEIs have met the academic criterion for loan eligibility. Figure 3 shows that in the academic years 2012/13 to 2018/19, the number of first- year applicants exceeded the number of eligible beneficiaries and recipients of loans. One reason is that the application window is opened before the release of 'A' level examination results.

Figure 3. Coverage of Loans for Frst-Year Students, 2012/13–2018/19 Academic Years



Source: URT (2017a, p. 160; 2018b, p. 6; 2018c, p. 210); HESLB database; author's calculations

The average success rate in terms of loans issuance was slightly above 50% and the average coverage rate was 71%. Whilst needy students are supposed to access loans, a large group of students neither qualify for loans nor can afford to pay for HE, yet have the requisite qualifications to access HE studies. The implication is that HE remains beyond the means of many academically able applicants. An adequate loans scheme should cover all who are in need. It appears that financial resources are not sufficient to expand coverage. The number of beneficiaries is a function of the subvention which is budgeted in a fiscal year, rather than the number of eligible applicants, verified financial needs and students' price indices.

Beneficiaries Differentiated by Programme and Gender

Table 3 shows the loans allocation to undergraduate first-year students in the 2018/19 fiscal year by programme and gender. According to the HESLB (2020) guidelines and criteria for issuance of students' loans and grants, programmes are grouped in clusters that are used to determine the order of priority. They are Cluster I (Education/teaching science and mathematics; health sciences; engineering; petroleum geology/chemistry; agriculture, forestry; animal sciences); Cluster II (Basic science; land science); and Cluster III (Humanities, social sciences, law and others). We have termed Clusters 1 and II as Science, Technology, Engineering and Mathematics (STEM)-related programmes.

Table 3. Loans Allocated to First-Year Students by Programme and Gender (TZS), 2018/19

Programme Category	Gender (N)			(%)		Amount Allocated	% Allocation
	Male	Female	Total	Male	Female		
STEM	8,712	3,398	12,110	71.94	28.06	43,350,716,544	30.35
Education (Science and Mathematics)	2,697	1,219	3,916	68.87	31.13	13,922,674,240	9.76
Social Sciences	13,885	11,606	25,461	54.41	45.59	85,522,692,104	59.89
Total	25,264	16,223	41,487	60.89	39.11	142,796,082,888	100

Source: HESLB data base; author's calculations

These data suggest that students enrolled in Cluster III (humanities and social sciences) tend to benefit more from loans financing than those enrolled in STEM-related programmes. This debunks a misconception among parents and guardians that a comparatively larger share of loans is issued to students in STEM programmes. It can be argued that one of the principle objectives of the cost sharing policy is expanding access to HE. Therefore, the issuance of loans cannot be confined to students who are pursuing national priority programmes, leaving out other programmes which are important in their own right.

Further analysis suggests a gender imbalance in access to student loans. Generally, there are more male than female beneficiaries, especially in STEM-related disciplines and education (science and mathematics) whereas in the humanities and social sciences, the Gender Parity Index is approaching one (54: 46 = 0.85).

Beneficiaries by Proxies of Parents' Income

(a) Parents' education levels

Table 4. Composition of Beneficiaries by Parents' Education Levels in % Terms (N=390)

Level of education	No schooling	Primary	Secondary lower level	Secondary upper level	Tertiary/ higher education	All
Father	17.9	38.9	10.3	2.1	30.8	100
Mother	10.3	57.4	12.8	2.6	16.9	100
Income level	Low	Medium Low	Medium	Medium High	High	

The pattern of parents' education levels described in Table 4 implies that students whose parents have lower than secondary education, have a much higher representation in our sample. If the frequency distribution of parents' education levels and their corresponding percentages are distinguished by income group, representation of students whose parents are grouped in the low-income level is higher than other groups. These two key findings imply that access to student loans has been extended to all socio-economic groups in Tanzania, including the poor. Table 4 further suggests that, cumulatively, the number of students whose parents' have completed tertiary/HE is larger than those who completed secondary education but did not proceed to post-secondary education and training. However, they are not in the majority. Therefore, it can be argued that in per capita terms, those in the high-income group appropriate a large share of loans that is not comparable to their representation in our sample, implying that inequities in loans financing still exist despite the Board's efforts to disburse loans to eligible and needy students.

Parents' Occupation

Table 5. Composition of Beneficiaries by Parents' Occupation in % Terms (N=390)

Occupation	Professional	Administrative/ Technical	Skilled/ Semi-skilled	Self-employed	Unskilled	All
Father	25.9	11.6	0.9	11.6	50	100
Mother	19.8	6.3	7.7	8.1	58.5	100
Income level	High	Medium High	Medium	Medium Low	Low	

Table 5 shows that, in aggregate terms, students whose parents or guardians are in the unskilled category receive a large share of loans comparable to their representation in our sample. The data also suggests that those in the middle-income group are better represented than those in the high-income group. This suggests that students in the low- and middle-income groups have a larger representation in our sampled institutions than the high-income group, implying that the cost sharing policy has expanded access to the government supported loans scheme to a spectrum of socio-economic groups.

