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Disconcerted Success of Students' Loans in Financing Higher Education in Tanzania

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Abstract

In recent years there has been a strong belief among some practitioners and academicians that the students' Loans scheme in Tanzania performs well. One of the indicators used to measure such performance is the increased enrolments of students. However, evaluating the loans scheme based on quantity is inadequate. Therefore, the present article evaluates the performance of the loans scheme based on its two main objectives namely assisting the poor to access higher education and creating a revolving fund. The article notes poor performance by the scheme. Two observations are evident. Firstly, many students from poor backgrounds are forsaken by private financing of higher education; and secondly, low rates of loan repayments and recovery make the idea of a revolving fund a paradox. The high built-in subsidies; and ineffectiveness of the Loans Board to reduce administrative costs and the rate of default are necessary ailments.

Introduction

Financing higher education has drawn attention of policy makers, political and economic analysts, students, and the general public. This is because higher education has a decisive role to play in a society particularly in promoting economic growth and development. For example, higher education provides high quality skilled labour (ILO, 1967; McMullen, 2000; Schultz, 1981; Stiglitz, 1996); scientific innovation and technology (Zgaga, 2005); improves social services like health and education, (Sanyal, 2005); professional advisory services and consultancies; knowledge economy (Blasi, 2005; Varghese, 2011; 2012); and civic competence for a healthy democracy (Edigheji, 2009; Mattes and Luescher-Mamashela, 2012; Zgaga, 2005). Before 1980s, financing higher education was made free of charge almost in all parts of the world. In Africa, for instance, governments took the responsibility of providing and financing higher education with the public purse.

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From 1980s onwards, things changed not only in Africa but everywhere in the world. The government ceased to be the sole financier of higher education. All beneficiaries of higher education have to contribute to financing of higher education. These include: the government, students and their families, and the private sector. This is the essence of cost sharing.[1] The reasons for introducing cost sharing were almost similar across countries. They included: First, the declining ability of governments to fully fund higher education costs as a result of increasing demand for higher education. For example, the population of Africa grew from 277,398 in 1960 to over one billion people in 2010.[2] Second, it was due to external pressure from the World Bank and the International Monetary Fund. Africa depends on financial assistance from these international organizations. One of the conditionality to obtain financial assistance was to introduce cost sharing. Third, there was an increase in perception that higher education benefits individual students and their families more than the society especially through employment. Lastly, parents or guardians should pay for the education of their children since it is their primary obligation.

Just like in many African countries, higher education in Tanzania is guided by policies and laws. The National Higher Education Policy institutes private financing of higher education by introducing three main things: (i) establishment of private provision of higher education; (ii) cost sharing through tuition fee, user charges and diminution of grant/bursary; and (iii) establishment of loans scheme to facilitate access to higher education by students from poor backgrounds. Chapter 6 of the policy explains financing of higher education. Specifically, section 6.2 of the policy expounds how the costs of higher education are to be shared by owners of higher education institutions such as government (major contributor); private sector or partnership; and beneficiaries (government, private sector and individual students/their families). Taking into account the financial status of individual students and their families it is apt for the government to provide financial assistance to those who do not have the ability to pay for their education costs. Students' loans scheme is established under section 6.3 of the policy. This is the main objective of establishing loans scheme in Tanzania. In order to make the scheme sustainable, the policy provides procedures for loans recovery under sub-section 6.3.2. The implementation of higher education policy is facilitated by the Higher Education Students' Loans Act No. 9 of 2004 (to be referred to as the Loans Act). Section 4 of the Loans Act establishes the Higher Education Students' Loans Board (to be referred to as the Loans Board). The Loans Board is given powers and functions to ensure smooth facilitation of financial assistance to students from poor economic backgrounds. The functions are stipulated under section 6 of the Loans Act. They entail disbursement of loans and collection of loans repayments from 1994.

From its establishment, the loans scheme aimed at providing financial assistance to access higher education by students from poor economic backgrounds. In order to evaluate the success of this scheme, one has to look into two things. One, whether financial assistance goes to the people intended by the policy and the Loans Act. In other words, if the loans scheme has led to increased enrolment, a greater percentage of such increase should be reflected in the access by students from low income families. Two, whether a sustainable loans scheme is the one which is capable of creating a revolving fund. It means students who benefit from this scheme should be able to repay the amount of money borrowed during their study. This article attempts to respond to these two main questions.

Theoretical Framework

This article uses a rights-based approach to evaluate the performance of the Loans Board. The core assumptions of this approach are; - (a) education is a human right which has to be accessed by everyone; (b) the responsibility to promote and respect right to education is vested upon the government (duty-bearer) while the citizen (rights-holder) claims and enjoys the right. The rationale behind selection of the approach is two-folds. First, the ultimate objective of financing higher education through the loans scheme is national development since education returns are wider to include social returns and private returns. In both cases, the society benefits in terms of high skilled labour, science and technology which leads to innovation, civic competence for a healthy democracy, and knowledge economy. Second, education is a right. This is supported by the International Conventions on Human Rights and the Constitution of Tanzania (1977). For example, Article 26(1) of Universal Declaration of Human Rights (UDHR) states that, "everyone has the right to education. ...technical and professional education shall be made available and higher education shall be equally accessible to all on the basis of merit". Again, Article 13(1) of the International Convention on Social, Economic and Cultural Rights (ICSECR) of 1966 states that, "the States Parties to the present Covenant recognize the right of everyone to education." Tanzania has ratified the conventions and thus has to live by them.

Although there are no direct legal commitment to implement Articles 26(1) and 13(1) of UDHR and ICSECR respectively, there is political commitment expressed in the Constitution of Tanzania. Article 9(a) stipulates that, "human dignity and other human rights are respected and cherished". Whereas, Article 11(2) states that, "every person has the right to access education, and every citizen shall be free to pursue education in a field of his choice up to the highest level according to his merit and ability." It is further stipulated in Article 11(3) that, "the government shall make efforts to ensure that all persons are afforded equal and sufficient opportunity to pursue education and vocational training in all levels of schools and other institutions of learning." This stipulation indicates readiness of the Tanzanian government to assist students from low income backgrounds to access higher education. Moreover, formulation of national higher education policy of 1999 and consequently enactment of higher education students' loans board Act of 2004 respond to the commitment of States Parties to recognize right to education. Therefore, evaluating performance of the loans board requires a rights-based approach as the base to analysing access to higher education by students from low income background.

Methodology

The study used qualitative techniques of data collection. They included:- review of documents, interviews and questionnaires. The rationale for using the three techniques was that they provide rich data to merit an evaluation of the loans scheme. For example;- to examine the workability of means testing (one of the core instruments to identifying the needy students) it needed evaluation of the policy and law through a review of documents; interviews with Loans Board officials and other stakeholders; and facts concerning family social status from students which required guided questionnaires. Therefore, a number of institutions were involved: universities (University of Dar es Salaam -UDSM, Open University of Tanzania – OUT, and Saint Augustine University of Tanzania - SAUT); Tanzania Commission for Universities (TCU); Ministry of Vocational Education and Training (MoVET); and Higher Education Students' Loans Board (HESLB). The reason to choose UDSM, OUT, and SAUT out of about 34 universities and university colleges was that UDSM, OUT and SAUT have operated for a long time (over 20 years) and they enrol the highest numbers of students. Generally, the study involved a total number of 108 respondents. Eighty (80) questionnaires were administered to students and 28 respondents were interviewed.

Moreover, this article used institutional and legal approach to examine the workability of means testing. Thus, the loans scheme performance was evaluated based on the objectives to its establishment. It must be noted right from the start that the loans scheme was established in Tanzania to assist students with little or no financial ability to access higher education and relieve the government from fully cost burden of financing higher education. This is possible through creating a sustainable revolving fund.

In order to accomplish its objective, this article developed three major themes in which loans scheme performance was systematically evaluated. First is students' access to loans (and higher education). Through this theme the article demonstrates how enrolments have augmented over a period of time. One of the factors contributing to massive enrolments in higher education institutions is the establishment of the loans scheme. However, the mere fact that the loan scheme has contributed to massive enrolments does not guarantee a genuine answer to whether those who have accessed loans come from low income families. The second is opaque guidelines. This article shows how guidelines issued by the Loans Board every year limit the chances for students from low income families to access loans and consequently higher education. The last is loans repayment and recovery. It demonstrates how Tanzania's loans scheme is not capable of creating a revolving fund.

Students' Access to Loans (and Higher Education)

Higher education is a broad term used to mean post-secondary education (Geuna, 1996; Knight, 2008; McMullen, *et al*. 2000) and/or knowledge and skills imparted within the tertiary level of education (Enders, *et al*. 2005; Geuna, 1998; Higher Education Policy, 1999; Luhanga, *et al*. 2003; Sayegh, 1994). An example of post-secondary education is a university. University education refers to an institution of higher education whose principal function is to transmit advanced knowledge from one generation to another and to train skilled higher level manpower (Abegaz, 1995; Mabizale, 2007; McMullen, *et al*. 2000; Reddy, 2011; Varghese, 2004). This article uses higher education and university education interchangeably.

Students' access to higher education is influenced by the presence of higher education institutions (i.e. universities) and financing mechanism (i.e. private financing of higher education). The existence of many universities and university colleges justifies wider choices for students who wish to join universities. But these choices are contrived by the market. Individual students have to compete for available chances. This competition is deemed fit to reach into quality and efficient products (i.e. course programmes). Because of competition, among many other reasons, the government established a regulatory institution through the Universities Act of 2005. Section 4 of this Act establishes the Tanzania Commission for Universities (TCU). From its establishment, TCU has been regulating the quality of higher education in general and admission criteria in particular. It is argued by this article that admission criteria form the most important determinant factor to facilitate or hinder students' access to universities. Indeed, TCU has set a minimum requirement[3] which certainly facilitates access to universities for students who have demonstrated ability to learn.

However, minimum requirements set by TCU (even though should be abided by universities) do not restrict universities to set higher requirements. In fact public universities have set minimum requirements which are the highest about two to three times the minimum requirements set by TCU. For example, apart from certain science programmes that admit students with a total points of 2.0 (same as minimum entry set by TCU) all other programmes require a total of 4.0, 4.5, 5.0, 7.0 points in public universities (see TCU Guidebook, 2013). It is submitted that students with minimum qualifications have a higher probability to be enrolled into private universities. Arguably, students from poor backgrounds are most likely to fall into this group because of the despicable learning environment they encountered.