Type of Schools Attended by Beneficiaries

The type of secondary school that the applicant for the loan attended is considered an indicator of their ability to pay for HE and is factored into the means-test for eligibility.

Table 6. Distribution of Beneficiaries by Type of A-Level Secondary Schools Attended

Type of School by ownership			Schools that the beneficiaries attended		
	Frequency	Percentage		Frequency	Percentage
Public	44	56.4	Public	322	82.6
Private	34	43.6	Private	68	17.4
Total	78	100	Total	390	100

Table 6 shows that students who attended public secondary schools for their advanced secondary education ('A' level) were over represented in HEIs compared to their counterparts who studied in private secondary schools. This suggests that the number of students who did their 'A' level schooling in private secondary schools was as small as their representation in our sample. In turn, it implies that students from higher-income families proceed to 'A' level public schools on completion of ordinary level private secondary education as a way of meeting one of the eligibility criteria for loans.

Respondents from the Board insisted that the scheme is not biased in favour of a particular group of applicants:

> … The Board is the main sponsor of university students in the country. By June 2016, a total of 379,179 Tanzanians had benefited from the loans since its inception in 2005. Those who benefit from the loans will ultimately pay. A caveat is that it can only provide loans to a limited number of students because of budget and loans recovery constraints. … (Staff 1: B, 16 June 2018, Dar es Salaam)

> … Any needy students; orphans or have lost one parent, those from poor families and the disabled who meet the admission criteria qualifies for a loan…. All students who gain admission into public and private higher education institutions are eligible for loans… income levels are not the only criterion for eligibility. … (Staff 1: B, 16 June 2018, Dar es Salaam)

Another respondent said:

> … Those who attend higher education in Tanzania come without exception from all segments of the society and subsequently have access to the student loans. What matters is academic performance, prioritised academic disciplines for meeting the nation's requirements in the specialised areas of STEM and teaching in the sciences and mathematics… (Staff 1: B, 16 June 2018, Dar es Salaam)

> … Other students miss out because they do not fill in the application forms properly. Their applications tend to miss important information for means testing. It is for this reason that the Board tends to open a window to allow for appeals. … (Staff 2: B, 16 June 2018, Dar es Salaam)

The following responses record different views in relation to eligibility criteria for loans:

> … The loans scheme is regressive, yet it is supposed to be a policy instrument to ensure equitable access to higher education and training to all Tanzanians who have the requisite academic ability and wish to attend higher education. … (Staff: University 01, 10 June 2018, Dar es Salaam)

> … A large majority of us who come from low income families and studied in public secondary schools have failed to obtain loans at a rate which we are entitled. We know each other, applicants of the same means or ability are receiving different amount of loans. This makes us to question the efficaciousness of the criteria for determining eligibility. The process and criteria for eligibility are meant to benefit a few students. … (Student: University 01, 10 June 2018, Dar es Salaam)

A related but nuanced response was that a large fraction of students, particularly those from low-income families are disadvantaged by complex loans application formalities:

> … Applications have to be done through the Online Loan Application and management System (OLAMS), yet rural students cannot access Internet facilities and where the facilities are available the application formalities are expensive, complex, cumbersome and the technical language confusing. … (Student: University 02, 10 June 2018, Dar es Salaam)

The qualitative responses clearly show divergences in the respondents' perceptions of who benefits and who should benefit from student loans.

4. Discussion

4.1. How are Student Loans Financed?

The Exchequer

Guaranteed loans at a value retention fee equivalent to 6% of the loan per annum; monthly deductions of 15% of salary or income over ten years; a 1% loan administration fee (payable once); and a penalty of 10% on due loans after a grace period of 12 months for those who graduated before 2017 and 24 months for those who graduated after 2017, are but one way of subsidising HE in Tanzania. Our results show that government subventions for student loans finance is the highest single cost item in the HE budget; this is consistent with the fact that the HESLB largely depends on the government exchequer in order to function. Yet, one of the major reasons for the introduction of the loans scheme for HE was that loans were construed as a way in which students, and/or their families would meet part of the cost of HE.

By providing recurrent 'ring fenced' funds for student loans the government is spreading the costs of HE to the broader population through taxation. Employment taxes, Pay-As-You-Earn (PAYE) and the Skills Development Levy have been the most consistent sources of government revenue, second only to Value Added Tax. A significant proportion of taxpayers are employed in the public and private sectors (Mtei, 2012). The HESLB's means testing places many employees in the category of those able to share the costs of HE. The principal question therefore remains: to what extent should taxpayers finance student loans and who should benefit from the loans?