Since the introduction of private financing in Tanzania, enrolments have escalated at commendable pace. For example, in 1961 UDSM had 14 students (Luhanga, et al. 2003:21); in 1995/1996 enrolment increased to 4,006; in 2004/2005 there were a total of 14,221 enrolled students; and in 2010/2011 the numbers reached to 17,077. SAUT was established in 1998 with 294 students; in 2005 the numbers multiplied to 1,336 students; and in 2010 increased to 12,066 students. Generally, enrolments in public and private universities have increased from 49,967 students in 2006/2007 academic year to 135,367 students in 2010/2011 academic year.[4]

This increase in enrolments has been publicized to mean success of the loans scheme in several occasions by the Loans Board, the Minister for Education and Vocational Training and other stakeholders such as Ms. Nyahende. For example, during his keynote address on the occasion of the fourth graduation ceremony at St. Joseph College of Information and Technology

Songea on 9 September 2013, the Minister for Education and Vocational Training, Dr. Shukuru Jumanne Kawambwa said that "higher education student loans disbursed by the government has expanded from Tanzanian Shillings (TZS) 56.1 billion (equivalent to USD 33.3million) in 2005/2006 to 326 billion (equivalent to USD 193.4 million) in the financial year 2012/2013. This is a 481 percent increase in higher education student loans in a period of seven years only." In the same line of thinking, in 2013 Ms. Nyahende published an article titled *"The Success of Students' Loans in Financing Higher Education in Tanzania"*[5] arguing that students' loans scheme performs successfully because it increases enrolments of students in higher learning institutions. However, increased students enrolment does not solely depend on loans scheme. It is evident that increased service providers (public and private)[6] and course programmes lead to increased enrolments. Most importantly there are students who do not benefit from the loans scheme. For example, the total enrolment in 2010/2011 academic year was 135,367 students whereas 93,181 (68.8%) accessed loans and 42,186 (31.2%) did not access loans. Other factors necessary to increased enrolment are: introduction of new course programmes, remedial programmes, double sessions, and introduction of the Central Admission System (CAS).[7] For example, the Open University of Tanzania enrols the biggest[8] number despite the fact that only a tiny number of students have access to loans as it is expressed in table 1 below.

Table 1: Loans Issued to Students Admitted at OUT from 2005/2006 to 2010/2011

Year of Study	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011
No. of Students	**3214**	**689**	**1919**	**121**	**606**	**867**

Source: Field data, 2012.

Moreover, getting admission is one thing and sustaining university studies is another and most critical one. It requires a sustainable financing mechanism. Students from well-off families do not have a problem. The challenge remains with students from poor backgrounds. The loans scheme was set to mitigate this challenge. Access to loans by students from poor backgrounds is regulated by two statutory instruments. These are: the Loans Act and the Higher Education Students' Loans Regulations of 2006 (to be referred to as the Regulations). Section 16(1) of the Loans Act provides for the basic qualifications to accessing loans. These include: (i) *needy* and (ii) *eligible* student. The two basic qualifications are problematic when it comes to implementation. It is unfortunate that the Loans Act and the Regulations do not define the terms in bold and clear terms; instead section 17(1) provides criteria for determining an eligible student. Arguably, interpretation of a *needy* student should not in any way contravene criteria to determining eligibility. It is because the basic foundation for ensuring access to universities by students from poor backgrounds is section 17(1) of the Act. The criteria for eligibility are: (i) he is a Tanzanian student; (ii) he has been admitted to an accredited institution of higher education; (iii) he has made an application in a prescribed form; (iv) he is a person who has no financial assistance from any other source or sources to cover the item or items of cost for which the application is made; (v) he is a continuing student applicant, who has passed the examinations necessary to enable him to advance to the following year or stage of study.

Examining these criteria promptly two of them abate the efficiency of the Loans Board to identify *needy* and *eligible* students. These are:- (a) he is a Tanzanian student (citizen of Tanzania) and (b) he is a person who has no financial assistance from any other source or sources to cover the item or items of cost for which the application is made (extensive discussion to be covered in subsequent sections of this article).

The question of citizenship in Tanzania is complicated even though there is an on-going process to issue National Identification Card (NIC). The process just started in June 2012. There is a considerable number of Tanzanians including university students who have not filled the forms for issuance of NICs. It is definite the problem of citizenship has not yet been solved. It has been very difficult for the Loans Board to issue loans to eligible Tanzanian citizens. The study conducted in 2007 by Makulilo (2011) shows a number of students who benefited from loans scheme while they were not Tanzanians. In various occasions the Loans Board officials have confirmed to face serious difficulties in discharging duties in absence of NICs.[9] In absence of NICs, the Loans Board uses birth certificates as an approximate proof of citizenship. Based on information submitted to authorities (during issuance of birth certificates) Tanzania issues birth certificate even to non-Tanzanians. In the work of Mubanga (2013) "*Who is a Tanzanian Citizen*?" inconsistencies have been reported associated with mechanisms (including birth certificate) used to prove Tanzanian citizenship. Mubanga observes that a birth certificate (issued by registrar of births in a district) may serve as one mechanism of proof of citizenship by person X; yet it may not pass the test of citizenship by the immigration department. In a more complicated situation, Mubanga explains a case where two blood relatives from same mother and father (Mr. Revocatus and Ms. Lydia Buhanza) who applied for a passport and were treated differently, whereas one was considered a citizen and the other not.

Opaque Guidelines

Guidelines are mere departmental practice for the Loans Board to provide the public with information on the whole process of accessing loans. They are neither statutory instrument nor can they be enforceable by law. Unfortunately, the Loans Board arbitrarily uses the guidelines to misinform the public about criteria for eligibility by imposing a number of restrictions to accessing loans through division criterion, loan grades and percentages, and debilitated means testing. All these restrictions are detrimental to facilitating access to universities by students from low income families. The 2006/2007 Guidelines[10] defines the term *needy* student to mean a student who really deserves financial assistance.[11] Without doubt; one would think this interpretation aligns with the provisions of the Loans Act. And it means a poor or student from low income families.[12] On contrary, section 3.10 provides further five groups which should be considered to be a *needy*. These include: (i) an orphan; (ii) a disabled student or a student who has disabled poor parents; (iii) a student from a poor single family; (iv) a student from marginalized and disadvantaged groups; and (v) a student from a low income threshold family earning national minimum wage or below. Consecutive guidelines for academic years 2007/2008, 2008/2009, 2009/2010, 2010/2011 and 2011/2012 continue to interpret *needy* student along the interpretation of the Guidelines for 2006/2007 academic year. However, there were slight modifications to the groups considered *needy* by the guidelines. A poor orphan and a poor disabled student or disabled poor parents (as per the Guidelines for 2007/2008) were substituted for orphan and disabled in subsequent guidelines. In addition, Section 2.1 of the Guidelines for 2012/2013 clearly defines financial assistance to mean that parents or guardians have the primary obligation of meeting higher education costs of students.

The contradiction surrounding interpretation of *needy* student by the Loans Board is highly technical. The Loans Act requires the Loans Board to provide loans to a person (Tanzanian student from accredited university) who has *no financial assistance* to cover his/her studies. In other words, this person must be coming from poor economic backgrounds (low income families). It is very surprising to find the Loans Board interprets "no financial assistance" as a poor orphan (and orphan) or poor disabled student/parents (and disabled student/parents). It is absurd to interpret "no financial assistance" as orphanage or disability. This is because not all the time orphanage and disability mean inadequate finances. What the Loans Board could do is to ascertain financial status of each student who needs financial assistance so as to find the one with inadequate or no financial assistance. It is absolutely fallacious to ascertain financial assistance through orphanage or disability. It was not intended for the Loans Board to mislead the public and consequently deny access to universities by many students who have no financial assistance.

The guidelines impose academic merit as eligibility for loans. Specifically, "division criterion" became a determining factor to accessing loans from 2006/2007 to 2010/2011.[13] Interestingly, academic qualifications demanded by the Loans Board were higher than what the institutions of higher learning demand.[14] It is not known why the Loans Board imposed academic qualifications as a criterion for accessing loans in the first place. Worse, demanding higher academic qualifications than what is required by accredited universities is extremely inadmissible. The Loans Act clearly stipulates an eligible student should have been admitted by accredited university. It could be proper if the Loans Board demanded admission letter (as the Guidelines for 2005/2006 did) instead of academic qualifications which are higher than minimum qualifications to join universities. The interpretation of this is to repudiate access to loans by students from low income families (who are likely to get admission through minimum entry qualifications). Open University of Tanzania (OUT) is one of the public universities which are omnibus in terms of geographical extension and enrolment. It is one of the universities which enrol a good number of students with minimum entry qualifications. OUT demonstrates vividly (in table 1 above) how imposition of division criterion affected access to university by students from low income families. The table shows that 3,214 students accessed loans before imposition of division criterion and after its imposition, access to loans deteriorated in consecutive academic years.

The Guidelines for 2007/2008 academic year introduced loan grades and percentages in the name of loan formula or means testing. The grades and percentages were six (6) in groups whereby each grade is equivalent to percentage. These include: A (100%), B (80%), C (60), D (40%), E (20%) and F

(0%). Before this invention, the Loans Board mysteriously demanded all first years in public universities in 2006/2007 academic year to pay 40% of tuition fee (see section 5.4 of the Guidelines for 200/2008 academic year). In 2006/2007 the Loans Board provided only 60% for tuition fee, special faculty requirement, field practical; and 100% for research in selected fields subject to means testing (see section 6.0 of the 2006/2007 Guidelines). Looking at these abrupt and sorcery changes in the name of loan formula this article derives three conclusions. First, instituting 40% to all first years in public universities is discriminatory and illegal. These students were already in receipt of 100% loans (and for that matter had passed the means testing). Second, providing a maximum of 60% of loans to some items and 100% to other selected items in selected fields of study is unreasonable because the practice assumes all students have equal ability to pay the remaining 40%. This is to restrict those students with no ability to pay 40%. Arguably, students from low income families were denied access to loans. How would a poor student (and family)[15] for instance be able to pay 40% of tuition fee charged by the International Medical and Technological University (IMTU)? Note that at that time IMTU charged USD 4500 (TZS 7,200,000) leaving aside other costs.

The study conducted in 2007 among 191 students in eight (8) universities by Makulilo (2011) found 68% of students who accessed loans were from high wealth families while only 32% were from low income families. Similarly, Ishengoma (2010:187) observes that current loans scheme exacerbates the already existing inequalities in higher education due to disproportional representation of children from upper- and middle- class families in both public and private higher education. Third, loan grades and percentages are only in six (6) groups. What is the rationale behind these categories? Does each individual category really reflect individual financial status? How does the Loans Board arrive at each individual grade and percentage? All these questions could never find answers from the Loans Board. Following continuous resistance to accept means testing results through appeals and numerous claims[16] the Loans Board revised the six (6) groups to eleven (11) i.e. A (100%) to K (0%) in 2009/2010 and 2010/2011 academic years. Even with the Loans Board's revision on loan grades and percentages things were never better. The Report of the Commission formed by the President (2011) shows that the Loans Board has failed to identify students from poor families and many of them have been denied access to universities through means testing. The commission recommended a number of things to be done including revising means testing.