The overall public perception is that since parents are taxpayers, the HESLB has the obligation to not only disburse loans but also to ensure that they are unconditionally issued as a right to academically able and qualified students who seek access to HE. This basic flaw that skews the thinking of parents, students and civil society is that the government sponsored loans scheme is a policy instrument to accomplish the objectives of access and equity, rights to which are enshrined in article 11 (3) of the Constitution of the URT (URT, 1977).

From the student's point of view, loan repayment is a private responsibility and the burden of debt falls on the graduate and his/her future earnings. It is arguable that all students who are academically eligible and have been admitted to an accredited HEI should be supported by a government sponsored or guaranteed loan regardless of their socioeconomic status.

The Students' Loans Board (HESLB)

The government makes a recurrent subvention available for student loans. The HESLB makes allocations on the basis of the enveloped funds available in a fiscal year and an eligibility index calculated from a formula incorporating proxies of financial means, among other things. A student loans scheme is supposed to form a revolving fund. Loans must be repaid within a given period of time if the scheme is to be refinanced. This is true whether the scheme is a mortgage type of loans with or without income dependent grants, income contingent or a bursary which has to be repaid through a graduate tax.

Our results clearly show that the prospects of recovering loans from the large majority of beneficiaries and forming a credible revolving fund are bleak. This means that the government takes up the deficit for the HESLB to be able to continue functioning.

The Board has been accused of misappropriation, with critics calling for its dissolution (Kossey and Ishengoma, 2017; Nyirenda, 2016). For instance, in the 2014/15 fiscal year, the Board is reported to have spent 15.7 billion TZS on administrative costs. The Public Accounts Committee described such spending as excessive (Lugongo, 2016). Similarly, a forensic audit revealed that at least 23 billion TZS supposedly paid to students in loans could not be accounted for (Musita, 2016). In addition, more than 3.2 billion TZS were allegedly false loan disbursements to 'phantom' students (Mbago, 2016).

4.2. Who Benefits, and How?

The articulation between student loans and issues relating to eligibility is contradictory and fraught with controversy and tends to offer a partial interpretation of the policy objectives of student loans finance in Tanzania. The quantitative results indicate contrasting perceptions of 'who benefits' from student loans finance, while the qualitative responses offer a critical perspective and draw attention to the way in which student loans in Tanzania are practically rather than rhetorically positioned in HE finance.

We speculated that an equitable principle is built into the formulae in order for needier students to secure a higher share on the point scale of allocation applied by the Board. This notion is consistent with the school finance principal of horizontal equity, in which like students should receive equal shares of an object (Adams and William, 1997). It would seem that the rhetoric of 'fair allocation' by the Loans Board is influenced by the recognition of vertical equity, in which students who are dissimilar in terms of educational needs should receive unequal shares consistent with their differences, and which should reflect the extent to which students are differentially treated in loans issuances. Yet, our qualitative results suggest that the process of authenticating and vetting the veracity of information supplied by applicants to identify the needy is so fraught with mismanagement that students from well-off families are able to receive full loans (100%) and the needy, and those from worse off families less or nothing at all.

The Beneficiaries are Products of an Inequitable Education System

The GER, NER and unit costs suggest inequities in relation to public spending on education. The emerging picture is that Tanzanian secondary and higher education are exclusive. This means that those who gain access to these levels of education and subsequently student loans are products of an inequitable education system. It would seem that rather than improving access, HE is becoming increasingly elitist and out of the reach of most of taxpaying Tanzanians. The secondary data (URT, 2018a) shows that the top 20% of regions account for 29.4% (N=1423) of the secondary schools and 33.6% (N=721,858) of the secondary school student population. The bottom 20% compares unfairly with 10.1% (N=477) of the secondary schools and 9.4% (N=217,476) of the total number of students. The variance between the bottom 20% and the top 20% of regions is glaringly large. The implication is that students from the top 20% of regions in terms of access to secondary education will be over-represented in HEIs and subsequently in the population of student loans beneficiaries regardless of their families' level of income.

A Disproportionate Number of Beneficiaries are from Rich Families

Our finding that students from high-income groups appropriate a larger share of loans than their representation in the student population is consistent with the findings of the education sector analysis (URT, 2011) that reported that a disproportionate number of beneficiaries of HE student loans are from rich families, and Lee's contention that, "…the majority of higher education students are from, and stay within, the top 20% of Tanzania's income spectrum…" (2015, p. 120). Given these findings and contentions, upper middle- and high-income families should be willing to incur more costs than they currently do to obtain HE in Tanzania. This implies that students from such families should not be subsidised by publicly provided loans, but must pay from nonpublic sources. On the one hand, student loans not only perpetuate but also accentuate the correlation between access to HE and family levels of income. On the other, the opportunity to study should be open to anyone with right qualifications and potential to benefit from higher education and training.