In 2011/2012 the Loans Board came up with a new formula claimed to be simple, transparent and fair. This formula tries to measure students' financial status by ascertaining incomes. The purpose is to find out neediness of each student. Although this new formula is seen as an appropriate strategy, two challenges continue to haunt and paralyze its application. These are the absence of a means to verify information submitted by students and ill-natured factors applied by the formula. Otieno (2004: 88) argues that obviously information provided by students (even full objectivity is assumed) is not representative enough to place students into realistic nationally accepted norms of income and expenditure groups. If adequate information could be obtained on the financial backgrounds of students, it would be more practical mechanism for determining *needy* and hence allocation of loans. Similarly, Tekleselassie and Johnstone (2004: 137) argue that one of the very great dilemmas for higher educational policy in Africa and virtually all developing countries is means testing – determining and verifying the amount that a family can reasonably be expected to contribute toward its children's higher education.

The formula measures neediness by subtracting higher education costs (i.e. costs for meals and accommodation, books and stationery, special faculty requirements, field practical, research and tuition fee) of a particular institution of study from the applicants' ability to pay for his/her education costs; multiplied by a factor to acknowledge the high return of higher education to the applicant. The factor ranges from 1.1 to 1.5 depending on the magnitude of tuition fee paid at O-level, A-level, and Ordinary Diploma, i.e. the higher the magnitude the higher the factor. However, the formula makes adjustments to cover for loan applicants with special socio-economic disadvantages such as orphanage, disability (of parents/applicant), and single parent. The mathematical expression of this follows below:[17]

> Neediness = Total Cost of Higher Education – Ability to Pay for own Education. Ability to Pay for own Education = Resources – Adjustments; Where Adjustment = Orphanage, Disability, Single parent; Resources = Previous Paid School Fee X Factor (1.1 – 1.5);[18] Where factor is equal to the value to acquire degree/rate of return to higher education.

The analysis of this measurement unfolds several inconsistencies. First, the Loans Board arbitrarily uses secondary school fee as a measure to the rate of return to higher education. It assumes that paying higher school fee implies recognizing higher private rate of return to education. Chapman (2006:18) defines private rate of return to higher education as "the annual additional income associated with investment in higher education, taking into account the value of foregone earnings while studying, plus tuition costs, and time stream of additional income as a result of the receipt of a university degree." It is an investment for future economic benefits. An individual student is expected to receive higher salaries after graduation. There is nexus between investment into higher education and higher salaries after graduation.

This leads to the following conclusions that: one, a student before joining a university (and a particular programme) he or she was able to weigh the costs and benefits of undertaking or not undertaking that particular programme. Two, higher education is associated with significant private economic returns. The assumption is that students know all available options and their uncertainties (risks). Chapman (2006:20-1) explains "*market failure*" in higher education in the understanding of labour and human capital investments. He posits that educational investment is risky, with the main areas of uncertainty being as follow: (a) students enrol without knowing fully their capacities for (and perhaps even true interest in) the higher education discipline of their choice. This means that in an extreme they cannot be sure that they will graduate with good qualification; (b) even given that university completion is expected, students will not be aware of their likely relative success in the area of study. This will depend on their own abilities, but also on skills of others competing for jobs in the area; (c) there is uncertainty concerning the future value of the investment. For example, the labour market – including the labour market for graduates in specific skill areas – is undergoing constant change. What looked like a good investment at the time it began might turn out to be a poor choice when the process is finished; (d) many students, particularly those from disadvantaged backgrounds, may not have much information concerning graduate incomes, due in part to lack of contact with graduates. Integrating these uncertainties, many students in Tanzania join university education because they have acquired minimum requirements to join a university and join programmes that have higher chances to accessing loans. Based on this argument, education programmes have immense effect to applicants not because of the higher private rate of return to education (education degrees are the lowest paid jobs in Tanzania) but rather due to access guarantee of loans. This is the reason as to why almost all private universities have introduced education programmes immediately after the establishment of the Loans Board (where education becomes a priority).

Second, the ability to pay for education costs by individual applicants is correlated with a range of destitutions like orphanage, disability, or single parent. The problem with this correlation is that the aspect of income source is blurred. It is not always an orphan, disabled, or single parent students have inadequate fund sources. The implication of this is to allow students who are orphans, disabled, and single parented to claim loans on bases of their disadvantages and not financial inadequacy. If the purpose of Loans Board was to recognize specific disadvantages detrimental to the ability of an applicant to raise money for covering education costs, the range could be exhausted to include unemployment, market failure, health conditions (there are certain diseases hinder maximum production e.g. HIV/AIDS), and elderly to mention a few. The rationale for the Loans Board to factor in some conditions while leaving many others (externalities) is unbecoming and unacceptable. Third, it is fallacious to calculate the ability to pay for education costs based on past expenditure. School fee paid in secondary education is past expenditure. How cogent is past expenditure in ascertaining current income sources? The appropriate mechanism to find out current income sources of applicants is to calculate exact sources of income such as salaries and businesses which have for ages proven to be arduous. Arguably, what the Loans Board calculates as the ability of applicants to pay for their education is nothing than an overestimation of individual income sources. It is another way to restrict access to loans by students from poor backgrounds.

Again, field data (2012)[19] shows that about 80% of students from well-off families have accessed universities through loans and other sources. Other sources in this study include: employment and/or business, parents/guardians, and grants/scholarships from university, non-governmental organizations (e.g. Carnegie) and business companies (mobile phone companies such as Airtel). On the other side only 20% of students from low income families have accessed universities through loans. This finding is supported by other findings. First, loans are highly insufficient. A student who does not have other sources cannot complete university studies. It is because the discrepancy between loan facility and the cost of university education is very big. A student from low income families cannot afford to cover the discrepancy. With the aid of tuition fee (as one item of costs of education), table 2 substantiates the facts.

Table 2: Tuition Fee Eliminates the Poor from Accessing Universities

	Tuition Fee TZS			Possible Loan TZS		Discrepancy TZS
University	BED	BAED	Bmed.	BED & BAED	Bmed.	
UDSM	1,000,000	1,000,000	N/A	500,000	N/A	500,000
UDOM	700,000	800,000	1,800,000	350,000/400,000	1,800,000	350,000/400,000
TURDACO	N/A	2,300,000	N/A	500,000	N/A	1,800,000
ETU	N/A	1,800,000	N/A	500,000	N/A	1,300,000
JoKUCo (bukoba)	1,500,000	1,500,000	N/A	500,000	N/A	1,000,000
UB	N/A	2,500,000	N/A	500,000	N/A	2,000,000
UoA	1,794,000	N/A	N/A	500,000	N/A	1,294,000
SMMCO	1,605,000	N/A	N/A	500,000	N/A	1,105,000
MUHAS	N/A	N/A	1,800,000	N/A	1,800,000	NIL
KCMC	N/A	N/A	3,100,000	N/A	2,600,000	500,000
CUHAS	N/A	N/A	3,700,000	N/A	2,600,000	1,100,000
HKMU	N/A	N/A	5,282,000	N/A	2,600,000	2,682,000
IMTU	N/A	N/A	6,250,000	N/A	2,600,000	3,650,000
KIU	N/A	N/A	9,900,000	N/A	2,600,000	7,300,000

Source: Adapted from TCU Admissions Guidelines for Higher Education in Tanzania, 2013 (1 USD is estimated to be equal to 1680 Tsh/=). BED means Bachelor of Education (non-science and non-mathematics); BAED means Bachelor of Arts with Education (non-science and non-mathematics); Bmed. means Bachelor of Science/Doctor of Medicine

The above table reveals two most important points of discussion. First, it is quite evident that tuition fee at private university is exceptionally high.[20] A common discrepancy of TZS 500,000 (USD 305) to TZS 7,300,000 (USD 4453) is detected. It is beyond unconceivable that a student from poor backgrounds would have extra TZS 500,000 to TZS 7,300,000 in each academic year to pay part of his/her education costs. Notwithstanding, tuition fee is just one, there are some other costs which are completely not covered by loans (private cost i.e. communication, internet, clothing) while others are partially covered (meals and accommodation, research, field practical, faculty requirements). Taking the current minimum wage for workers in various sectors like health; agriculture; mining; marine and fishing; domestic services (including hotels); private (security services); commerce, industry and trade; and other sectors not mentioned in the wage board; where most parents/guardians of students from poor backgrounds come from is pathetic. As from July 2013 rates were between a monthly pay of TZS 80,000 (USD 49) and TZS 160,000 (USD 98).[21] If the maximum rate is calculated in a year it becomes TZS 1,920,000 (USD 1,172) which is far below tuition fee charged on medicine related programmes in private universities. The question is: how possible is it for a parent/guardian who depends on employment to be able to raise the existing discrepancy of university tuition fee? The answer is that students from low income families are denied access to universities by insufficient loans. Those poor students who manage to access universities live miserable lives at universities' campuses. They are always in confrontation with university management due to delays in paying tuition fee and endless demonstrations (while boycotting classes).[22] They eat deficiently and live in cheap but abominable accommodation (UDSM Report, 2011).

Loans Repayment and Recovery

Loans repayment and recovery was incorporated in a loans scheme to make it sustainable through a revolving fund. In order to achieve this objective the loans scheme is supposed to have low-built in subsidies (low hidden grant) and efficiency in running the scheme (in terms of low administrative costs and reducing the rate of repayment default). Based on these two fundamentals, the article argues that the loans scheme in Tanzania is highly inefficient. The idea of a revolving fund has not been achieved and probably will never be achieved if the two factors remain constant. Shen and Ziderman (2008) conducted a study titled "*Students Loans Repayment and Recovery: An International Comparisons*" and found that most of 44 loans schemes in 39 countries displayed low repayment ratio i.e. as low as less than 60%. Usher[23] (2011) did a study on "*Students Loans in Tanzania: The Challenges Ahead*" and reported repayment rate of 8%. Shen and Ziderman (*op. cit*) provide two reasons for low repayment ratio and subsequent low recovery ratio: (i) high built-in subsidies; and (ii) inefficiencies in running the loans scheme. Built-in subsidies are manifested in lending conditions (imposed by the policy for various reasons including cost sharing, improving equity and access by the poor, unemployment, etc) such as grace period, repayment period, interest rate, rate of inflation, and long amortization period. The impact of high built-in subsidies (high hidden grant) is to lower repayment ratio and recovery ratio. Repayment ratio is defined by Shen and Ziderman (2008) as the amount of loan an average borrower is required to repay measured in terms of present values. Usher (2011) found that a built-in subsidy in Tanzanian loans scheme is as high as 80%. This means even with maximum efficiency in running loans scheme, loans recovery ratio remains low.