A Significant Number of Beneficiaries are from Middle- and Low-Income Families

The literature on education finance in Tanzania has tended to suggest that higher education and training are for a selected few (Galabawa and Mbelle, 2001; Galabawa and Malekela, 1998; Omari, 1994; Galabawa, 1991). Morisset, Wane, Gaddis and Nabeta (2013) and Ishengoma (2011) suggest that, children from high-income families are over-represented while poor rural children, who are in the majority in Tanzania are under-represented in the overall HE student population.

The foregoing notion is line with the predominant discourse on education finance in Tanzania, which adopts a bipolar view of redistribution and

expending of public funds between the 'rich and the poor' as well as 'high-income and low-income'. However, our results show that in per capita terms, the share of low-income students is as large as their representation in the student population which renders the argument on such students' under-representation in HEIs inconclusive.

Our results suggest that the spectrum of proxies of income levels should include the 'wealthiest', and the 'poorest'. Mitch (2004) applies the Directors' law of public income distribution to assert that groups in the middle of income distribution, "…will tend to benefit and use public schooling disproportionately relative to their tax payments in comparison with either poor or rich elements…" (p. 2726). Stigler (1970) classically illustrated this law with the precept that, "…any portion of the society which can secure control of the states' machinery will employ the machinery to improve its own position…" (p. 1), and showed that this portion of society is the middle-income classes that forms a large coalition by identifying itself with the rich or the poor.

The Majority of Beneficiaries Attended Public Secondary Schools

Our results show that the number of students that completed their 'A' level studies in private schools was as small as their representation in the student population. The statistics show that in 2018 (URT, 2018a), 3,632 (74.4%) of the 4,846 secondary schools in Tanzania were public secondary schools that accommodated 1,814,686 (84.5%) of the total secondary education population (N=2,148,466). This partly explains why the majority of students who benefit from the loan offers studied in public secondary schools. Mitch (2004) builds on the works of Fernandez and Rogerson (1995), and Epple and Romano (1996) to assert that:

> … The middle of income distribution values expenditure levels on public schooling more highly than poorer elements who put relatively less value on schooling, while the wealthiest elements would prefer a level of schooling greater than that which is politically feasible to support, hence would opt for higher quality private schooling rather than public schooling… (p. 267).

Notwithstanding the assumption that private schooling is not for the poor, Tookey and Dixon (2006) note that in sub-Saharan Africa, privatisation of education extends to provision for the poor. Parents are sacrificing to send their children to non-government schools, creating the paradox of a dual secondary education system comprised of high quality, elite government and non-government schools and low quality government and non-government schools representing education channels for different socioeconomic groups.

Available evidence unequivocally suggests that from the demand side, Tanzanian public provision has failed to meet parents' aspirations with regard to teaching standards and the overall quality of education. From the supply side, parents are disillusioned by the government's failure to fulfil its political obligation to provide sufficient secondary school places. Our results indicate that only three in ten children in the secondary education age cohort in Tanzania are attending school due to the shortage of places. Paying for private schooling in Tanzania arguably arises more from the necessity of accessing secondary education than from the ability to pay. Galabawa and Mbelle (2002) observe that this "...is generally sought, if entry to public schools is unsuccessful and this offers a viable alternative to entry into higher education..." (p. 178).

We thus argue that denying repayable loans to applicants because they attended private secondary school is unfair because this excludes a significant number of poor children who are academically able to excel in HE. It is also discriminatory because parents who are able and willing to pay for private education pay taxes which are the main source of public expenditure on student loans finance.

Concluding Remarks

From a policy perspective, student loans in Tanzania are construed as one of the ways in which students and/or their families share the costs of HE. They are also regarded as a strategy to promote equity and equality of opportunity for eligible HE students irrespective of their financial status. Student loans are highly subsidised from the government budget and the number of beneficiaries increases each year. A fairly uncontroversial conclusion is that student loans finance is associated with expanded access to HE. This supports our finding that students of both genders from families with different income levels are benefitting from student loans finance although they are disproportionately represented in HEIs. The findings show that this is due to the fact that HE in Tanzania is elitist and that repayable student loans aim to satisfy a number of policy objectives beyond access and equity, such as investment in what are termed, "... Priority Programmes including Health Sciences, Education (Science and Mathematics), Civil and Irrigation Engineering, Petroleum and Gas engineering..." (HESLB, 2020).

In terms of practice, the fact that the HESLB relies heavily on the public exchequer to issue loans and has faltered in recovering debt owed by students means that it has not been able to establish a revolving fund to render the scheme viable and sustainable. In the final analysis, the rate of loans repayments is not sufficient to establish if repayable student loans are a feasible alternative method to increase the supply of financing for HE. The functions of the Board need to be viewed against the policy objectives of student loans finance to fairly gauge the extent of the efficacy of the scheme. This controversial issue requires further interrogation.

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