This article goes further to examine efficiency in running loans scheme in Tanzania. It is done through a thorough evaluation of administrative costs and repayment default. Administrative costs involve initial loans processing costs, over all maintenance costs, and collection costs. This article found that over all administrative costs is extremely high. For example, from 2005/2006 to 2009/2010 (five years) the Loans Board spent TZS 54,422,353,628 (USD 33,418,644) for operational expenses (they include: personnel expenses, administrative expenses, bank charges, and interest on PSPF). Therefore, administrative costs alone accounted for 26.77%; while personnel expenses stood at 16.09% and interest on PSPF was 56.17%. As a result, there has been a deficit of income over expenditure in 2006/2007 (about TZS 4,304,366,239 or USD 2,643,758); in 2008/2009 (about TZS 8,546,229,730 or USD 5,247,906); and in 2009/2010 (about TZS 116,460,652 or USD 71,514).[24] Recently, the Loans Board has contracted agencies to follow-up repayment default. Repayment default is broadly defined by Shen and Ziderman (2008) to include payment in arrears and repayment evasion. There are several reasons leading to repayment default in general and Tanzania in particular. These include: unemployment, scanty and/or absence of information about borrowers, cheating during loans application, and non-compliance.

For example, Johnstone (2004; 2009) notes that Income Contingent Loan Repayment (ICLR)[25] may be very problematic in Sub Saharan Africa, where earning streams may be multiple, frequently informal, and often unreported and essentially untraceable. Alluding to, it has been hard to reduce repayment default due to, (i) loans beneficiaries are difficult to find;[26] (ii) technical capacity to track loans beneficiaries was lacking; (iii) there was no credit bureau, and no national system of identification; and (iv) inadequate human resource capacity. The Comptroller and Auditor General (CAG) Report (the year ending June 2010) showed poor follow-up on loan repayment by the Loans Board and advised the management to invoke sections 20 to 23 of the Loans Act against employers and individuals who did not abide by loan repayment procedures. Generally, cumulative loan beneficiaries traceable up to 30 June 2012 were only 43,946 out of total 110,529 due for repayment (Bangu, 2012). This is only 39.7% of all beneficiaries whose loans were due for repayment – about 14,638 were those who were issued loans by the Loans Board from July 2005 to June 2010.[27] The Assistant Director for Loans Repayment and Recovery, Mr. Kibona said that the Loans Board was able to recover only TZS 6.7 billion (USD 41 million) out of TZS 630.6 billion (USD 386 million) having been dished out to students between 1994 and 2011.[28] It is submitted that revolving fund in Tanzanian loans scheme is a deadly dream. In fact, the proposal for sustainable higher education students' loans scheme prepared by the Loans Board (2012) projects loan-able funds deficit of TZS 304.9 billion (USD 180.9 million) by 2018/2019 if other alternatives cannot be factored in (i.e. issuance of government education bond – from the Bank of Tanzania).

Conclusion

The main objective of establishing the higher education students' loans scheme in Tanzania was to assist students from low income families with loans to access higher education. Privatization of financing higher education which includes cost sharing through tuition fee and user charges; diminution or freezing of grant; and introduction of private higher education sector definitely restrains access to higher education by students from poor backgrounds. On the other side, private financing of higher education necessitates high quantity and quality of products. Private financing of higher education increases access to education by those who have the ability to pay for their education under market basis. The success of the loans scheme is examined based on the extent to which objectives have been achieved. The loans scheme should strive to increase access to higher education by students from low income families. In this respect, the loans scheme in Tanzania has a lot to be done to achieve half of its objectives. As the way things are, the scheme is more likely to succumb in a near future. Thus, the alleged success of the loans scheme in Tanzania is unfounded and based on poor evaluation.

Notes

1. Cost sharing is defined by Johnstone (2004a) as a shift of higher education cost burden from exclusive or nearly 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.

2. See "Population of Africa" http://worldpopulationreview.com/population-of-africa/ on 23 August 2013.

3. TCU Application Guidebook (2013) states clearly that holders of Advanced Certificate of Secondary Examination who do not have at least two 'E' in their A-Level results, and Diploma holders who do not have at least a GPA of 2.7 or average of B or Credit they are advised not to apply as they do not meet the minimum requirements to be enrolled in any degree programme offered by higher learning institution. Section 7 of the Guidebook stipulates that minimum entry for Form 6 applicants is 2.0 points and three credits at O'level; Diploma applicants is GPA of 2.7 or equivalents to 'B' grade and four passes at O'level; and holders of one year post form 6 Certificates is an average of 'B' grade.

4. Interview with Loans Allocation Officer at the Loans Board, (27 April 2012).

5. Higher Education Studies, Vol.3, No.3, May 2013.

6. The increase from one public university (UDSM) in 1961 to about sixty (60) universities (public and private) is enough to justify the increased enrolment; Interviews with admission officers 2012; TCU Admissions Guidelines for Higher Education in Tanzania, 2013).

7. Before the introduction of CAS universities used to enrol students individually; this practice led to major problems of multiple selection and no information was communicated among selecting universities (by selected applicant or any other means), as a consequence many

applicants missed the opportunity to be selected (Interview with Admissions Officer TCU, 2012).

8. Enrolment in 2006/2007 was 7,142; in 2007/2008 was 25,829; in 2008/2009 it was 34,524; in 2009/2010 was 39,500 and in 2010/2011 it was 32,673.

9. Field Data, 2012.

10. See paragraph 2.3.1 of the Revised Guidelines and Criteria for Issuance of Student Loans Starting 2006/2007 academic year.

11. Financial assistance is distinctly defined in the Guidelines for 2012/2013 academic year.

12. Because of the high standard of living this paper defines a poor as the one with the ability to earn below equivalent amount of TZS 350,000 (USD 215) in a month.

13. In 2007/2008 the Loans Board was more stringent to male gender as academic criterion was made favourable to female gender (i.e. division I for male; division I and II for female). In 2008/2009 after a huge public outcry over discrimination through gender the Loans Board revised the criterion and made division I and II for both female and male genders.

14. The Loans Board demanded eligible students to possess division I if they are males and division I and II if they are females (division I and II ranges between 6 points and 15 points); while the minimum entry qualification for universities is a total of 2.0 points in three subjects (i.e. division III). However, the distinction also made between physical sciences and humanities, whereby eligible students in sciences were required to posses 6 points to 15 points while humanities were required to possess 8 points to 15 points (see paragraph 3.8 of the 2006/2007 Guidelines).

15. A family with earning ability of TZS 350,000 (USD 215) per month.

16. For example, the Prime Minister Mizengo Peter Pinda admitted that the formula which is currently used by the Loans Board is inefficient

and ineffective since it fails to identify real needy students and those who are not. And it is true that the formula is not proper in identifying the needy students. It is our objective to make sure that loan beneficiaries are really students from poor families (*Mwananchi*, 4 May 2007).

17. Interview with Assistant Director for Loans Allocation at the Loans Board at the Loans board, (27 April 2012).

18. According to Assistant Director for Loans Allocation, Factor 1.1 = TZS. 200,000 (USD 122) – TZS 500,000 (USD 305).

19. Questionnaires and interviews administered to students at UDSM, OUT and SAUT between February and May 2012.

20. Some private universities charged tuition fee in USD. Since its establishment (in 1992 to 2011), IMTU (a private university offers medicine and technological related course programmes) charged USD 4500 as tuition fee. Between July and August 2011 students demonstrated violently to pressurize university management to charge tuition fee in TZS (because fee fluctuates as the USD does) and improve learning environment. The tuition issue led to closure of the university until October 2011. The conflict invited attention of the Minister for Education, Dr. Shukuru Kawambwa; the Commission and Loans Board. Some students demanded transfer to other universities (which was primarily impossible due to admission criteria and university capacity to enrol students). The ultimate solution was for the university management to grant some of students' demands like tuition fee. From January 2012 students pay tuition fee in TZS 6,200,000 instead of USD 4500 (7,400,000). According to TCU News on 16 November 2011 (http://www.tcu.go.tz/info/news/view news.php?id=68) students were allowed to transfer to other universities once under prescribed conditions have been met. Again, TCU promised to initiate academic administrative and admission audit of the university immediately. Unfortunately, the researcher could not get the report of such audit.

21. Minimum wage rates accessed from http://www.wageindicator.org/main/minimum-

wages/tanzania/minimum-wages-in-tanzania-with-effect-from-july-1-2013 on 4 July 2013.

22. Interview with university student leaders from UDSM, OUT, and SAUT between February and May 2012.

23. Alex Usher is the president, higher education strategy associates, Canadian Education Project.

24. Operational expenses were accessed from the Loans Board proposal (2011) table 2: HESLB Condensed Financial Analysis 2005/2006 – 2009/2010, p.20.

25. Loans repayments based on monthly deduction from debtor's salary.

26. Usher (2011); Field data shows that the Loans Board has no genuine number of loans defaulters (relays on approximations) and some loans defaulters are 'ghosts'. The report of the CAG (2012) shows for year ending 30 June 2011, an amount of TZS 317, 878, 110 (USD 195,495) was disbursed as loans to various beneficiaries without instituting proper controls. Some of the pay-out documents were not checked and approved by senior officers. There were suspected forgery and theft of funds amounting to TZS 90,775,800 (USD 55,827) at the head office and there were forgeries through students' loans disbursement at MUCE amounting to TZS 66,057,000 (USD 40,625). In addition, the Loans Board has been issuing loans to beneficiaries without cross-checking the supporting documents. For example, the Loans Board issued unsupported loans for research to MUCE third year students amounting to TZS 15,512,000 (USD 9,540). Another CAG report for the year ending 30 June 2010 shows over 7 billion (USD 4.305 million) were disbursed to students undertaking studies overseas. The same report confirmed forged students' documents in the same year to secure loans amounting to TZS 32.4 million (USD 19,926). However, the Executive Director of Loans Board's, Mr. George Nyatega, submissions of his report to the Parliamentary Social Services Committee (PSSC) said what the CAG referred to as unverified funds, were money disbursed through individual student bank accounts and through Tanzanian Embassies overseas. The study argues that since the Executive Director and the Loans Board failed to

produce proper accounts, and there were ample evidence of forgeries then his submissions are mere propaganda.

27. Interview with the Assistant Director for Loans Repayment and Recovery at the Loans Board, (2 May 2012). However, the Loans Board alone issued loans to 93,181 students between 2005 and 2011.

28. Interview with the Assistant Director for Loans Repayment and Recovery at the Loans Board, (2 May 2012).

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